CAIXA ECONÓMICA MONTEPIO GERAL

MANAGEMENT REPORT 2015

This report is the English version of the document “Relatório e Contas 2015” published by Caixa Económica Montepio Geral in the Portuguese Securities and Market Commission (CMVM) website. Should there be any doubts or contradictions between the documents, the aforementioned Portuguese version prevails.

This Report and Accounts were approved at the session of May 18, 2016,
of the Annual General Meeting convened for the same date.

Montepio

CAIXA ECONÓMICA MONTEPIO GERAL

MANAGEMENT REPORT 2015

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CAIXA ECONÓMICA
MONTEPIO GERAL

Message of the Chief Executive Officer

José Félix Morgado

The difficult international and national economic circumstances experienced in 2015 strongly constrained the development of banking activity, especially due to the volatility of the markets combined with the growing regulatory requirements and environment of the sector.

The financial system, and in particular the banking sector, has shown a progressive trend of recovery, notwithstanding the low levels of profitability, reflecting the deterioration of net interest income, caused by the context of historically low interest rates and deleveraging of the non-financial private sector.

Faced with these challenges, Caixa Económica Montepio Geral (CEMG) responded with the vigour inherent to its culture, having continued to adjust its strategic positioning, supported by its solidity and solidarity, in order to align its market approach to the new economic framework.

The year of 2015 was marked at CEMG by the approval of the statutory amendments which enabled completing the programmed changes in its internal governance model, aimed at assuring management focus on the banking business in response to the increased complexity and volatility of the markets. This choice of placing a greater concentration of efforts on the banking business management was embodied in the separation of the CEMG's management bodies from those of its parent company, Montepio Geral - Associação Mutualista, which culminated in the election of new governing bodies, with the current Executive Board of Directors having taken up office on 7 August 2015.

The publication of Decree–Law 190/2015 on 10 September also constituted an important alteration in the applicable regulatory framework. Under the terms of this diploma, CEMG is henceforth classified as a "Caixa Económica Bancária" (Savings Bank), opening favourable prospects for the development of our banking activity, namely due to the reduction of risk arising from any capitalisation needs generated by our affirmation in the market. It should be said that we are proud to be an institution 172 years old, fully held by Portuguese private capital, which, with unrelenting enthusiasm, pursues its mission of serving the Portuguese Social Economy, Families, companies and institutions, performing its primary role of acting in defence of the national interest in supporting the Economy based on proximity and knowledge of the needs and expectations of national economic agents, derived from maintaining its decision-making centres in Portugal.

It is with the confidence brought about by the evidence that we face the future, This confidence is underpinned by the commitment shown by our employees who successfully rose to the demanding challenges placed before them in 2015, in particular through their focus on commercial dynamics that enabled our return to growth and affirmation of Montepio's position in the market, alongside the accomplishment of strategic measures which led to the mitigation of risks and lower capital consumption, reinforcing the robustness and solvency of its balance sheet.

Throughout the year, Montepio's brand and reputation continued to merit the market's recognition, reflected in various awards and distinctions which CEMG was most honoured to receive. The satisfaction of the Customer and of all who are in any way related to us are considered factors of motivation in our achievement of the delineated strategy.

On behalf of the Executive Board of Directors, we would like to thank CEMG's employees for the dedication, effort and commitment demonstrated in their daily work in the institution's benefit. We are a Group driven by customer service and the development of the capacities of each and every one. We are a solid institution based on a future of development.

On this occasion, we would like to thank our customers for their demonstrated trust and loyalty and express our confidence in tightening commercial relations based on the spirit of partnership and a forward-looking perspective.

To our parent company, Montepio Geral – – Associação Mutualista, we wish to acknowledge their contribution to CEMG's development and attainment of performance, and leave a message of confidence in the future. We have the resources to successfully overcome the challenges of the future. We possess a robust net worth. We have an experienced team, with deep knowledge of the market and committed to the generation of value.

Finally, a word of appreciation to the members of the governing bodies and all other entities of the Group, for their solidarity and cooperation demonstrated in conducting the institution's desiderata.

Governing Bodies

Board of the General Meeting

Chairman
Vitor José Melícias Lopes[1]

1st Secretary
Manuel Duarte Cardoso Martins

2nd Secretary
António Dias Sequeira[1]

Alternates
Maria Leonor Loureiro Gonçalves de Oliveira Guimarães

Cassiano Cunha Calvão

General and Supervisory Board[2]

Chairman
Álvaro João Duarte Pinto Correia

Members
Fernando Lopes Ribeiro Mendes[3]

António Fernando Menezes Rodrigues

José António Arez Romão

Virgílio Manuel Boavista Lima[3]

Vítor Manuel do Carmo Martins

Francisco José Fonseca da Silva

Acácio Jaime Liberado Mota Piloto

Luís Eduardo H. Guimarães

Rui Pedro Brás de Matos Heitor

Eugénio Óscar Garcia Rosa

[1] Resigned from the position on 31 December 2015
[2] Elected at the Extraordinary General Meeting held on 5 August 2015
[3] Resigned from the position on 6 January 2016

Executive Board of Directors[2]

Chairman
José Manuel Félix Morgado

Members
João Carlos Martins da Cunha Neves

Luís Gabriel Moreira Maia Almeida

Fernando Ferreira Santo

João Belard da Fonseca Lopes Raimundo

Jorge Manuel Viana de Azevedo Pinto Bravo

Luís Miguel Resende de Jesus

Assessment Committee

Chairman
Álvaro João Duarte Pinto Correia

Members
José António Arez Romão

Fernando Lopes Ribeiro Mendes[4]

Remuneration Committee

Chairman
Álvaro João Duarte Pinto Correia

Members
Fernando Lopes Ribeiro Mendes[4]

José António Arez Romão

Risk Committee

Chairman
Acácio Jaime Liberado Mota Piloto

Members
Virgílio Manuel Boavista Lima[4]

Luís Eduardo H. Guimarães

Statutory Auditor[5]

KPMG, represented by
Ana Cristina Soares Valente Dourado
Enrolled at the Statutory Auditors
Association under number 1011

[2] Elected at the Extraordinary General Meeting held on 5 August 2015
[4] Resigned from the position on 6 January 2016
[5] Elected at the Extraordinary General Meeting held on 30 December 2015

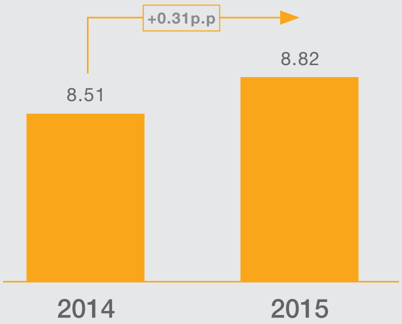
Key Indicators

INDICATORS	2013	2014	2015	Change 15/14
ACTIVITY AND RESULTS (thousand euros)				
Net Assets	23,039,203	22,473,474	21,145,216	(5.9%)
Gross Loans to Customers	16,606,667	16,612,095	15,944,015	(4.0%)
Customers' Deposits	14,142,828	14,314,659	12,969,431	(9.4%)
Net Income	(298,626)	(186,953)	(243,407)	(30.2%)
SOLVENCY				
Common Equity Tier 1 ratio (CRD IV / CRR, phasing-in)	-	8.51%	8.82%	0.31 p.p.
Tier 1 ratio (CRD IV / CRR, phasing-in)	-	8.51%	8.82%	0.31 p.p.
Total Capital ratio (CRD IV / CRR, phasing-in)	-	8.67%	9.74%	1.07 p.p.
Risk-Weighted Assets (thousand euros)	-	15,104,998	13,962,350	(7.6%)
LEVERAGE RATIOS				
Net Loans to Customers / Customers' Deposits (a)	110.18%	106.46%	113.14%	6.68 p.p
Net Loans to Customers / Total On-Balance sheet Customers' resources (b)	94.49%	92.50%	97.74%	5.24 p.p.
CREDIT RISK AND COVERAGE BY IMPAIRMENTS				
Cost of Credit Risk	1.82%	3.14%	1.59%	(1.55 p.p.)
Ratio of Loans and Interest Overdue by more than 90 days	5.28%	6.11%	7.73%	1.62 p.p.
Non-Performing Loans Ratio (a)	7.12%	7.42%	9.53%	2.11 p.p.
Net Non-Performing Loans Ratio (a)	0.84%	(1.00%)	1.62%	2.62 p.p.
Coverage of Loans and Interest Overdue by more than 90 days	119.85%	136.65%	103.96%	(32.69 p.p.)
Credit-at-Risk Ratio (a)	12.25%	12.03%	14.32%	2.29 p.p.
Net Credit-at-Risk Ratio (a)	6.32%	4.02%	6.83%	2.81 p.p.
Credit-at-Risk Coverage Ratio	51.70%	69.35%	56.12%	(13.23 p.p.)
Credit-at-Risk Coverage Ratio factoring in associated real estate collateral	128.94%	136.47%	126.92%	(9.55 p.p.)
Restructured Loans as a % of Total Loans (c)	9.68%	10.49%	9.60%	(0.89 p.p.)
Restructured Loans not included in Credit-at-Risk as a % of Total Loans (c)	7.30%	6.89%	4.04%	(2.85 p.p.)
PROFITABILITY AND EFFICIENCY				
Net Operating Income / Average Net Assets (a)	1.76%	3.48%	2.07%	(1.41 p.p.)
Earnings before Taxes and Non-Controlling Interests / Average Net assets (a)	(1.73%)	(0.92%)	(1.22%)	(0.30 p.p.)
Earnings before Taxes and Non-Controlling Interests / Average Equity (a)	(23.62%)	(12.55%)	(18.78%)	(6.23 p.p.)
Operating Expenses / Net Operating Income (cost-to-income) (a)	90.05%	43.56%	78.90%	35.34 p.p.
Staff Costs / Net Operating Income (a)	52.12%	24.75%	44.81%	20.06 p.p.
EMPLOYEES AND DISTRIBUITION NETWORK (Number)				
Employees				
Group total	4,213	4,425	4,404	(21)
CEMG	3,903	3,907	3,871	(36)
Branches				
Domestic - CEMG	456	436	421	(15)
International	15	27	30	3
Finibanco Angola (d)	15	18	21	3
BTM (Mozambique)	-	9	9	0
Rep. Offices - CEMG	6	6	6	0

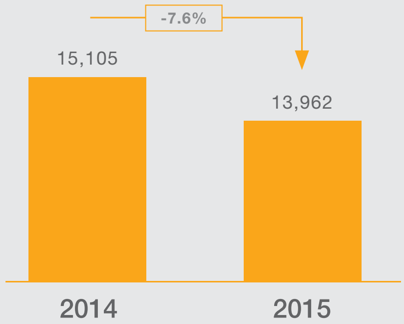
(a) In accordance wjth Banco de Portugal Instruction No. 16/2004. in its current version.
(b) Total On-Balance sheet Customers' resources = Customers' resources and debt securities issued.
(c) In accordance with Banco de Portugal Instruction No. 32/2013.
(d) Includes Business Centres.

Highlights

Common Equity Tier 1 ratio
(%)

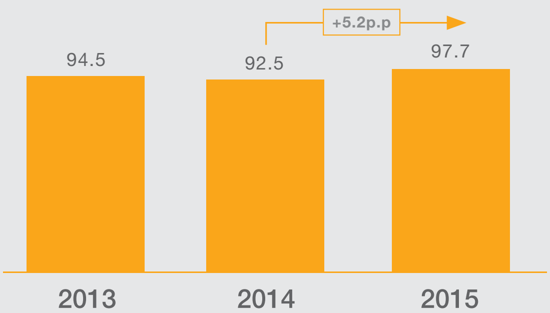


Risk-Weighted Assets
(€Mn)

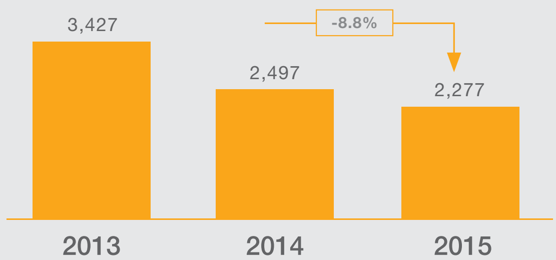


Leverage ratios
(%)

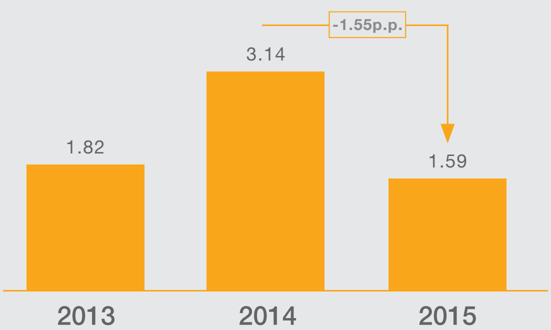
Net loans / Total On-Balance sheet Customers' resources



ECB refinancing
(€Mn)

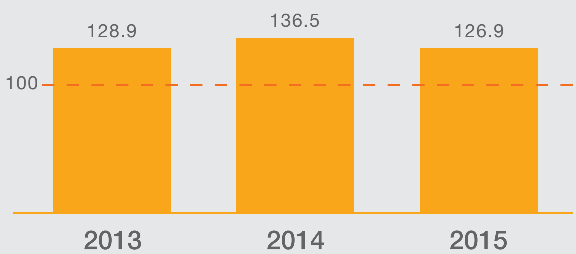


Cost of Credit Risk
(%)



Credit-at-Risk Coverage
(%)

Factoring in associated real estate collateral.



The Caixa Económica Montepio Geral Group

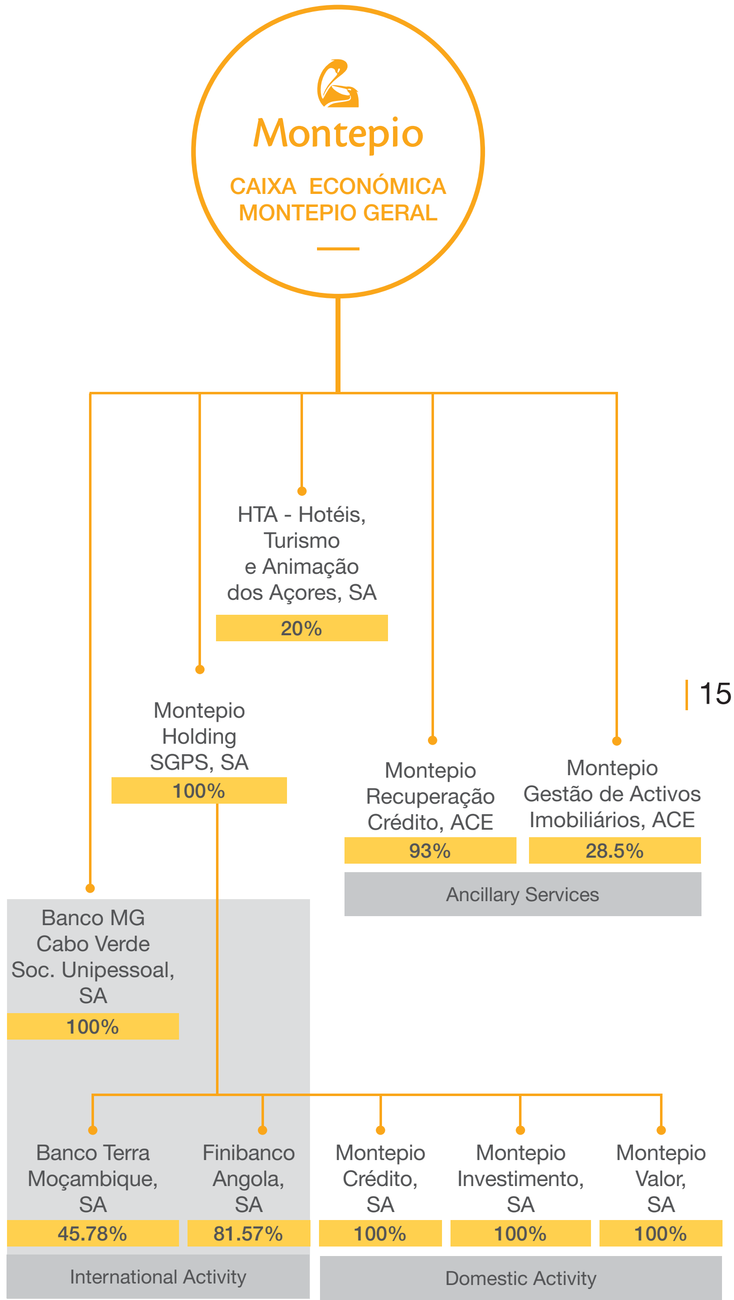
Group Structure

Caixa Económica Montepio Geral (CEMG) is a credit institution attached to Montepio Geral – Associação Mutualista, its founder, holding a series of equity stakes in entities which not only enable offering a broad and diversified range of banking and financial products and services, but also contribute with their earnings to the mutualist goals. The CEMG Group presents itself as one of the most differentiated banking and financial groups of the national and European financial sector in view of its mutual origins, nature and goals, which give it unique characteristics and an unmatched position in its sector and in Portuguese society.

The CEMG Group is composed of the entities presented below:

- **Full consolidation:** CEMG; Banco Montepio Geral Cabo Verde, Soc. Unipessoal SA; Montepio Holding, SGPS, SA (Banco Terra Moçambique, SA; Finibanco Angola, SA; Montepio Crédito, SA; Montepio Investimento, SA; Montepio Valor, SA) and Montepio Recuperação de Crédito, ACE.

- **Consolidation by the equity method**: HTA – – Hotéis, Turismo e Animação dos Açores SA, and Montepio Gestão de Activos Imobiliários, ACE.



(% of capital share)

(% of capital share)

Montepio Brand

The focus on the Social Economy alongside social responsibility and the transparent, rigorous and competent action explain the relationship of proximity and loyalty kept by customers with Caixa Económica Montepio Geral, based on a transversal and integrated offer of products and services, advocating in favour of the brand and contributing to the consolidation of its positioning in the market.

In 2015, Caixa Económica Montepio Geral - a brand commercially known as Montepio - consolidated the brand awareness underpinned by the high levels of quality and excellence, worthy of its customer's recognition, having received various distinctions:

Among the largest Banks in the world

Montepio maintains its presence in the 2015 ranking of the 1,000 largest banks of the World, according to the magazine *The Banker*, a reference publication in the banking sector, which is part of the British publishing group *Financial Times*. This ranking, considered the standard measure for the industry since 1970, is based on an appraisal of the financial strength and robustness of each institution. Montepio, holding the 490th place, thus retains its presence among the 500 best banks of the world.

Most relevant brand in the Financial & Insurance Sector

The Montepio brand was considered by *Meaningful Brands Portugal 2015*, an initiative promoted by the *Havas Media Group*, the most relevant in the Finance & Insurance sector. This distinction reflects the Institution's concern with its customers, demonstrated in the follow-up provided, in the detection of trends and in the role that it has consistently played, throughout its entire history, in Portuguese society.

Brand of Excellence

In 2015, the brand was once again recognised as an "brand of excellence" by *Superbrands Portugal*, this time with the *Superbrands Born in Portugal* distinction, due to guiding its action by the values of solidarity, sustainability, ethics and transparency.

At the top of the Trust Index of the Portuguese

According to the data revealed by the Multidados study, Montepio was attributed the third place in the ranking of national banking institutions in which the Portuguese entrust their savings.

Communication

A close partner and different Bank

Reflecting the relationship of proximity with our Customers, CEMG carried out an advertising campaign for the mass market, aimed at affirming the values, framework of action and suitability of the Montepio brand: an institution that is solid, ethical, humane, financially responsible, resilient in history, socially concerned, attentive to solidarity and culturally active.

The creative concept developed to support the campaign was based on real cases, presented by citizens and customers who talk about their experience and relationship with the Bank.

Various public figures “spoke” about Montepio and the work that has been developed in four major areas: culture, solidarity, sports and support to economic activity/support to companies.

The testimonials were conveyed using a defined media strategy aimed at intensifying the brand’s market recognition (TV, Radio, Press, Outdoor Posters, Internet and CEMG Branches), having given rise to a reputed campaign with high recall levels by the public in general and with confirmed achievements in terms of image and awareness of the Montepio brand.

In relation to CEMG’s communication strategy, particular note should also be made of the attainment of the *Gold* distinction in the *Effectiveness Awards*, an initiative promoted by the Portuguese Advertisers Association (APAN) which distinguished the communication campaign, directed at the business segment, *When your company wins, we all win*.

This campaign, constructed based on the values of solidarity and cooperation inherent to the brand's DNA, assured the differentiation of the communication in relation to the competition, whose appeals to success, growth and performance appear rather inconsistent with the most recent and inevitable trends of a new economy: individualism and materialistic competition no longer have a place.

Human Resources

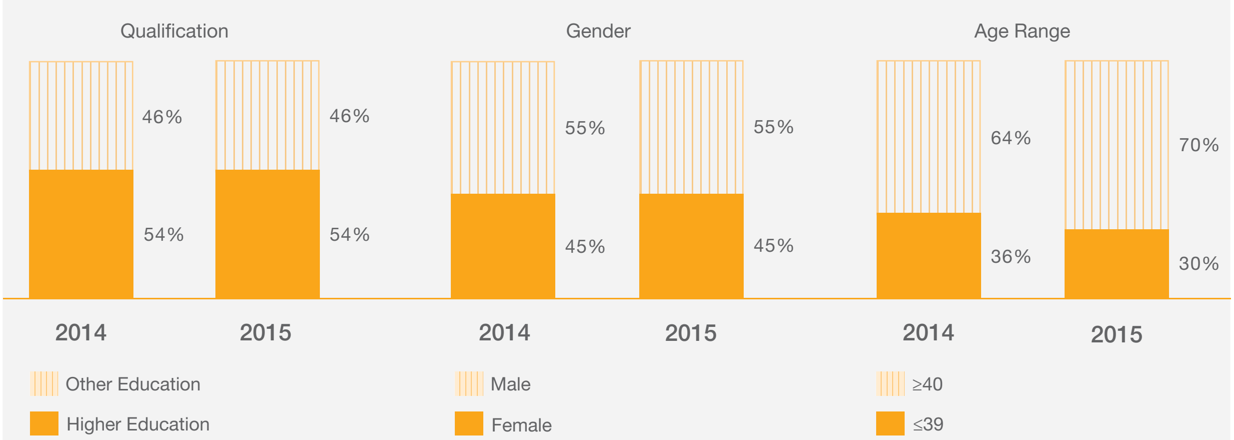
At the end of 2015, the staff of Caixa Económica Montepio Geral (CEMG) was composed of 3,871 employees, corresponding to a net reduction of 36 employees relative to 2014. Over the year 21 employees were recruited, 20 of which for the domestic activity and 1 for the international activity, and 57 employees left, 13 of which following retirement procedures and 32 due to resignation.

Considering all the entities comprising the CEMG Group, the total number of employees stood at 4,404 as at 31 de December de 2015, with the following distribution by the different entities:

	2014		2015		Change	
	No.	Weigth (%)	No.	Weigth (%)	No.	Weigth (%)
Total of CEMG Group	**4,425**	**100.0**	**4,404**	**100.0**	**(21)**	**(0.5)**
Caixa Económica Montepio Geral	3,907	88.3	3,871	87.9	(36)	(0.9)
Banco MG Cabo Verde	3	0.1	3	0.1	0	0.0
Montepio Holding, of which:	515	11.6	530	12.0		
Montepio Investimento	1	0.0	1	0.0	0	0.0
Finibanco Angola	182	4.1	194	4.4	12	6.6
BTM	187	4.2	180	4.1	(7)	(3.7)
Montepio Crédito	129	2.9	131	3.0	2	1.6
Montepio Valor	16	0.4	23	0.5	7	43.8

In 2015, the staff maintained the same gender distribution profile, with a slight predominance of the male component (55%). The number of employees with higher education qualifications, which includes employees with bachelor, graduate, master, post-graduate and doctoral degrees, stood at 54%, similarly to the previous year. Concerning the age structure, there was an increase of the percentage of employees aged over 40 years old from 64% to 70%.

Distribuition of CEMG Employees



Training of Employees

There was a significant increase of the training effort in 2015, which covered 98% of CEMG employees. The total hours attended increased by approximately 37% and the number of actions and participation more than doubled.

The trend towards the development of internal training continued, similarly to the rest of the sector.

In addition to topics of legal and regulatory nature, emphasis was also placed on preparatory sessions for the international certification of internal auditors, and initiatives to support the implementation of the **i9 Programme**, created with the objective of assuring the modernisation of fundamental pillars, so as to endow CEMG with a unique capacity to respond to future challenges.

	2014	2015	Change (%)
Number of actions	330	1,091	>100
Hours of training sessions	60,057	82,095	36.7
Number of attendees	3,139	3,770	20.1
Number of appearances	11,310	23,996	>100
Investment in training (thousand euros)	287	242	(15.7)
Employees covered by training	**80%**	**98%**	**18 p.p.**

Particular importance continues to be given to supporting the attendance of academic qualification programmes, namely post-graduations and masters in the areas of Financial Analysis, Management Control, Finance and Social Economy.

Initiatives in the area of Human Resources

The CEMG Group's employees are one of its increasingly important stakeholders, so 2015 continued to be driven by initiatives that are considered strategic in the area of Human Resources Management, in particular the following:

PROGRAMA MONTEPIOi9 VISÃO, INOVAÇÃO E CRESCIMENTO

> **i9 Programme** – Launched in 2015, this programme covers various initiatives, where the topic of human resources is one of its key pillars. Hence and in order to understand the different issues that are felt most acutely by the employees, an Organisational Climate study was conducted, which gave rise to important conclusions for taking measures concerning human resources management, namely in the areas of training, remunerations, careers and performance assessment;

> **Internal Mobility** – The commitment towards internal mobility was given special attention in recruitment, enabling meeting organisational needs while at the same time creating opportunities of valorisation for the employees;

> **Health and Well-being Promotion Programme** – The implementation of the programme continued among the different organisational units with awareness-raising actions aimed at a broad group of employees.

Social Services

Montepio's employees have access, through optional membership, to an association whose mission is the promotion and development of various social, cultural, sports or recreational initiatives.

During 2015, the Social Services operated in various fields, including:

Social Area
Dedication to support all those with any type of needs, contributing with support to the acquisition of medications, travel to medical appointments, acquisition of school books, among others.

Health Area
Provision of appointments in the area of psychology and therapeutic massages, in Lisbon and Oporto.

Activities for young people
We highlight the Youth Camp, this year held in Montepio Leisure Park in Silves and the Holiday Camps. These activities took place at Easter and over the Summer in Lisbon and Oporto.


Montepio Leisure Park in Silves

In the north, while still maintaining the partnership with Oporto Lazer, a partnership was also made with Atmosfera M.

Journeys
As in the previous year, the Journey to Eurodisney - Paris was repeated, with departure from Lisbon and for the first time also Oporto.

Activities at Christmas
Organisation of the Christmas Party in Lisbon and Oporto with a Circus show and support to the organisation of Christmas Parties in the Algarve, Madeira, Azores (São Miguel), Castelo Branco and Leiria, with presents given to children up to 12 years old.

Cultural Area
Promotion of access to tickets at a lower price in various performances, spread all over the country. In partnership with Inatel, guitar courses were also ministered.

Sports Area
Support to various types of athletics, Futsal, Fishing, Orienteering, Basketball and Golf.

Distribution and Relation Network

Branches

At the end of 2015, CEMG had a network of 421 branches in Portugal, corresponding to a reduction of 15 branches in relation to 2014.
In the international activity, 2 new branches and 1 business centre was opened in Angola, with the network thus reaching a total of 21 (including 4 business centres), added to 9 BTM branches in Mozambique.
CEMG also has 6 representation offices, dispersed around Europe and North America.

No. of Branches and Rep. Offices

	2014	2015
Domestic network	436	421
International network	27	30
Finibanco Angola [a]	18	21
BTM	9	9
Rep. Offices	6	6

(a) Includes Business Centres.

Customer Managers

The personalised service and development of close customer relations which characterises CEMG is assured by the network of customer managers, which amounted to 491 managers, of which 192 are dedicated to the segment of Private customers and 299 to Company customers.

For the Company segment, continuing to boost the effort of specialisation of the service, CEMG has provided 179 Small Business managers, 83 managers of Small and Medium-Sized Enterprises and 9 Large Company managers. For the Institutional and Social Economy sector, the structure was strengthened with two new managers, implying a total of 28 dedicated managers.

Number of Managers per Customer Segment

	2014	2015	Change	
			Value	%
Companies	306	299	(7)	(2.3)
Institutional and Social Economy [a]	26	28	2	7.7
Large Companies	11	9	(2)	(18.2)
Small and Medium-size Enterprises	80	83	3	3.8
Small Businesses	189	179	(10)	(5.3)
Individuals	193	192	(1)	(0.5)
Top Premium	10	9	(1)	(10.0)
Premium	183	183	0	0.00
Total of Managers	499	491	(8)	(1.6)

(a) Includes Microcredit Managers.

Complementary Channels

The Montepio24 Service, a multi-channel platform which includes the Net24, Phone24, Netmóvel24 and SMS24 channels, recorded an increased number of participant customers in 2015 year-on-year, with 789 thousand users in the Private Customers segment (+4%) and 117 thousand Company users (+8%).

The Montepio public website, available at *www.montepio.pt*, also recorded a significant increase in the number of accesses, consolidating its position as the main point of contact with the offer of products and services, with a monthly average of more than 3.1 million visits and 18.2 million page views.

Pursuing its line of support to national culture, CEMG's website participated in the "Às vezes o Amor" (Sometimes Love) event, having shown a direct broadcast of the Xutos & Pontapés concert, via streaming, after voting on the event's Facebook page.

During 2015, CEMG strengthened its net amount of ATMs (Automated Teller Machines) by 10 machines, having closed the year with 1,107 machines, of which 488 are installed in branches and 619 are available at external locations. This increased number of ATMs, combined with the re-adjustment of the total amount of ATMs available in the Portuguese market pursued by the SIBS Global Network, which led to a reduction of 264 machines to a total of 12,437, contributed to the 0.3 p.p. increase of CEMG's market share, which reached 8.9%.

With regard to the internal ATM network - Chave 24, the total number of ATMs remained stable, with a total of 377 machines installed, which contributes directly to the externalisation of operations of a transactional nature, freeing the branch network for sales activity.

CEMG's total number of Point-of-Sale Terminals (POS) grew by 7.2% between 2014 and 2015, with this market having increased by 6.1%. This growth enabled Montepio to increase its market share from 6.88% to 6.94%.

The card business in portfolio increased by 3.80% [6], with the market having recorded growth of approximately 1.4% [6]. Although all the types of cards recorded growth, prepaid cards contributed the most to this growth, having recorded a year-on-year increase of 26.2%. In order to foster the placement of cards and their use, CEMG promoted two campaigns during 2015 aimed at awarding Customers holding and using credit cards.

On 30 October 2015, CEMG began to offer its customers the MB WAY service, which enables the payment of goods or services and the accomplishment of instantaneous transfers through association of bank cards to a mobile phone telephone number. This service is provided by SIBS – Sociedade Interbancária de Serviços and is available in two forms: Purchases and Instantaneous Transfers.

The Purchase form is intended for merchants, enabling them to offer their final customers (consumers) yet another method of payment associated to the Multibanco service, at their physical shops and/or online platforms. For the final customer, this service shall enable the association of one or more bank cards to his/her mobile telephone to make purchases online or in person, by indicating only the mobile telephone number associated to the service and defining an authentication code. Concerning Instantaneous Transfers, consumers (private customers) now have an innovative functionality. This service enables using MB WAY to carry out instantaneous transfers to a mobile telephone number (which identifies the beneficiary), not requiring the entering of an International Bank Account Number (IBAN) for the effect. The major advantage of this Service is that it allows the funds to be available immediately in the MB WAY service of the receiver.

Service Level

CEMG adopts policies of monitoring of internal service levels in its different business areas. In 2015, key priority was given to the centralisation of operating processes supporting the business, enabling the mitigation of operational risk and lightening the administrative burden of the Commercial Network, contributing to improve the service levels provided to Customers.

CEMG also intensified the implementation of a plan to modernise and optimise the Information Systems, through projects aimed at improving technological renovation and increasing productivity and collaboration, ultimately with a view to increasing these service levels in a sustained manner.

6 Data provided by SIBS – Sociedade Interbancária de Serviços

In this regard, we highlight the following initiatives:

- **Modernisation of the solutions supporting the business**: systems have been provided to support the activity of the commercial networks, in the component of Customer Care and Management of Relations with Customers. The projects aimed at digitalising the communication between the Bank and its customers also showed an important evolution, which represents a significant improvement in the component of information on the service provided.

- **Systems architecture**: the investment in systems architecture was strengthened with programmes aimed at the standardisation, simplification and rationalisation of the applications and development platforms.

- **Strengthening of the productivity platforms and collaboration**: a project has been started aimed at endowing the central and commercial services with access to a communication channel based on video-conferences, video-call and instant messaging. This initiative shall enable improving the effective communication time and reducing the direct and productivity costs associated to travel.

- **Management processes**: with a view to increasing productivity and the ongoing monitoring of the business, a management support tool has been implemented aimed at fostering more effective and efficient planning of team activity, based on the systematic measurement of the results obtained.

Distinction of the Service Provided

In terms of the complementary channels, CEMG also continued to conquer the market and receive distinctions which placed it among the best of the sector.

The **Private Customer Net24** service conquered the Five-Star Award 2015 in the Internet Banking category, with an overall classification of 8.57 (maximum of 10), being considered by consumers as very good – really Five-Star. The overall classification was the result of the very positive assessments that Portuguese consumers made of the features of the Service, such as: Satisfaction, Price-quality, Intention of recommendation, Confidence in the brand and Innovation.

The **Phone24 Montepio Line** was distinguished with the "Bronze Trophy for the Best Helpline in the Banking Sector", an award given by the Portuguese Association of Contact Centres.

Complaints Management

The mission of the Customer Ombudsman Office is to propose and implement the Complaints Handling and Management Policy of the CEMG Group, assuring the receipt and handling of submitted complaints, as well as the respective response to the Complainant and/or Supervision Entities (Banco de Portugal, Portuguese Securities Market Commission (CMVM), among others).

All the complaints received are viewed by the Institution as an opportunity to continuously improve CEMG's service quality and deepen Customer relations.

In 2015, the number of complaints increased in relation to 2014, by around 6.7%. It should also be noted that the number of complaints submitted via Banco de Portugal has remained approximately at the same level, while the number of complaints submitted via Complaints Books has fallen by 4.0%.

Indicators of complaints

	2014	2015	Change	
			Value	%
Total Complaints	4,713	5,027	314	6.7
Banco de Portugal (RCO)	680	689	9	1.3
Complains Book (RCL)	556	534	(22)	(4.0)

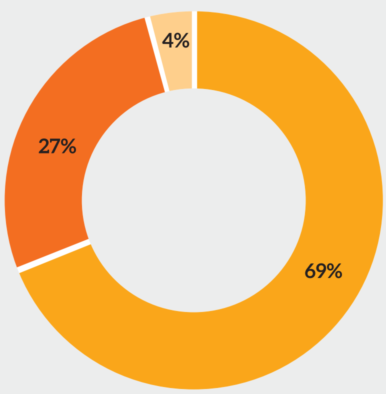
The complaints index, concerning the commercial network, stood at 1.60 complaints per 1,000 active customers in 2015, a figure identical to that recorded in 2014 (index of 1.61).

Considering the importance of swiftness in response to the Complainants and Supervisory Entities, 69% of new complaints received a response within 8 days or less. The average response time stood at 8.8 consecutive days.

With respect to complaints made via Banco de Portugal and via Complaints Books, the average response time stood at close to 13 and 8 consecutive days, respectively, below the legally required times.

Among the issues regarding which complaints are most often made are Cards and Demand Accounts, which represent about 51% of total complaints.

In view of the quality, transparency and rigour that Credit Institutions are required to instil in the marketing of their products and services, the Customer Ombudsman Office continuously promotes various recommendations and warnings, aimed at eliminating, at source, the causes of the submitted complaints.



Complaints
Average time of response

≤ 8 days | > 8 and ≤ 30 days | > 30 days

Sustainability and Social Responsibility

CEMG has been a fundamental contributor to the implementation and development of the Group's social responsibility and sustainability strategy, having participated in the Social Responsibility Committee, created in 2014, in conjunction with areas of Montepio Geral — Associação Mutualista (MGAM) and the Montepio Foundation, in addition to carrying out its own projects.

Support to the Integration of Migrants
CEMG contributes to the national effort to welcome, receive and integrate migrants through the provision of up to one million euros.

This contribution shall be delivered over 24 months (after the refugees begin to be received in the country), in strict coordination with the Portuguese authorities, with the priority allocation being aimed at the teaching of the Portuguese language, schooling for children and medical assistance.

Contact Centre distinguished in the area of Social Responsibility
The International Faculty for Executives (IFE) distinguished Montepio's Contact Centre with the "Social Responsibility Project Trophy", for the implementation of an internal action in partnership with Casa de Saúde do Telhal.

Promotion of financial literacy (Online Trading)

CEMG has a highly reputed position in the national financial sector. After having launched the **Montepio Trader** platform in 2013, a sophisticated tool for trading a broad range of financial products and instruments, 2015 was a year marked by innovation in Customer support and in communication of the platform.

The initiatives promoted included workshops for beginners in trading financial instruments and presenting the potentialities and robustness of the platform, which impacted over 150 participants, as well as two international conferences promoted in May, in Lisbon and Porto, which were attended by financial markets specialists.

Support to Culture
The strategy to support national culture was continued during 2015, in particular in the area of Portuguese music.

Montepio has consistently supported the musical group **D.A.M.A.** from the release of its debut album, and especially during the tour presenting the album, with performances in over ten Portuguese cities, which were always fully sold out.

Following an identical strategy, in lending support to a national tour, Montepio closely accompanied the work promoted by the **Maestro Rui Massena**, which kicked off the concerts at Belém Cultural Centre (CCB) and Casa da Música, continuing with performances in cities such as Faro, Arcos de Valdevez and Guimarães.

The support to Portuguese music was extended to **Expensive Soul** and **GNR**, in line with the goal of supporting national bands throughout their entire annual course of events.

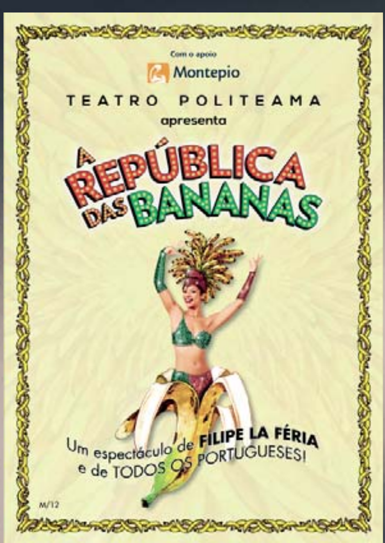
Concerning the brand's focus on distinguished national artists, we also highlight the concert performed by **Kátia Guerreiro**, at CCB, and the presentation of the new album by **Rodrigo Leão**. At Lisbon Oceanarium, Rodrigo Leão embraced the visitor in an experience of relaxation, quietness and simplicity, encouraging the discovery of the submersed nature, by creating a composition inspired by the exhibition "Submersed Forests by Takashi Amano", interweaving art and nature.

At the same time, with Montepio's support, the artist presented new pieces of work throughout a season of 20 live performances held at the "Mar da Palha" Auditorium, of Lisbon Oceanarium.

The 4th edition of the **Belém Art Fest** was supported by Montepio through its naming of the stage situated in the Cloisters of Mosteiro dos Jerónimos. The main stage of the festival - the Montepio Stage – hosted António Zambujo and Dead Combo as poster headlines. The two days of the event involved 5,000 visitors, 230 Portuguese artists and 20 national bands.

Theater

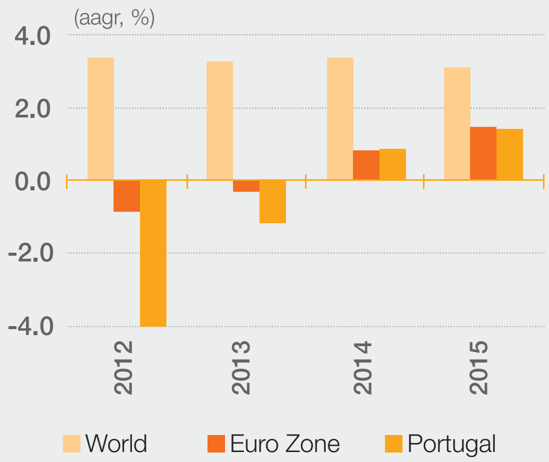
Montepio supported two productions in 2015: one intended for children and the other for families. 'Cinderella' and 'The Banana Republic' were, respectively, the plays produced by Teatro Infantil de Lisboa and Filipe La Féria.



Macroeconomic Environment

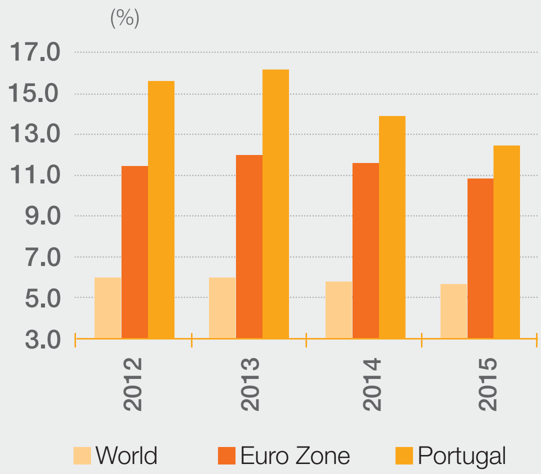
The World Economy grew by 3.1% in 2015, according to the IMF estimate, corresponding to a slowdown in relation to the 3.4% growth observed in 2014. To a large extent, this slowdown reflected a much slower recovery than had been expected of the emerging and developing economies, which account for over 70% of global growth – falling, for the fifth year consecutively, while the advanced economies continued to recover in a moderate form. For 2016, the IMF forecasts an acceleration of world growth to 3.4%. The risks that could affect the global economy during the present year continue to include further economic slowdown in the emerging economies, the alteration of the growth model of China, the extremely low commodity prices and the gradual normalisation of monetary policy in the USA. Furthermore, the volatility in the financial markets, in this early period of 2016, could also have negative impacts on economic activity, both due to the gloomy expectations of economic agents, which could be embodied in the postponement of consumption and investment decisions, and due to the expansion of risk premiums, making financial conditions more restrictive for the private sector.

Gross Domestic Product (GDP)



Source: Thomson Reuters and IMF.

Unemployment Rate



Source: Thomson Reuters and International Labour Org. (ILO).

Euro Zone

Following the 0.9% increase of **GDP** in 2014, returning to annual growth after two years of contraction – largely due to the effects of the budgetary consolidation measures implemented by a significant number of Member States – the economy of the Euro Zone continued along the process of gradual recovery, having grown by 1.5% in 2015. Germany continued to show one of the most dynamic economic performances of the Euro Zone, with growth of 1.4% in 2015, as well as Spain which recorded very much higher growth (+3.2%), having clearly set it itself apart in a positive way from the other countries of the region.

Reflecting the gradual upturn of the different economies, the **unemployment rate** of the Euro Zone pursued its trend of minor improvement started in mid 2013, having fallen from 11.4% in December 2014 to 10.4% by December 2015, standing at merely 1.7 percentage points (p.p.) below the maximum historical levels since the start of the series (1990), observed between March and May 2013. This scenario thus continues to reveal a labour market that is still fairly deteriorated.

In annual average terms, the inflation rate fell from the 0.4% observed in 2014 to a zero value in 2015, remaining very distant from the medium term objective set by the European Central Bank (ECB) of an inflation rate below, but close to 2.0%.

Aimed at combating the risk of low inflation during an overly extended period of time and stimulating credit flows to the real economy, the ECB once again, throughout 2015, endorsed various expansionary measures, having decided to cut the deposit interest rate (from -0.20% to -0.30%) and launch (on 9 March) a broad asset purchasing programme (private and public debt), by reinforcing its quantitative easing policy. This programme, which was initially established up to September 2016 (and at a monthly rate of 60 billion euros), was extended, in December, to at least March 2017.

Economic estimates and forecasts for Portugal and the Euro Zone

(unit: %)	2015						2016				2017			
	Portugal			Euro Zone			Portugal		Euro Zone		Portugal		Euro Zone	
	Eff.	BoP	EC	Eff.	ECB	EC	BoP	EC	ECB	EC	BoP	EC	ECB	EC
GDP	**1.5**	**1.6**	**1.5**	**1.5**	**1.5**	**1.6**	**1.7**	**1.6**	**1.7**	**1.7**	**1.8**	**1.8**	**1.9**	**1.9**
Private Consumption	2.6	2.7	2.6	-	1.6	1.7	1.8	1.9	1.9	1.8	1.7	1.8	1.7	1.5
Public Consumption	0.8	0.1	0.3	-	1.4	1.4	0.3	0.4	1.2	1.3	0.1	0.4	1.0	1.2
Investment (GFCF)	3.7	4.8	4.3	-	2.3	2.3	4.1	3.0	2.8	2.8	6.1	4.7	3.8	4.2
Exports	5.1	5.3	4.9	-	4.8	5.1	3.3	4.3	4.0	4.2	5.1	5.3	4.8	5.0
Imports	7.3	7.3	6.5	-	5.3	5.7	3.6	4.9	4.8	5.0	5.6	6.0	5.3	5.6
Inflation	**0.5**	**0.6**	**0.5**	**0.0**	**0.1**	**0.0**	**1.1**	**0.7**	**1.1**	**0.5**	**1.6**	**1.1**	**1.6**	**1.5**
Unemployment rate	**12.4**	**-**	**12.6**	**10.9**	**11.0**	**11.0**	**-**	**11.7**	**10.5**	**10.5**	**-**	**10.8**	**10.1**	**10.2**

Source: Bank of Portugal (BoP), December 9, 2015; European Commission (EC), February 4, 2015 and European Central Bank (ECB), December 3, 2015.

Notes: "Eff." corresponds to the effective date altready released for 2015; inflation is measured by a year-on-year change of HICP.

Portugal

After three years of recession, the Portuguese economy embarked on a gradual recovery in 2014 (with **GDP** growth of +0.9%, compared to -1.1% in 2013), which was confirmed in 2015 by an acceleration to 1.5%.

In 2015, economic activity was only supported by internal demand, essentially reflecting the growth of private consumption (+2.6%) and investment in fixed capital (GFCF) (+3.7%), with public consumption, in turn, also showing growth (+0.8%, corresponding to the first increase since 2010). Net external demand recorded a less negative contribution in 2015, shifting from -1.3 p.p. in 2014 to -1.0 p.p., reflecting the acceleration of exports of goods and services. Even so, it should be noted that the recovery of economic activity continued to be sustained by exports, which closed last year 29.3% above the levels prior to the adjustment programme (2010).

The **construction** sector has been the most pressurised, although its respective Gross Value Added (GVA) actually returned to growth in 2015, having expanded by 3.7%, after having contracted by 1.4% in 2014, with the sector observing its first annual average growth since 2007. Likewise, the most recent data on house prices and sales, relative to the third quarter of 2015, suggest that the real estate market is also experiencing a phase of recovery. Prices increased by 3.4% year-on-year, accelerating for the second consecutive quarter, while sales were 33.2% higher in the third quarter than those recorded a year previously, accompanying the gradual recovery that has been shown by the Portuguese economy since the first quarter of 2013.

The process of **budgetary adjustment** continued throughout 2015, with the expected recording of primary surplus of 0.4% of GDP, according to Government estimates. Nevertheless, the process of consolidation of public accounts has been influenced by the need for State interventions at the level of the financial sector. Thus, after the budget deficit of 7.2% of GDP observed in 2014, including the effect of the capitalisation of Novo Banco (excluding this factor it would have been close to -4.5%), the bank Banif was dissolved, which further exacerbated the deficit by 1.2 p.p. of GDP, leading to the Government to estimate that the total deficit should stand at 4.3% in 2015. This figure implied that it was, therefore, impossible to close the Excessive Deficit Procedure open to Portugal in 2009, which requires a deficit equal to 3.0% or below.

With regard to the labour market, the **unemployment rate** fell from 13.9% in 2014, to 12.4% in 2015, thus continuing the trend of relief that has been shown since the historic peak reached in early 2013 (17.5%).

Inflation, measured by the annual average variation of the Consumer Price Index (CPI), was 0.5%, having increased in comparison to the -0.3% observed in 2014.

Other Economies

In **Angola**, the economy has been severely affected by the sharp drop in the price of oil. According to Angolan Government estimates, GDP should have grown by 4.0% in 2015, which, should this be the case, represents the second consecutive year of slowdown (+4.8% in 2014, and +6.8% in 2013).

After an annual inflation rate of 7.3% in 2014, moving downwards (+8.8% in 2013) and representing the lowest record since 1990, there was strong upward pressure in 2015, to 10.2%. The heavier depreciation of the kwanza (AOA) in relation to the dollar (USD), since the end of 2014, was one of the primary factors for this strong pressure on internal prices, having taken inflation, once again, beyond two-digit figures in July 2015, which had not occurred since mid 2012.

In 2015, the economy of **Mozambique** grew by 6.3%, the lowest since 2000 (+1.7%), after having expanded by 7.4% in 2014. The economic slowdown reflects the deceleration of direct foreign investment (IDE), a more restrictive budgetary policy, the fall of external revenue and consequent devaluation of the metical.

The annual average inflation of Mozambique stood at 2.39% in 2015, a slight acceleration in relation to the 2.29% observed in 2014, but well below the 4.21% presented in 2013. It is forecast that inflation should intensify during this year with the upward trend reflecting the effects of the strong depreciation of the metical (MZN) observed throughout 2015 and the expected gradual increase of oil and food prices in the second half of this year.

Financial Markets

The market sentiment, which tended to be positive during the first half of 2015 (basically up to mid July), were to a large extent influenced by the developments in terms of monetary policy, namely the beginning of the expanded asset purchase programme, through the quantitative easing (QE) policy, which was announced by the European Central Bank at its historic meeting of 22 January.

The summer of 2015 brought in a change in market confidence, which was penalised by various factors. The principal determinant of the performance of the financial markets was tied in with fears in relation to China, possible bubbles in the real estate and equity markets and that the Chinese authorities would not be able to prevent a major economic slowdown of the country. During the third quarter, the People's Bank of China (PBoC) cut the daily reference rate of the yuan (CNY) three times (week of 10 to 14 August) and lowered interest rates, as well as the reserve requirement ratio of banks, aimed at soothing the markets. Investors also showed concerns of the potential negative effects, about the economy of the USA, derived from the Chinese slowdown and strong USD, as well as regarding the Euro Zone economy.

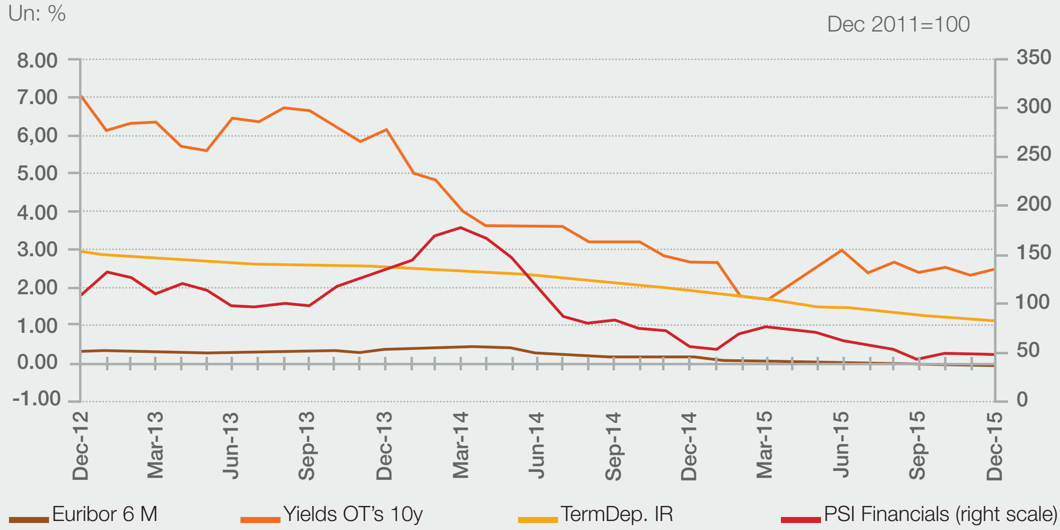
During the final stretch of the year, some improvement was observed in market confidence, substantiated by a series of events: i) the People's Bank of China once again reducing interest rates and required reserves, with interest rates having declined by 125 basis points (b.p.) over the entire year and the reserve requirement ratio by 250 b.p.; ii) the end of quarter results of companies in the USA, relative to the third quarter of 2015, was more favourable than the results for the second quarter. Nonetheless, this positive feeling was constrained by fears concerning the performance of commodity producing developing countries, with the falling prices affecting their economies (in this regard, and in particular due to the scale, recessions are expected to take place in Brazil and Russia in 2015/16), as well as the state of their public finance and external accounts, reflected in movements of depreciation of their currencies in relation to the USD (which, moreover, has benefited from the prospect of interest rate rises by the Federal Reserve (Fed)).
On the other hand, the plunge in oil prices has impacted the accounts of the major internal oil producers and the shale oil market of the USA, as the low oil prices have made various fields economically inefficient, with lower production having been recorded throughout the second half of the year and the cancellation of various investment projects.

In terms of movements in the main financial markets, as a whole for 2015, mixed performance was observed in the major **stock market indices** of the world, especially in the USA, where the main index reached historic peaks during the year, but closed with losses (S&P 500: -0.7%), and with performance that tended to be positive in Europe (Eurostoxx 50: +3.9%; PSI-20: +10.7%), mixed in Asia (appreciation in Japan and China, but declines in India and Hong-Kong) and negative in Latin America.

Reference **Public debt yields** experienced mixed movements in Germany and showed an upward trend in the USA. The yields of German debt fell in the short term (two years: -25 b.p.), as a result of the new cut in the permanent facility deposit rate of the European Central Bank and the presence of the monetary authority in markets, specifically through asset purchases under the quantitative easing programme, but increased in the long term (10 years: +9 b.p.), due, in particular, to the medium term effects of the policies currently being followed by the ECB. In the USA, the upward movement of yields in relation to the end of 2014 (+38 b.p. at two years and +10 b.p. at ten years) was above all the result of the expected (confirmed on 16 December) rise in interest rates by the Fed, in a context of continued economic growth and lower unemployment rates which fell to new cyclical minimum levels.

In the **Interbank Money Market** (IMM), Euribor rates recorded historic lows for all maturity periods, reflecting the declining expectations on overnight interest rates, as well as the IMM risk premium, which closed at negative values for maturity of three and six months. Euribor rates at 3, 6 and 12 months fell by 6 b.p., 5 b.p. and 5 b.p. to, respectively, -1.131%, -0.040% and 0.060% during 2015.

Interest rates evolution and PSI Financials



Source: Thomson Reuters.

In the **foreign exchange market** the euro (EUR) depreciated in relation to the dollar (USD), yen (JPY) and pound (GBP), with the nominal effective exchange rate having fallen by 5.6%, essentially reflecting the launch of new monetary stimuli by the ECB.

Commodity prices fell in all categories, especially intense in energy (-31.5%, with the heaviest being in Brent oil by 35%), as a result of world economic growth having been lower than that expected in early 2015, the prospects of withdrawal of the sanctions on Iran (in the meantime confirmed) and the increased supply, especially due to oil production in the USA (shale oil).

Strategy and Business Areas

Strategy

The year of 2015, albeit with visible signs of recovery in macroeconomic indicators in terms of unemployment and debt levels, brought in significant challenges to the Portuguese banking sector. The persistence of historically low interest rate levels, due to the expansionary policy of the European Central Bank, heavily influenced the net interest income of national banks and also limited potential capital gains from debt securities.

Added to the macroeconomic challenges are the difficulties imposed by the regulations which foresee an increase of capital ratios following the Capital Requirements Directive IV (CRD IV), constraining investment in assets of higher capital consumption such as loans to companies, with impact on the channelling of credit to the economy.

The urgency of meeting the needs of national economic agents through maintenance of decision-making centres in Portugal should constitute a national desideratum, because the distancing of these decision-making centres away from the local reality is already reflected today in the Portuguese Economy, with respect to decisions on the allocation of resources raised in the domestic market, the availability of credit, and support to the recovery of Portuguese companies. CEMG, an entity that has always been held by Portuguese private capital, shall pursue its defence of the national interest in supporting the economy via proximity.

During this last year, CEMG continued on its mission to serve Portuguese families, companies and institutions, while at the same time adjusting the growing requirements imposed on the Portuguese financial system. In this context of challenges and opportunities, CEMG pursued along its path of enhancing robustness, with important changes in terms of internal governance, in particular the specialisation of the governing bodies, enforced through the election of the new governing bodies which took office on 7 August 2015.

Liquidity constituted a primary objective in 2015, with the entry into force of the new liquidity coverage ratio (LCR), with CEMG having developed various initiatives to generously exceed the minimum levels established by the regulator, namely through careful management of the commercial gap and liquid assets.

Significant initiatives were also developed to improve asset quality, by undertaking the sale of credit portfolios and deleveraging of real estate assets. Moreover, the criteria for divestment of non-strategic stakes were also approved, followed by the divestment of Montepio Seguros at the end of 2015. These initiatives, among others, contributed to the reduction of risk weighted assets, leading to CEMG having exceeded, once again, the capital ratios established by the regulator.

Finally, strict criteria were established for the origination of loans, which enabled reducing the cost of credit risk to the thresholds of the sector, contributing to a more robust balance sheet.

As at 30 December 2015, CEMG's General Meeting approved the Strategic Plan for the three-year period 2016-2018. This document seeks to consolidate CEMG's traditional business, focused on the well-being of families, the financial needs of Portuguese small and medium-sized enterprises (SMEs) and support to the Social Economy, through a competitive, efficient, simple and trustworthy service. CEMG pursued its distinctive management model recognised by its customers, based on the tradition, solidarity and solidity on which it was constructed and that has always defined CEMG over its more than 170 years of history.

The Strategic Plan referred to above embodies the following Strategic Guidelines, where each guideline has a specific implementation and action plan:

1. Recovery of Core Net Operating Income
2. Redimensioning of the operating platform and improved efficiency
3. Strengthening of Risk Management
4. Recovery and Management of Liquidity
5. Human Capital and Talent Management
6. Adjustment of Capital to business needs
7. Enhancement of the robustness of the Institutional Model

Business Areas

Comercial Banking

a) Individuals

The strategy defined for the individual customers segment has focused on encouraging family savings, namely through the attraction and retention of resources with diversified maturity and features.

The offer of Future Retirement Saving Plans was continued in 2015, with various campaigns having been carried out over the year aimed at encouraging saving in a perspective of investment exclusively for retirement, through free or periodic deposit of sums.

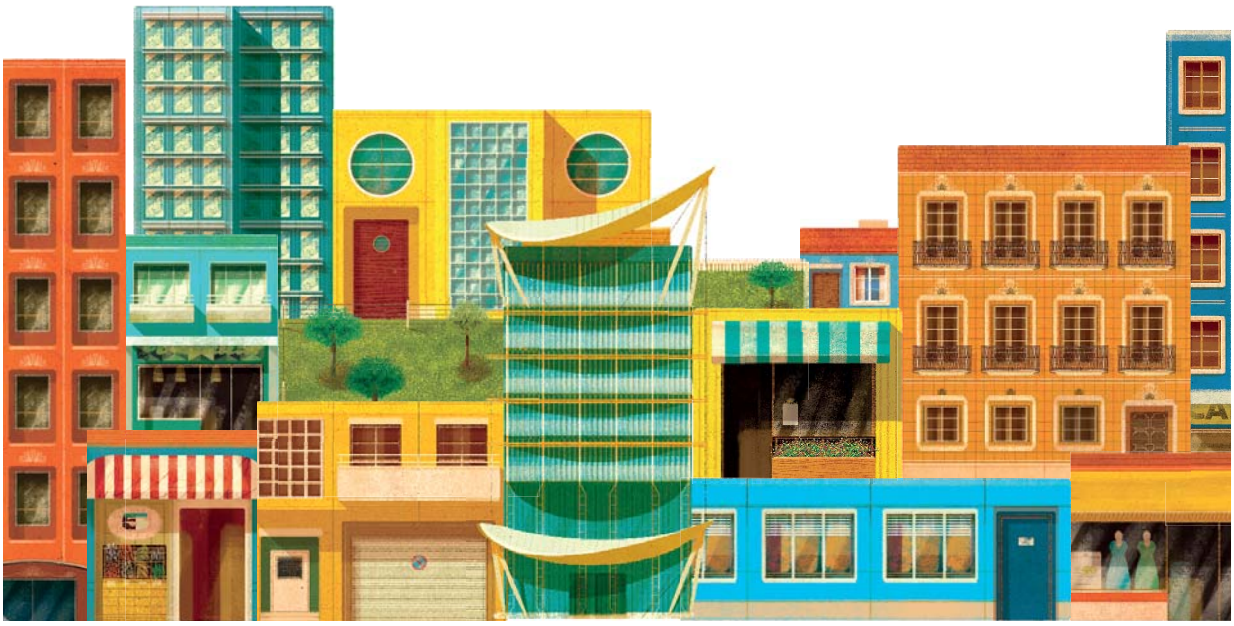
The provision of four overall Montepio Solutions was also continued, directed at Private customers, with different profiles of banking needs. Montepio Solutions consist of an integrated package of products and services with differentiated pricing.

In 2015, Montepio participated once again in the Credit Line for Students of Higher Education with Mutual Guarantee, supporting families with education/training expenses.

Furthermore, differentiated conditions continued to be attributed in mortgage loan operations, aimed at the acquisition of real estate properties held in portfolio, promoted by the Montepio Properties communication project, whose main objective is to publicise Montepio's offer through the Real Estate Portal.

In 2015, the creative concept of the real estate campaign maintained the illustration by Gonçalo Viana, which represents the broadness and variety of properties gathered together under the brand Montepio Imóveis. In this city, everyone finds a solution for their projects, their expectations and ambitions, benefiting from unique advantages and the experience encapsulated in the Montepio brand.

In the area of Bancassurance, CEMG, in partnership with Lusitânia, provides a wide offer, both for the private customer segment and for the company and business segments. This offer covers, in the life/mixed branch, death and invalidity insurance, and in the real branch, motor vehicle, health, multi-risk, occupational accident, civil liability and personal accident insurance, among others.



b) Companies

In line with the strategic objective that has been pursued over recent years, of positioning Caixa Económica Montepio Geral as a partner of the business segment, increasing its market share and continuing to diversify its activity, 2015 was, once again, marked by focus on the development of this strategy.

For this reason, the Companies Marketing Department was created whose main mission is to develop and implement solutions designed specifically to support the growth of company business, searching for market opportunities, detecting and meeting the needs of current and potential customers, and promoting the offer of products and services of value recognised by customers and all other stakeholders.

The strategic focus and positioning of the brand in 2015 comprised the guidelines defined for each priority area of action:

1. Support to the Business Segment (Business, SME and Corporate) and its Internationalisation

2. Support to Entrepreneurship and Microcredit

1. Support to the Business Segment and its Internationalisation

In view of the strategic importance of the Portugal 2020 agreement to the National Economy, CEMG has developed a series of communication initiatives aimed at publicising its offer of financing and guarantee solutions for the beneficiary entities of the support foreseen in this partnership between the Portuguese State and the European Commission that shall be enforced between 2014 e 2020.

These initiatives seek to position Montepio close to the business segment, presenting itself as a bank which supports the companies participating in Portugal 2020.

Based on the "Montepio Growth 2020 Offer" endorsement, Montepio shows that it is the right partner in support:

- **To new business ideas, through the message** "A little idea for you, a great step for Portugal"
- **To the internationalisation effort, through the message** "With us, your shoes will travel the world"

The campaign was present in the main forms of disclosure (Radio, Internet, Press and branch network), during the month of June. Special note should also be made of the materials developed to support companies, namely the brochure dedicated to International Business.

During 2015, CEMG continued to collaborate in the Leader SME and Excellent SME programmes, and endorsed a series of new public initiatives aimed at promoting access to the funding of companies, in particular:

- **SME Growth 2015** – a credit line for the purpose of strengthening the permanent capital and working capital available to national companies. This financing instrument also seeks to meet the liquidity needs of export companies, in particular those integrated in sectors with seasonal needs to increase working capital, and support the creation of SMEs or small-scale groups of SMEs, by financing the acquisition of equity stakes of enterprises.
- **Line to Support Business Revival** – intended to boost access to credit under more favourable conditions for companies which have successfully developed revival/restructuring processes, in particular through the System of Company Recovery Via Extrajudicial Means (SIREVE) or Special Revival Process (PER), and have embarked on new cycles of expansion and growth.

• **Credit Line to Support Cow Milk and Pig Producers** – through partial subsidising of the interest related to loan operations, the support of this line was intended for entities linked to the production of raw cow's milk and pigs, which were affected by the end of the milk quota system, the Russian embargo on European food products, the falling consumption of milk in the national market and the increased production of milk in other regions of the world.

A financing agreement was also concluded with the European Investment Bank (EIB), of the value of 200 million euros, which enabled the creation of a credit line with financial advantages aimed at funding projects developed by SMEs, small caps and other public and private entities.

Following the key objective of offering customers an even more efficient and flexible management of their payments to suppliers, optimising the management of commitments to third parties, the "Montepio Factura OK" (Montepio Invoice OK) product was reformulated, giving rise to the new "Montepio Confirming".

Pursuing the strategy of developing sector offers, the Montepio Optical Offer was launched, in collaboration with our partner F3M Information Systems, designed to respond in a differentiated manner to companies developing business in the optical segment.

2. Support to Entrepreneurship and Microcredit

At a time marked by continued social inequality, Microcredit is still fully applicable, in supporting entrepreneurs with business ideas that are sustainable, employment creating and which, through funding of relatively low amounts, promote the combat of social exclusion and boost financial autonomy. The support to the development of Social Entrepreneurship relied on various funding lines, namely Microcredit, based on a number of partnerships established with entities that are heavily concerned with job promotion, such as Lisbon City Council (CML) through the "Lisboa Empreende" Programme and the European Anti-Poverty Network Portugal (EAPN).

LISBOA EMPREENDE
MICROEMPREENDEDORISMO

Lisboa Empreende won the most important European Business Promotion award, given by the European Commission. The Grand Prize of the Selection Panel, which can be awarded to a project of any category, is attributed to the most creative and inspiring entrepreneurial initiative in Europe.

At the end of 2015, the project showed the following figures: 1,000 candidates, 70 businesses implemented, 33 projects funded and 160 direct jobs created.

During 2015, CEMG maintained strong dynamics in the implementation of the **Programme of Support to Entrepreneurship and Self-Employment Creation** – an agreement established with the Instituto de Emprego e Formação Profissional, IP (IEFP, IP) – (Institute of Employment and Vocational Training) - and the Mutual Guarantee Companies, embodied in the credit lines Microinvest and Invest+. The information relative to November 2015 places Montepio in the first position in terms of market share for the Microinvest Line with 5.1 million euros involved, and in the third position in terms of market share for the Invest+ Line, corresponding to 14.1 million euros involved.

In light of the national and international guidelines to promote intelligent growth, boosting an economy based on knowledge and innovation, Montepio has actively participated in dynamics aimed at developing technology-based and highly innovative ideas, projects and businesses.

The year of 2015 enabled consolidating Montepio's positioning in the area of entrepreneurship. This has essentially been founded on support to start-ups of innovative nature, as a result of partnerships with the main entities of national, regional and social scope in the area of technological and social entrepreneurship, an offer suited to the life cycle of start-ups (Montepio TakeOff), and a policy of support and sponsorships towards stimulating the entrepreneurial spirit of Portuguese society.

The recognised preponderance of CEMG's action on matters of Innovation and Social Entrepreneurship led to the invitation to participate in the Ex-ante Assessment of the Financial Instruments of the Operational Programmes of Portugal 2020. During this forum, which was attended by other public and private entities, the Institute of Employment and Vocational Training (IEFP), SGM – Sociedade Portuguesa de Garantia Mútua and CASES – Cooperativa António Sérgio para a Economia Social, market failings were identified, a summary of conclusions was highlighted for each field of intervention, and recommendations were issued with a view to maximising the impact of the Funding Instruments.

Montepio has been at the side of Portuguese entrepreneurs and companies, from the north to the south of the country, publicising the multiplicity of its offer provided to the segment, with special focus on International Business.

Thus, in 2015, CEMG maintained its drive of penetration among the business segment, as well as the effort to disseminate its solutions supporting the internationalisation of companies and strengthening of CEMG's positioning as a bank close to and partner of SMEs.

Entrepreneurship

Entrepreneurship, a key topic of economic dynamics, has not only gained relevance but also a specific offer and image of its own, adjusted to the needs of those wishing to develop a business idea – the Montepio TakeOff offer.

In this sphere, Montepio's presence has been assured in initiatives such as:

- ”Wanted Business Ideas” competition which aims to attract new ideas and business, supported and organised by the Viseu Dão Entrepreneurship Regional Network.
- Innovation and Entrepreneurship Forum - developed by the Nersant Business Association (Santarém Regional Business Centre) aimed at addressing topics concerning Innovation and Entrepreneurship.
- Contentor 13 - a programme about Portuguese authors, and the first in television produced from one of The Village Underground containers.

SISAB 2015

CEMG marked its presence, for the 4th consecutive year, at the International Show of the Food and Drinks Sector (SISAB). Since this show is the largest annual convention of leading export companies and entrepreneurs, the event revealed an offer of 500 Portuguese companies dedicated to exports, representing 28 food, drinks and associated sectors. The event was visited by buyers from 110 countries, who had the opportunity to contact a total offer of 6,000 brands and products.

Portugal Global *Roadshow*

Montepio presented itself as a partner of the Portuguese Agency for Investment and External Trade (AICEP), promoting the Portugal Global roadshow.The objective of this initiative was to strengthen Montepio's proximity to national companies and to entrepreneurs intending to start or increase their international business.

The roadshow travelled through six cities, impacting over 1,200 entrepreneurs, analysing and debating business opportunities in new geographic areas for the relevant sectors of each region.

National Agricultural Fair

Also directed at the business segment, Montepio developed its *Agricultural Offer*, under the “Portugal 2020” community framework, and, for the first time, attended the National Agricultural Fair where it publicised its offer aimed at this activity sector.

With the participation of thousands of visitors, Montepio also sponsored the National Competitions 2014/2015, drawing a link between the brand and the highest quality products produced in Portugal.

Portugal Communication 2020

In line with the Portugal 2020 programme, communication work was developed aimed at meeting the challenge of positioning Montepio as a bank of the new economy, underpinned by a strategy of valuing not only innovation and creativity but also sustainability.

The communication was developed around two pertinent subjects - Internationalisation and Entrepreneurship - but in line with the new paradigm of business success. Thus, Montepio emerges as an entity which has always been close to companies that wish to operate with their eyes posed on the future.

Real Estate Sector

CEMG has been present in issues linked to the real estate sector, supporting and promoting the debate between various interveners. We highlight the participation in the Urban Rehabilitation Week, promoted in Lisbon, as well as in the 1st National Housing Conference, developed by the Institute of Housing and Urban Rehabilitation (IHRU).

CEMG's presence in these initiatives assured the promotion of its available offer for this business area and of the portal *www.montepioimoveis.pt*, which aggregates the real estate offer of the Montepio Group.

Economy of the Sea

Regarding the economy of the sea, we highlight the following initiatives portraying the amplitude of Montepio's sponsorships:

- **First Edition of the Blue Business Forum** – Montepio attended the most important event linked to the economy of the sea held in Portugal: the Blue Business Forum, in the context of the European Blue Week. The objective of this event was to call attention to the strong significance of the economy of the sea, having involved over 200 exhibitors, 25 conferences, organised visits of around 70 countries, B2B meetings and the tasting of delicacies of the sea. This event, organised by the Portuguese Industrial Association (AIP), was heavily supported by the Ministry of Agriculture and the Sea, and enabled Montepio to publicise its offer for the sector, as well as its offer linked to International Business;

• **Montepio Peniche Paddle Series** – Peniche Paddle Series once again received the main sponsorship of Montepio and, for the second year consecutively, is the only event involving the Portuguese Canoeing, Rowing and Surf Federations all together. Held on 13 and 14 June, in Peniche, this occasion has evolved into a multi-activity event with stages of the national championships of Sea Canoeing and Sea Rowing, National Stand UP Paddle (SUP) Circuit, in its Race Wave modalities, and the Portuguese Rowing Cup.

• **Montepio National Bodyboard Championship** – Sponsorship of the first National Bodyboard Championship in Portugal. Although this sport has been practiced for a number of years and at a high international level, up to this point it had not yet gained its deserved status within the national surf panorama.

• **Montepio Cascais Pro** – National Surf Championship attended by the best Portuguese surfers at a competitive level, having confirmed the national champions.

In 2015, at the Sea Forum - intended for companies and other institutions working in areas linked to the sea - Montepio signed an agreement with the Portuguese Association of Purse Seine Producers' Organisations (ANOPCERCO), which represents ten associations, from the north to the south of the country.

Banking for the Social Economy

The Social Economy in Portugal is based on a social paradigm which is consistent with the fundamental principles of the European social and welfare social model. It is in this context that it currently plays a preponderant role in maintaining and strengthening this model, in particular as a vehicle of social and territorial cohesion, not only due to its increasingly more expressive weight in GDP, but also due to its positive contribution to employment and local development.

The Social Economy sector is characterised by strong heterogeneity, both in terms of financial needs and operating results. Due to the actual nature of CEMG, in 2015 the social sector upheld a central role in the Institution's strategy. Its implementation involved adjustments on the offer directed at entities of the sector, proximity to private social solidarity institutions (IPSS – Instituições Particulares de Solidariedade Social) and support to social solidarity institutions.

For CEMG, on matters of Social Economy, 2015 was primarily focused on three axes of action:

1. Strengthening the already existing partnerships with the different structures representing the sector;
2. Stimulating the existing specific offer and increasing market share in the segment;
3. Reinforcing participation in entrepreneurship and social innovation initiatives.

These three axes of action were aimed at contributing decisively to the construction of an ecosystem to enable improving the use of the existing resources and reinforcing the sustainability of the Social Economy organisations.

In the **first axis of action**, by strengthening the partnerships with the representative structures, CEMG sought to be much more than just a financial partner of the Social Economy organisations but also a strategic partner of support, knowledgeable of the activity's specific reality, by defining an exclusive offer, funding programmes and capacity-building programmes.

Social Investment plays a crucial role in performing the alignment between investors and social organisations, as well as in the development of social organisations focused on problem-solving through social innovation.

Social Investment, increasingly preponderant, can be used to help improve efficiency, innovation and impact, strengthening installed capacity and preparing the way for the expansion of social organisations.

In this regard, CEMG participated actively in the Portuguese Working Party for Social Investment, partnership of the European Commission, the Calouste Gulbenkian Foundation, and the Laboratory of Social Investment and Social Finance, with its Final Report having been presented in June, during the First Edition of the Social Innovation World Forum, held in Lisbon.

The Social Economy and its stakeholders operate in an increasingly broader group of the Portuguese population, acting as economic and social agents of vital importance. CEMG, as an active and innovative partner in the social sphere, fosters the sustainability of the regions in which it operates, revealing an important protagonism in its stimulation. Following this drive, CEMG continued to strengthen its positioning as a reference financial institution and strategic partner, not only in its support to financial needs but also in the search of solutions for social innovation and practices towards greater sustainability and capacity-building, namely encouraging institutions to implement measures to assess social impact and seek new forms of social investment.

Through its specialised unit for this sector (Institutional and Social Economy Department), CEMG has built bridges between its customers, the Group's areas of social responsibility and different organisations falling under the umbrella of the social economy, thus enabling the diversification of the offer according to market needs. The various collaboration agreements established with these entities have contributed to this end.

Likewise, in 2015, CEMG sponsored and participated in various events aimed at entities of the social economy, addressing current and important subjects, such as the **'II Social Responsibility Meeting'**, the **'National Meeting of Institutions'** and the '**7th Fundraising Seminar'**.
CEMG also took part in the 'Portuguese Social Investment Working Party' and organised, in partnership with RedeMut, an information session on European Structural and Investment Funds (ESIF), held in the Montepio Auditorium, under the title 'Portugal 2020 – funding opportunities for Mutualist Associations'. CEMG also sponsored the **'Active Senior Citizens'** Conference, organised by Santa Casa da Misericórdia do Porto, and the 'Insular Congress of the Cahrities', held in Funchal.
The support to enterprises also extended to other spheres, in particular the first edition of the **Montepio Runner Corporate Edition**, which involved around 70 companies, held at Jamor Stadium, in the Lisbon region. Combining competitiveness with solidarity, the **Montepio Runner Corporate Edition** raised over 7 thousand euros in favour of the Salvador Association, specifically to accomplish a project to support the employment of physically disabled persons, developed by this entity.

In the area of entrepreneurship, CEMG continued to promote and develop its role in supporting innovative and promising projects, which has been widely recognised as a key aspect to combat unemployment, create jobs and contribute to the country's economic productivity and growth.

In this context, the **Montepio Microcredit** solution presents two truly unique factors which differentiate it: the existence of specialised managers, who accompany the entrepreneurs from the embryonic phase of the business idea onwards, and the equally important role played by specific tutors in the preparation of business plans and follow-up of the first project implementation phase.

In the direct support offered to the social economy, note should be made of important actions of support, stimulation and dissemination of the institutions and their work, in particular the following:

- **Solidarity Minute** - Continuing the project started in 2011, a ceremony was held to hand over the 1 and 3 minute films produced in 2014 to the Private Social Solidarity Institutions (IPSS) involved. The delivery was preceded by a training session for social sector entities dedicated to the topic of “Communication and Marketing in a Non-Profit Organisation”;

- **+Vida Card** - The +Vida credit card enables supporting a social solidarity institution whenever it is used. When the customer does not indicate the entity wished to be supported, Montepio is entrusted with defining the institutions that shall receive the contributions. During the year, the entities selected to receive the contributions were the Liga Portuguesa Contra a Sida (Portuguese League Against AIDs); Novamente - Associação de Apoio aos Traumatizados Crânio Encefálicos e Famílias (Association of Support to Persons with Traumatic Brain Injury and their Families); APCL - Liga Portuguesa Contra a Leucemia (Portuguese League of Asperger Syndrome).

Pursuing along the path started in previous years, **the second axis** represented focus on growth, quality, providing a distinctive offer of products and services and at the best market price, and in a sufficient quantity to enable this offer to reach the largest number of Social Economy organisations, thus contributing to improve their efficiency, management and sustainability.

In this regard, we highlight the following partnerships, which reflect CEMG’s vision to promote a more efficient and sustainable Social Economy through an offer designed to meet real needs:

- **IT Solutions – F3M Information Systems** – a partnership renewed in 2015 for yet another year and which involved, in addition to hardware, software and training, the construction and maintenance of institutional websites, in order to offer Social Economy organisations a solution allowing them to meet the recent legal regulations in force for the sector;

- **Renault Portugal** – renewal of the partnership signed in 2014, intended to ensure the feasibility of vehicle acquisition at a competitive price and adapted to the needs of Social Economy entities. This was further extended to the sector of electric vehicles, allowing us to respond to the instability in the price of fuel and present solutions aimed at making the most of the tax benefits granted for 2015, supporting and encouraging public or private sector organisations regarding electric mobility, as assets of differentiation and enhancement of the organisation’s value.

The **third axis of action** represents CEMG’s vision of the need to take to the Social Economy not only new forms of responding to existing social problems, but also to find ways of responding to new social problems, always taking into account the necessity to bring in new sources of funding and investment for initiatives.

The definition of the Social Economy as a central customer segment in the context of CEMG's action has enabled a structured approach to the Social Economy organisations, which incorporates the Companies Marketing Department and the Commercial Department of Companies, Institutions and Social Economy, supported by specific pricing and risk analyses for the sector, aimed at adjusting solutions to customer needs and mitigating the risk of operations. This approach enables, at the end of the process, finding a better solution for the customer.

The strategy of joint action and promotion of the Social Economy was strengthened in 2015 with CEMG's presence at numerous initiatives organised both by their representative structures and by local entities, which proved to be important forums of debate, sharing of experiences and good practices, such as the following in particular:

- **II Social Responsibility Meeting** – organised by Santa Casa da Misericórdia de Albufeira on the topic "From Assistance Driven to Sustainability".

- **National Meeting of Solidarity Institutions** – organised by the Union of Portuguese Misericórdias, Santa Casa da Misericórdia do Porto, National Confederation of Solidarity institutions (CNIS) and Union of Mutualities, on the topic "In Defence of the Social State – One for All, All for One".

- **7th Fundraising Seminar** – organised by Call to Action on the topic "Solutions and inspiration for fundraising today!". This seminar is an important forum of reflection on an essential theme which seeks to create and assure the financial sustainability of social organisations.

- **Clarification session** on the European Structural and Investment Funds (ESIF) available under Portugal 2020 and the funding opportunities for Mutualist Associations, organised in partnership with RedeMut and held at the Montepio Auditorium, in Lisbon.

- **XIII Insular Congress of the Charities** – organised by Santa Casa da Misericórdia do Funchal on the topic "In Search of a Better Future", where one of the panels debated the issue of "Social Economy Banking" with one of the guest speakers being the Chairman of the Board of Directors of CEMG.

- **National Congress of Collective Bodies, Associations and Clubs** – organised in partnership by 9 entities representing the Portuguese Associative Movement, on the topic "Popular Associativism – – a social force with vision and future!". Debates were held on issues such as Legislation, Institutional Representation, Associative Local Power and Civil Society, the role of Voluntary Senior Staff, among others of relevance to the Portuguese Associative Movement.

Investment Banking

In 2015, Montepio Investimento continued to develop the new organisational business model, started in 2014, directed at corporate and institutional segments, in order to complete the range offered by the CEMG Group to accomplish the strategy of transversal diversification of its business, markets and sources of income.

In 2015, the net assets of Montepio Investimento declined by 119.3 million euros to stand at 288.4 million euros, with the heading "financial assets available for sale" having decreased by 106.1 million euros to a total of 180.1 million euros. The reduction of this heading of net assets is explained by the contraction of the portfolio of public debt securities, which accounted for merely 6.0% of the total weight of this heading in 2015 (65.5% in 2014).

Loans to customers now represent a weight of 21.1%, with “(gross) credit to customers”, being exclusively composed, to date, of movable and immovable asset leasing, standing at 81.2 million euros, having decreased by 15.2 million euros in relation to 2014. The financing of activity continued to be sustained by resources from other credit institutions, which decreased by 124.8 million euros, as a result of the contraction of the securities portfolio. In 2015, bond issues were repaid to the value of 7.2 million euros.

Montepio Investimento’s net operating income stood at 13.9 million euros in 2015, corresponding to a reduction of 21 million euros, explained by the performance of “net gains arising from financial assets available for sale” (-17.2 million euros) and net interest income (-4.4 million euros), following the reduction of the portfolio of public debt securities, compared to the same period of 2014. Commissions from financial advisory operations reached 1.8 million euros in 2015, having grown by 9% in relation to 2014, as a result of the CEMG’s focus towards corporate and institutional customers.

Provisions for the year came to 5.4 million euros, of which 0.5 million euros are related to the credit portfolio and 4.6 million euros concern the securities portfolio. Provisions fell by 1.8 million euros in 2015, corresponding to a decrease of approximately 25.1%. Operating costs stood at 2.8 million euros, having increased by 0.3 million euros as a result of the stronger advisory activity in 2015.

Montepio Investimento’s net income reached 4.8 million euros in 2015, compared to the net income of 23.5 million euros in 2014. During the previous year, the net income incorporated the positive contribution of trading activity, namely from the portfolio of public debt securities, amounting to 26.6 million euros compared to 9.4 million euros in 2015.

Specialized Credit

Montepio Crédito - Instituição Financeira de Crédito, SA is the entity within the CEMG Group that offers specialised credit at Points of Sale of vehicles and equipment.

A repositioning of this institution within the CEMG Group has been taking place, with the development of specialised financing in professional areas, through relations with business partners that are suppliers of light and heavy duty vehicles and industrial equipment, now being combined with the core business of motor vehicle loans.

According to data published by the Portuguese Automobile Trade Association (ACAP), 213,645 new vehicles were sold in Portugal in 2015, which represented a year-on-year increase of 24.0%.

In 2015, the net assets of Montepio Crédito came to 481.5 million euros, showing year-on-year growth of 27.3 million euros (+6.0%). Total financing to customers increased by 4.5% (to a total of 361.7 million euros).

Net operating income reached 27.0 million euros, corresponding to year-on-year growth of 91.0% (+12.9 million euros), partly explained by the sale of a loan portfolio of the value of 12.7 million euros. Net interest income grew by 2.6% year-on-year, as a result of the diversification of funding sources and rigorous management of the price applied to new operations. Other operating income increased by 12.6 million euros in relation to 2014, due to the divestment of other assets, having contributed to the formation of net operating income with 63.3%.

Structural costs increased by 4.0% to stand at 10.9 million euros. However, in light of the higher net operating income there was an improvement in the cost-to-income ratio to 40.4% (compared to 74.2% for the same period of the previous year).

In 2015, provisions were reinforced by 3.8 million euros, of which 1.9 million euros were allocated to loans to customers and 1.8 million euros to other assets.

Net income for 2015 reached 8.9 million euros, compared to the 0.8 million euros recorded in 2014 (+8.1 million euros).

International Activity

The international activity of the CEMG Group is carried out by the entities Finibanco Angola, SA (FNB-A), Banco MG Cabo Verde, Sociedade Unipessoal, SA (MGCV) and – since December 2014 – – also by BTM of Mozambique.

The stake of the Montepio Holding, SGPS, SA (MH) in BTM, equivalent to 45.78% of the capital, amounting to 21 million euros, was accomplished at the beginning of the last quarter of 2014, by the acquisition of 44.8% of its capital for the value of 14 million euros and subsequently by the bipartite capital increase of 4 million euros and 3 million euros in July and December 2015, respectively. BTM was founded in 2008 with the objective of being one of the reference institutions in Mozambique for financing in the areas of agriculture and food and to provide financial services to the rural and suburban populations, maintaining a network of branches (a total of nine branches) in the provinces of Maputo, Inhambane, Manica, Sofala, Tete and Nampula. The Net Assets of BTM as at December 2015 came to 61.7 million euros.

Deposits and loans

As at December 2014, customers' deposits captured by the entities that develop the international activity of the CEMG Group, expressed in euros, reached 838.8 million euros, reflecting a year-on-year decrease of 20.0%.

The attraction of resources in the Angolan market, of the value of 412.7 million euros, represents 49% of the international activity, having shown a 12% decline relative to the same period of the previous year, as a result of the 17.1% deterioration of the EUR/AOA exchange rate, as the posted performance in the respective currency is positive with a 3.4% increase of activity, based on the policy aimed at penetrating the Angolan market, with the opening of 3 new branches in 2015 and the consolidation of the branches that were opened in recent years.

In MGCV, customers' deposits decreased by 27%, having stood at 403 million euros, which represent 48% of the total deposits of the international activity.

BTM made a more modest contribution, with a balance of deposits of 22.4 million euros, which is forecast to increase within the scope of the current business plan, which foresees an increase of the bank's physical presence to take advantage of the identified market potential, through the opening of new business centres (branches and other customer support services) and the expansion of the offer of products and services.

The credit portfolio of the international activity of the CEMG Group fell by 3%, from 314.7 million euros in December 2014 to 305.2 million euros in December 2015.

Credit to the companies segment constitutes a high share of the international credit portfolio, representing 94.5% of the total, while credit to private customers corresponds to 5.5% of the loans granted. This decline of loans was due to the activity of FNB-A, given that the new Mozambican operation represents only 12% of the total volume of credit granted and the activity in Cape Verde is exclusively focused on the attraction of funds.

Earnings

The international activity generated a positive net income of 9.7 million euros in 2015, compared to 12.4 million euros in 2014, arising from positive results in Angola (8.4 million euros), Cape Verde (1.2 million euros) and Mozambique (59 thousand euros).

International net operating income reached 48.5 million euros in 2015, corresponding to a year-on-year decline of 3% (-1.5 million euros). Net interest income amounted to 29.4 million euros, reflecting a year-on-year increase of 13% (+3.4 million euros), as a result of the increased business levels.

Gains arising from currency revaluation continue to contribute strongly to the net operating revenues of FNB-A, having reached 13 million euros in 2015 (approximately 30% of total net operating income for the year).

Given that FNBA-A is a young institution undergoing organic expansion, its operating costs increased by 4%, reaching a total of 18.2 million euros. In spite of this increase, the cost-to-income ratio stands at 42%.

In 2015, there was a net reinforcement of the impairments of the credit portfolio of FNB-A to 15.0 million euros (+0.4 million euros).

Financial Analysis

Capital

The Capital of CEMG amounted to 1,900 million euros as at 31 December 2015, where this figure includes the Institutional Capital belonging to Montepio Geral - Associação Mutualista, of the value of 1,500 million euros and 400 million euros of participation units representing its Participation Fund, listed for trading on Euronext Lisbon Stock Exchange.

The prudential solvency indicators are based on the new legislation of Basel III, composed of Directive 2013/36/EU and Regulation (EU) 575/2013, both of the European Parliament and Council, as well as Banco de Portugal Notice 6/2013. The full application of the new Basel III regulations will be introduced gradually over the period up to 2018, with this process usually being referred to as Phasing-in. The full endorsement of the new regulations, without considering transitional plans, is referred to as Full Implementation. The Phasing-in process is currently underway, and it is on this basis that Banco de Portugal determines the regulatory minimum ratios for compliance in 2015: 7% for CET1 and 8% for Total Capital.

As at 31 December 2015, the Common Equity Tier 1 ratio, calculated pursuant to the phasing-in CRD IV/CRR rules stood at 8.82%, surpassing the minimum value established by Banco de Portugal. The Total Capital ratio reached 9.74%, also surpassing the required minimum level.

Capital and Capital Requirements

(Thousand Euros)

	2014	2015	Change	
			Amount	%
Total Capital	**1,309,115**	**1,360,224**	**51,109**	**3.9**
Elegible instruments to CET1	1,682,235	1,890,019	207,784	12.4
Reserves and Net Income	(316,909)	(561,214)	(244,305)	(77.1)
Regulatory deductions	80,096	97,897	17,801	22.2
Common Equity Tier I Capital	**1,285,230**	**1,230,908**	**(54,322)**	**(4.2)**
Other equity instruments	6,618	0	(6,618)	-
Tier I deductions	6,618	0	(6,618)	-
Tier I Capital	**1,285,230**	**1,230,908**	**(54,322)**	**(4.2)**
Tier II Capital	32,826	137,483	104,657	>100
Other deductions	8,941	8,167	(774)	(8.7)
Minimum Own Funds Requirements	**1,208,400**	**1,116,988**	**(91,412)**	**(7.6)**
Risk-Weighted assets and equivalents	**15,104,998**	**13,962,350**	**(1,142,648)**	**(7.6)**
CRD IV Prudential Ratios - Phasing-in				
Common Equity Tier 1	8.51%	8.82%	0.31 p.p.	
Tier 1	8.51%	8.82%	0.31 p.p.	
Total Capital	8.67%	9.74%	1.07 p.p.	
CRD IV Prudential Ratios - Full Implementation				
Common Equity Tier 1	6.98%	6.73%	(0.25 p.p.)	
Tier 1	6.99%	6.75%	(0.24 p.p.)	
Total Capital	7.21%	7.74%	0.53 p.p.	
Leverage ratio - Phasing-in	5.60%	5.73%	0.13 p.p.	
Leverage ratio - Full Implementation	4.61%	4.42%	(0.19 p.p.)	

Liquidity

In a context of the continued sluggish recovery of the economy, during 2015, CEMG concentrated on improving the liquidity position of its balance sheet, embodied in a balanced loan-to-deposit ratio, lower exposure to the financial markets and the use of funding from the European Central Bank (ECB), maintaining a solid pool of eligible assets for refinancing operations, and a solid liquidity coverage ratio (LCR) of 111.4%, comfortably above the minimum requirement of 60%, as at 31 December 2015.

The evolution of customers' resources and loans granted led to a positive commercial gap of 338.3 million euros as at 31 December 2015, giving rise to a loan-to-deposit ratio of 97.7%, considering the entire amount of customers' resources on the balance sheet, and 113.1% considering only customers' deposits, comfortably below the indicative level of 120%.

Leverage Ratios

(%)

	2014	2015	Change
Net Loans to Customers / Customers' Deposits [(a)]	106.5	113.1	6.6 p.p.
Net Loans to Customers / Total On-Balance Sheet Customers' Resources [(b)]	92.5	97.7	5.2 p.p.

(a) In accordance with Banco de Portugal Instruction No. 16/2004, in its current version.
(b) Total On-Balance Sheet Customers' Resources = Customers' resources + debt securities issued.

During 2015, 628.2 million euros of debt were repaid (520.3 million euros of cash certificates, 87.9 million euros of securitized debt and 20.0 million euros of debt certificates), which, added to the repayments made from 2011 to 2014, reached the total of 7,469.1 million euros over the last 5 years.

The medium and long term debt falling due in the next 5 years reaches 2,273.7 million euros, of which 668.9 million euros refer to resources obtained from institutions in the international debt market (wholesale), and the remaining 70.6% being relative to resources obtained in the retail network, the vast majority through private offers. The refinancing of the medium and long term debt (wholesale) is fully covered by the maturity of the bond portfolio.

The use of ECB funds by CEMG decreased by 8.8% in relation to 31 December 2014, having shifted from 2,496.9 million euros to 2,277.3 million euros as at 31 December 2015, of which 1,726.0 million euros were derived from Targeted Longer Term Refinancing Operations (TLTRO), carried out in September and December 2014 and in March and June 2015, falling due in September 2018. This lower use of Eurosystem monetary policy operations was influenced by the increased amount of customers' deposits which occurred in the last quarter of the year and the use of repurchase agreement operations (Repos), combined with the sale of CEMG's portfolio of public and private debt.

Partly due to this divestment of assets, consistent with a policy of dynamic management of the bond portfolio, the portfolio of collateral eligible to back Eurosystem monetary policy operations and for operations in the new Secured Interbank Market decreased slightly from 4,202.4 million euros as at 31 December 2014, to 4,019.7 million euros at the end of 2015, of which 296.6 million euros, deposited without any encumbrance or charge, refer to the new Secured Interbank Market collateral portfolio.

Therefore, in terms of collateral available to obtain liquidity, the pool of available assets increased by 2.2%, to 1,742.4 million euros as at 31 December 2015, showing an improvement of CEMG's liquidity situation.

Pool of Eligible Assets for Refinancing Operations with the ECB

(Thousand Euros)

	2014		2015		Change	
	Amount	%	Amount	%	Amount	%
Pool of Eligible Assets [a]	4,202,365	100.0	4,019,674	100.0	(182,691)	(4.3)
Use of the Pool	2,496,886	59.4	2,277,258	56.7	(219,628)	(8.8)
Pool of Available Assets	**1,705,479**	**40.6**	**1,742,416**	**43.3**	**36,937**	**2.2**

(a) Includes eligible assets for the new-CIM.

Repos showed growth of 323 million euros in 2015, having shifted from 537 million euros as at 31 December 2014 to 860 million euros as at 31 December 2015. This increase indicates a greater opening of this instrument, a sign that the financial markets have recovered to some normality.

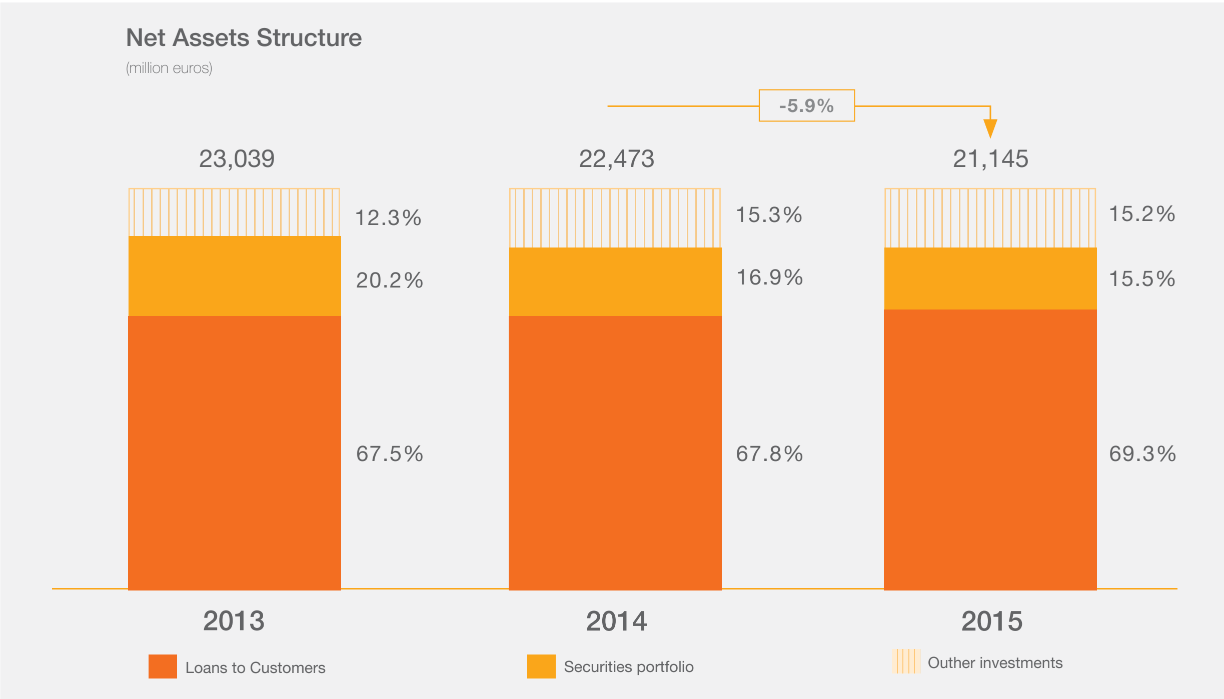
CEMG did not record any liquidity raised from the interbank market as at 31 December 2015, but did record liquidity investments of 6 million euros, carried out at an average rate of 1%.

Furthermore, CEMG raised two loans from the European Investment Bank (EIB) at the beginning of the second quarter of 2015, with the total value of 210 million euros. As at 31 December 2015, the total amount of resources obtained from the EIB reached 560 million euros, falling due from 2016 onwards.

Balance Sheet

Assets

Net assets reached 21,145.2 million euros at the end of 2015, having decreased by 5.9% in relation to 2014. This decline was due to the reduction of the loan portfolio derived from the circumstances of the persistently slow recovery of the national economy, the higher demands placed on risk and underwriting policy, in addition to the contraction of the portfolio of securities held by CEMG.



Loans to Customers

Gross loans to customers fell by 4.0% to 15,944.0 million euros, above all due to the overall performance of the domestic activity (-4.1%), as a result of the still tenuous economic recovery, the strict repricing policy and the demanding risk management policy in credit granting. It should be noted that domestic activity accounts for 98% of the total of the gross loan portfolio.

The annual performance of the loan portfolio especially reflects the contraction observed in mortgage loans (-4.6%) and the reduction in the construction segment (-26.7%), combined with the stability of the credit granted to companies (excluding construction) which only fell by 77.5 million euros (-1.2%) in 2015.

Hence, as at 31 December 2015, loans to companies (excluding construction) increased in terms of their weight in the total loan portfolio to 41.6% (+1.2 p.p. relative to 2014), while mortgage loans maintained their representativeness with 47.0% (relative to 47.2% in 2014) and loans to construction continued to fall in terms of weight in the total portfolio, having reached 3.3% at the end of the year compared to 4.3% at the end of the previous year.

Loans to customers

(Thousand Euros)

	2014	2015	Change	
			Amount	%
Individuals	**9,191,357**	**8,790,208**	**(401,149)**	**(4.4)**
Housing	7,848,422	7,488,079	(360,343)	(4.6)
Consumption and other purposes	1,342,935	1,302,129	(40,806)	(3.0)
Companies	**7,420,738**	**7,153,807**	**(266,931)**	**(3.6)**
Construction	710,625	521,213	(189,412)	(26.7)
Other purposes	6,710,113	6,632,594	(77,519)	(1.2)
Total Loans (gross)	**16,612,095**	**15,944,015**	**(668,080)**	**(4.0)**
Distributed by:				
Domestic activity	16,273,882	15,611,547	(662,335)	(4.1)
International activity	338,213	332,468	(5,745)	(1.7)

Securities portfolio

The portfolio of securities held by CEMG amounted to 3,281.1 million euros, accounting for 15.5% of net assets as at 31 December 2015, compared to 16.9% at the end of 2014. Consistent with a policy of dynamic management of the bond portfolio, the year-on-year reduction of 515.3 million euros was primarily the result of the decrease observed in the portfolio of Portuguese public debt securities, which amounted to 1,046.4 million euros, while in 2014 this same portfolio presented a book value of 1,814.0 million euros. It should also be noted that, excluding Portuguese public debt securities from the analysis, the securities portfolio would have increased by 252.4 million euros, as a result of the conservative investment policy driving the trading of debt securities, both public and corporate.

Securities portfolio

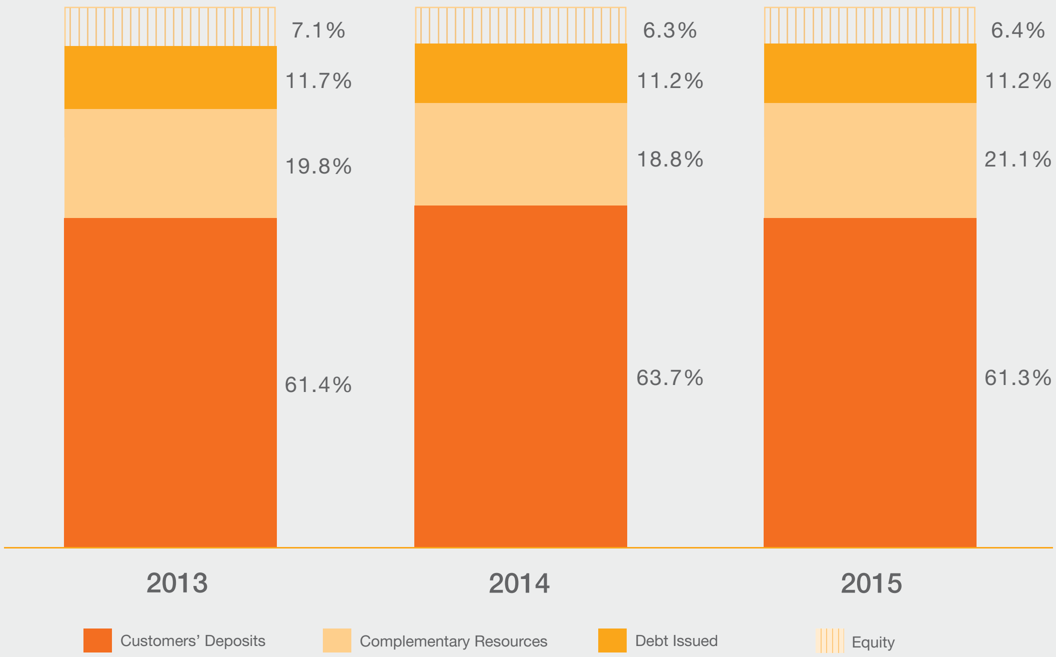
(Thousand Euros)

	2014	2015	Change	
			Amount	%
Financial assets held for trading	86,581	51,093	(35,488)	(41.0)
Financial assets available-for-sale	3,589,711	3,068,501	(521,210)	(14.5)
Held to maturity instruments	120,101	161,540	41,439	34,5
Total securities portfolio	**3,796,393**	**3,281,134**	**(515,259)**	**(13.6)**
Portuguese sovereign debt portfolio	*1,813,968*	*1,046,352*	*(767,616)*	*(42.3)*
Total securities portfolio, excluding the Portuguese sovereign debt portfolio	**1,982,425**	**2,234,782**	**252,357**	**12.7**

Liabilities and equity

At the end of 2015, total liabilities stood at 19,801.1 million euros, compared to 21,059.0 million euros as at 31 December 2014, corresponding to a year-on-year reduction of 6.0%. This was due to the lower use of ECB refinancing (-8.8%), decreased amount of liabilities represented by securities (-5.4%) and the 9.4% reduction of customers' deposits, which continue to be the main source of funding of the activity, accounting for 61.3%.

Liabilities and Equity Structure

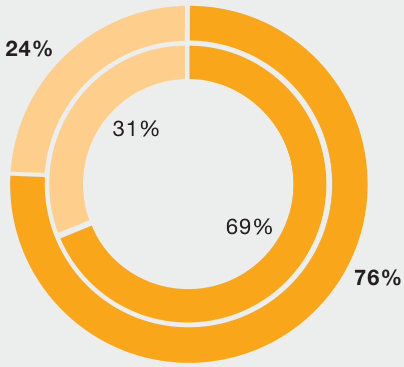


Customers' resources

The total amount of customers' resources reached 15,400.7 million euros, which include 14,590.8 million euros relative to on-balance sheet resources, of which 88.9% refer to customers' deposits.

The portfolio of customers' deposits, which stood at 12,969.4 million euros, is essentially concentrated on private customers, a segment that remained stable in relation to the same period of the previous year, with a variation of -1.4%, thus maintaining its predominance by accounting for 76% of total deposits.

The total portfolio showed a 9.4% reduction compared to the end of 2014 as a result of the combined circumstances of interest rates at historically low levels, encouraging an intensely competitive environment, and the rigorous deposit repricing policy that CEMG has continued to endorse, with particular impact on the company and institutional segments that are most sensitive to the price factor.



Customers' Deposits structure

Outer: 2015
Inner: 2014

Individuals
Companies and Institutionals

Customers' Resources

(Thousand Euros)

	2014	2015	Change	
			Amount	%
Deposits from Individuals	**9,929,701**	**9,794,095**	**(135,606)**	**(1.4)**
Deposits from Companies and Institutionals	4,384,958	3,175,336	(1,209,336)	(27.6)
Total Deposits	**14,314,659**	**12,969,431**	**(1,345,228)**	**(9.4)**
Sight Deposits	2,792,654	2,831,931	39,277	1.4
Term Deposits	11,522,005	10,137,500	(1,384,505)	(12.0)
Securities placed with Customers	2,120,870	1,621,339	(499,531)	(23.6)
Total On-Balance sheet resources	**16,435,529**	**14,590.770**	**(1,844,759)**	**(11.2)**
Off-Balance sheet resources	1,009,789	809,944	(199,845)	(19.8)
Total Customers' resources	**17,445,318**	**15,400,714**	**(2,044,604)**	**(11.7)**

In a perspective of active management of financing needs, the heading of securities placed with customers stood at 1,621.3 million euros at the end of 2015, compared to 2,120.9 million euros at the end of 2014, as a result of the securitized debt which had fallen due, replaced by less expensive market operations.

Off-balance sheet resources reached 809.9 million euros, compared to 1,009.8 million euros as at 31 December 2014, above all due to the year-on-year reduction observed in terms of mutual funds, namely treasury funds and capitalisation insurance.

Earnings

The year of 2015 continued to be marked by the challenges of the current economic climate, both at a domestic level due to the slow recovery of economic activity, and due to the weak economic recovery at a European level, which continued to undermine the confidence of economic agents, with consequences in terms of investment and employment, influencing the activity of the institutions of the financial sector.

Alongside these constraints, there was a continued downward movement of market interest rates which, once again, fell to historic minimum lows, reaching close to zero or even negative figures for some maturity periods, thus narrowing interest margins and penalising the income levels of the activity.

Summarized Income Statement

(Thousand Euros)

	2014	2015	Change	
			Amount	%
Net interest income	**336,506**	**227,519**	**(108,987)**	**(32.4)**
Net interest income, excluding the contribution of the Portuguese sovereign debt portfolio	*262,893*	*203,884*	*(59,009)*	*(22.4)*
Dividends from equity instruments	610	3,636	3,026	>100
Net fee and commission	109,566	101,810	(7,756)	(7.1)
Results from financial operations	352,170	138,717	(213,453)	(60.6)
Results from financial operations, excluding the sale of Portuguese sovereign debt	*(12,002)*	*53,563*	*65,565*	*>100*
Other net operating income	(14,353)	(16,208)	(1,855)	(12.9)
Net banking income	**784,499**	**455,474**	**(329,025)**	**(41.9)**
Net banking income, excluding results arising from the Portuguese sovereign debt portfolio	***346,713***	***346,686***	***(27)***	***0.0***
Operating expenses	341,724	359,378	17,654	5.2
Domestic activity [(a)]	*324,104*	*329,314*	*5,210*	*1.6*
International activity [(a)]	*18,405*	*30,744*	*12,339*	*67.0*
Net operating income	**442,775**	**96,096**	**(346,679)**	**(78.3)**
Net provisions and impairments	645,743	360,736	(285,007)	(44.1)
Earnings from associates and joint ventures (equity method)	(5,223)	(3,910)	1,313	25.1
Earnings before Tax and Non-controlling interests	**(208,191)**	**(268,550)**	**(60,359)**	**(29.0)**
Tax and Non-controlling interests	21,238	25,143	3,905	18.4
Net Income	**(186,953)**	**(243,407)**	**(56,454)**	**(30.2)**

(a) Excludes consolidation adjustments.

The net income for 2015 stood at -243.4 million euros, compared to -187.0 million euros in the same period of the previous year. This evolution reflects the lower contribution of earnings generated from the sale of the Portuguese public debt portfolio, with a combined impact on net interest income and results from financial operations, compared to the previous year, of -329.0 million euros. Excluding this effect, net operating income would have remained stable, presenting zero variation in relation to 2014.

Moreover, also contributing to this evolution was the reduction of the volume of the loan portfolio combined with a context of historically low Euribor interest rates, and the growth of operating expenses in the international activity (+67.0%). However, considering that the acquisition of equity stakes in BTM only took place in December 2014, the increase in consolidated operating expenses of the Group, on a comparable basis, falls to 2.6%. Particular note should also be made of the substantial reduction recorded in provisions and impairments (-44.1%), as a result of the increasingly stronger rigour in the analysis of the cost of risk of granted loans.

Net interest income

Net interest income amounted to 227.5 million euros, compared to 336.5 million euros achieved at the end of 2014. This performance was especially influenced by the 98.3 million euros reduction in the contribution of the securities portfolio, of which 50.0 million euros derived, on the one hand, from the lower yields of the sovereign debt securities held in the portfolio, and, on the other hand, the divestment of these types of assets in 2014, under rather favourable market conditions which enabled the achievement of exceptional gains. Furthermore, the reduction of the volume of loans, derived from the fragile recovery of demand and the increasingly strict policy of risk analysis in credit granting, added to the historically low levels of the Euribor rates, led to a decrease of the contribution from loans to customers of 132.6 million euros, greater than the reduction observed in customers' resources which reached 85.0 million euros.

Net interest income

(Thousand Euros)

	2014	2015	Change	
			Amount	%
Financial assets				
Loans to Customers	613,603	480,997	(132,606)	(21.6)
Securities portfolio	191,248	73,093	(118,155)	(61.8)
Derivative instruments	104,337	87,238	(17,099)	(16.4)
Other investments	4,522	1,836	(2,686)	(59.4)
Sub-total	**913,710**	**643,164**	**(270,546)**	**(29.6)**
Financial liabilities				
Customers' resources	316,303	231,342	(84,961)	(26.9)
Debt securities issued	94,303	74,462	(19,841)	(21.0)
Derivative instruments	106,103	87,551	(18,552)	(17.5)
Other liabilites	60,495	22,290	(38,205)	(63.2)
Sub-total	**577,204**	**415,645**	**(161,559)**	**(28.0)**
Net interest income	**336,506**	**227,519**	**(108,987)**	**(32.4)**
Securities NII, of which:	96,945	(1,369)	(98,314)	(<100)
Portuguese sovereign debt	*73,613*	*23,635*	*(49,978)*	*(67.9)*
Comercial and other NII	239,561	228,888	(10,673)	(4.5)

Other Operating Income and Net Banking Income

Net commissions, derived from services rendered to customers, reached 101.8 million euros, having fallen by 7.1% in relation to the 109.6 million euros recorded at the end of 2014.

Results from financial operations (net trading income) amounted to 138.7 million euros, due to the rigorous management policy regarding the trading portfolio, which, even so, gave rise to a reduction of the net gains from financial operations compared to those achieved in 2014 (-60.6%). This included 364.2 million euros derived from the divestment of Portuguese public debt securities, taking advantage of the fairly favourable market conditions, compared to 85.2 million euros recorded in 2015. Thus, it should be emphasised that, excluding the impact of the divestment of the aforesaid securities, the results from financial operations would have shown a year-on-year improvement of 65.6 million euros.

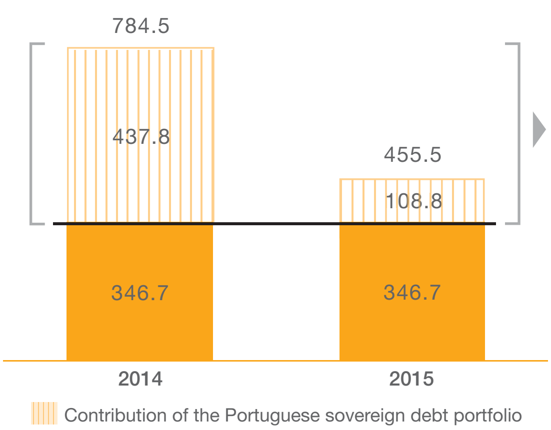
Results from Financial Operations

(Thousand Euros)

	2014	2015	Change	
			Amount	%
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	4,204	(13,498)	(17,702)	(<100)
Net gains/(losses) arising from financial assets available-for-sale	374,386	114,451	(259,935)	(69.4)
Net gains/(losses) arising from foreign exchange differences	17,016	16,510	(506)	(3.0)
Results from other financial assets	(43,436)	21,254	64,690	>100
Results from financial operations	**352,170**	**138,717**	**(213,453)**	**(60.6)**
Results from the sale of Portuguese sovereign debt	364,172	85,154	(279,018)	(76.6)
Total, excluding results from the sale of Portuguese sovereign debt	**(12,002)**	**53,563**	**65,565**	**>100**

Therefore, the contribution of the portfolio of Portuguese public debt securities in 2014 significantly affected the evolution of net operating income in 2015, which stood at 455.5 million euros compared to 784.5 million euros in 2014. Excluding this contribution, which represented an annual impact of -329.0 million euros, distributed between 50.0 million euros in net interest income and 279.0 million in results of financial operations, net operating income would have shown zero variation in relation to 2014, standing at 346.7 million euros.

Net Banking Income (€Mn)



Contribution of the Portuguese sovereign debt portfolio

(Thousand Euros)

	2014	2015	Change
Net interest income	73,613	23,635	(49.978)
Res. from financial operations	364,172	85,154	(279.018)
Total contribution	**437,785**	**108,789**	**(328.996)**

Operating expenses

Consolidated operating expenses amounted to 359.4 million euros, corresponding to a net change of 5.2%, year-on-year, with the increased Personnel Expenses (+5.1%) and General Administrative Overheads (+6.8%) having been influenced by the operations of the international activity of the CEMG Group.
On a comparable basis, not considering the entry into Mozambique through the acquisition of a qualifying stake in the equity of BTM, which took place in late 2014, the increase in operating expenses would have fallen to 2.6%. Contributing to this was the reduction of costs in the domestic activity, which recorded a net change of 1.6% in relation to the same period of the previous year. This cost reduction was largely due to the closure of 15 branches in the domestic network during 2015, in a perspective of rationalising the distribution network and optimising costs that has been followed since 2011, and which had already led to the closure of 70 branches in Portugal by the end of 2014.

In turn, in international activity, operating expenses increased by 12.3 million euros, in relation to 31 December 2014, as a consequence of the higher requirements in terms of human and material resources implied by the operation in Angola (Finibanco Angola S.A.) and above all the consolidation of BTM. In 2014, the costs of BTM represented only 803.0 million euros relative to the month of December (the month when the qualifying stake was acquired), while in 2015, consolidating the total of the year, this heading shifted to 9.8 million euros, contributing to the year-on-year increase of 67.0%.

Operating Expenses

(Thousand Euros)

	2014		2015		Change		
							excl. BTM
	Reported	excl. BTM	Reported	excl. BTM	Amount	%	%
Staff costs	194,153	193,804	204,093	199,660	9,940	5.1	3.0
General administrative expenses	120,494	120,092	128,690	124,429	8,196	6.8	3.6
Functioning expenses	**314,647**	**313,896**	**332,783**	**324,089**	**18,136**	**5.8**	**3.2**
Amortization and depreciation	27,077	27,025	26,595	25,537	(482)	(1.8)	(5.5)
Operating expenses	**341,724**	**340,921**	**359,378**	**349,626**	**17,654**	**5.2**	**2.6**
Domestic activity [(a)]	324,104		329,314		5,210	1.6	
International activity [(a)]	18,405	17,602	30,744	20,992	12,339	67.0	19.3
Ratios							
Staff costs / Net banking income [(b)]	24.75%	-	44.81%	-			
Functioning expenses / Net banking income [(b)]	43.56%	-	78.90%	-			

(a) Excludes consolidation adjustments. (b) In accordance with Banco de Portugal Instruction No. 16/2004, in its current version.

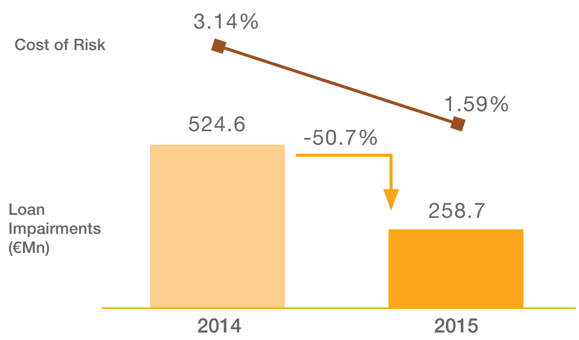
Provisions and Impairments

The prudent policy used in the assessment of the risk levels of the asset portfolio was reflected in the significant reduction of provisions and impairments of 285.0 million euros (-44.1%), in relation to the same period of the previous year. This performance was particularly due to the 50.7% reduction in credit impairments, to 258.7 million euros, reflecting the careful policy of analysis of risk in credit granting.

This prudent action led to a substantial reduction of the cost of credit risk from 3.14% in 2014 to 1.59% in 2015, corresponding to an improvement in losses due to loan impairments.

There was a 74.1% reduction in impairments constituted for securities, to 16.0 million euros, while impairments for other assets recorded an increase of 26.5 million euros.

Impairments and Cost of Credit Risk



Provisions and Impairments

(Thousand Euros)

	2014	2015	Change Amount	Change %
Loan impairments (net of reversals and recoveries)	524,579	(258,681)	(265.898)	(50.7)
Other financial assets impairments (net of reversals and recoveries)	61,648	15,997	(45,651)	(74.1)
Othet non-financial assets impairments (net of reversals and recoveries) and other provisions	59,516	86,058	26,542	44.6
Total net provisions and impairments	**645,743**	**360,736**	**(285,007)**	**(44.1)**

Pension Fund

As at 31 December 2015, the Group's liabilities related to retirement pensions and other benefits fell slightly to 668.5 million euros, from 672.7 million euros as at 31 December 2014, above all due to the reduction of costs related to actively employed personnel (-1.1%).

The value of the assets of the pension fund after settlement reached 653.7 million euros, reflecting 0.8% growth year-on-year, contributing to strengthen the ratio of coverage of minimum liabilities, to 101.7%.

Pension Fund

(Thousand Euros)

	2014	2015	Change	
			Amount	%
Total liabilities	**672,723**	**668,469**	**(4,254)**	**(0,6)**
Current staff	515,932	510,170	(5,762)	(1.1)
Retired staff	156,791	158,299	1,508	1.0
Non-required or deferred liabilities	**25,797**	**25,509**	**(288)**	**(1.1)**
Exemption of financing	25,797	25,509	(288)	(1.1)
Minimum liabilities to be financed	**646,926**	**642,960**	**(3,966)**	**(0.6)**
Fund's assets value	**583,670**	**653,704**	**70,034**	**12.0**
Unsettled Group contributions	64,739	0	(64,739)	-
Value of the Fund's assets after liquidation	**648,409**	**653,704**	**5,295**	**0.8**
Coverage:				
Minimum liabilities	100.2%	101.7%	1.5 p.p.	
Total liabilities	96.4%	97.8%	1.4 p.p.	
Movements during the year with impact on the Fund's value:	**36,263**	**70,034**	**33,771**	**93.1**
Contributions to the Fund	2,867	67,083	64,216	>100
Actual return on assets	43,377	13,176	(30,201)	(69.6)
Pension payments	9,981	10,225	244	2.4

The following actuarial assumptions were considered in the calculation of the liabilities of the Montepio Group Pension Fund:

Actuarial assumptions

	2014	2015
Salary growth rate	0.75%	0.75%
Pension growth rate	0.05%	0.25%
Rate of return of Fund assets	2.50%	2.30%
Discount rate	2.50%	2.75%
Mortality table	TV 88/90	TV 88/90
Disability table	EVK 80	EVK 80

Risk Management

During 2015, the development of methods and procedures in the area of risk identification, quantification of underlying potential losses and the taking of measures towards their mitigation was continued, with the following actions being especially noteworthy:

- Strengthening of the standardisation of risk control and management policies within the CEMG Group;

- Implementation of a new computer tool for balance sheet cash flow projections in terms of liquidity, interest rate repricing and net interest income;

- Reinforcement of the capacity of preventive monitoring of the loan portfolio, with the implementation of tools with warning signs on deterioration of risk in performing contracts;

- Improvement of the capacity to analyse credit risk of customers belonging to the third sector, with implementation of an internal rating model adjusted to the nature of the entities which operate in this segment.

Governance of Risk Management

In performing its duties, the Executive Board of Directors is responsible for the strategy and policies to be adopted regarding risk management.

The mission of the General and Supervisory Board involves the follow-up and assessment of CEMG's activity in various areas including matters of risk monitoring and management policy.

During 2015, the Supporting Committees of the Executive Board of Directors were strengthened. These are structures dependent on the Executive Board of Directors, without deliberative competencies, unless explicitly indicated otherwise, and forums of debate and support to decision-making, through formulation of proposals and recommendations to the Executive Board of Directors, in the areas of their scope of intervention. Each Supporting Committee includes members of the Executive Board of Directors, as well as heads of structural units of CEMG or of entities of the CEMG Group, according to the respective scope of intervention. The Supporting Committees are coordinated by a member of the Executive Board of Directors.

The Asset and Liability Committee ("ALCO") is responsible for the follow-up of the management of Capital, Balance Sheet and Income Statement. Its duties include, in particular, the issue of proposals or recommendations to the Executive Board of Directors with a view to updating CEMG's risk profile, the establishment of limits for risk-taking, the management of liquidity or capital positions, the adoption of recovery measures, taking into account the scenarios of activity expansion, macroeconomic context and indicators relative to the real and expected evolution of the different risks.

The scope of the Internal Control Committee involves supporting and advising the Executive Board of Directors on matters relative to the internal control system, in order to assure their adequacy and efficacy and compliance with the applicable provisions, as well as promoting its continuous improvement and alignment with the best practices in this domain. Its duties especially include the formulation of proposals or recommendations to the Executive Board of Directors with a view to optimising of the internal control system, improvement of the levels of operational risks and implementation of corrective measures or improvements according to the defined time schedule.

The Risk Committee monitors the evolution of exposure to the different types of risks, with proposals being formulated or recommendations issued to the Executive Board of Directors, aimed at fostering the improvement of risk management processes.

The Business Committee appraises and defines the features of new products and services, as well as those currently being marketed, with respect to their adequacy to the risk policy in force at any given time and regulatory framework.

The Pension Fund Monitoring Committee is responsible for monitoring the management of the Pension Fund, issuing opinions on any proposals to alter the management policy in force at any particular time.

The Real Estate Risk Committee monitors the management of real estate risk, formulating proposals or issuing recommendations to the Executive Board of Directors, with a view to fostering the optimised management of real estate risk in line with the overall objectives that have been defined.

The mission of the Risk Department is to support the Executive Board of Directors in taking decisions associated to the management of the different types of risk inherent to the activity, within the Group.

This Department assures the analysis and management of Market, Liquidity, Interest Rate, Credit, Real Estate and Operational risks, providing advice to the Executive Board of Directors, namely through proposed rules and management models for the different risks, and the preparation of management reports to substantiate the decisions taken and participation in Supporting Committees of the Executive Board of Directors.

The Risk Department also assures compliance with a series of prudential reporting to the supervisory authority, particularly in the area of own fund requirements, control of major risks and financing to related parties, liquidity risk, interest rate risk, country risk, counterpart risk, self-assessment of the adequacy of own Funds, Market Discipline, Recovery Plan and Resolution Plan.

Furthermore, concerning the credit risk management, the Credit Analysis Department assures the appraisal of credit proposals of companies and individuals.

The internal audit function, carried out by the Audit and Inspection Department, constitutes an integral part of the internal control system monitoring process, implementing supplementary autonomous assessments of the controls that are made, identifying any flaws and recommendations, which are documented and reported to the management body.

The duties of the Audit and Inspection Department include the conduct of audits to the Risk Management processes, following the guidelines given by the supervisory entities, including the independent review of the internal models of risk assessment (Independent Review Function) and calculation of the minimum own funds requirements to cover risks.

Based on the audit results, measures are recommended and implemented, which are monitored in an ongoing manner so as to assure that the necessary measures are taken and that they are managed suitably.

The compliance function ("control of compliance"), exercised by the Compliance Department under the dependence of the Executive Board of Directors, undertakes the management of compliance risk as its principal responsibility, which is embodied in the risk of incurring legal or regulatory penalties, financial loss or undermining of reputation as a consequence of failure to comply with the applicable laws, regulations, code of conduct and good banking practices.

The compliance function is responsible for defining the respective procedures and mechanisms of control accordingly and carrying out their monitoring, immediately informing the Executive Board of Directors on any indications of breach of legal obligations, rules of conduct and relations with customers or other duties that might imply that the institution or its employees incur an illegality subject to administrative offence procedures.

Depending on the nature and relevance of the risk, plans, programmes or actions are drawn up, supported by information systems, and procedures are defined so as to confer a high degree of reliability to the risk management measures defined in due time.

In 2015, the following initiatives are highlighted under the activities of the Compliance Department:

- Pursuit of the process of continuous improvement associated to the provisions stipulated in Banco de Portugal Notice 5/2008 ("Principles and minimum requirements of the Internal Control System") and the "Guidelines of the European Banking Authority on the Internal Governance of Institutions (GL44)";
- The necessary developments for full compliance with Banco de Portugal Notice 5/2013 ("Regulates the conditions, mechanisms and procedures required for effective compliance with the duties on prevention of money laundering and terrorist financing");
- Strengthening of the collaboration and follow-up of the activities exercised by the compliance structures in the affiliates abroad;
- Analysis and monitoring of the process of transposition and implementation of a variety of legislation and regulations.

Credit Risk

In the second semester of 2015, efforts continued in the project aimed at the submission, in the medium term, of an application for the adoption of the Internal Ratings Based (IRB) Approach to calculate capital requirements for credit risk. This project is strategic for CEMG and, in view of its depth and coverage, involves various areas of the organisation and requires the review and possible developments with respect to the credit risk assessment models, the process of assessment and decision-making regarding credit, and the algorithm used for calculating capital requirements, among others.

The decision-making process for credit operations is based on a series of policies using scoring models for the portfolios of individual and business customers and rating models for the company segment. The models, developed using internal historical data, enable obtaining an assessment which is reflected in the attribution of a risk category to the customer/operation.

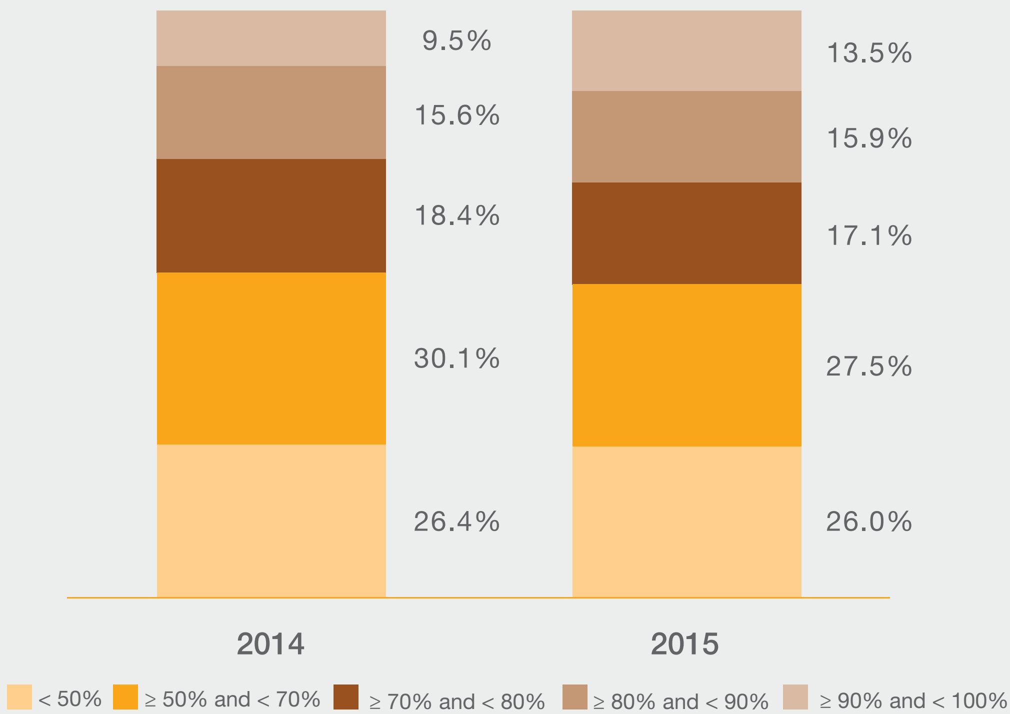
The project of application for the IRB approach to calculate capital requirements currently involves the ongoing review of CEMG's scoring and rating models that are associated to the most significant segments of the credit portfolio, which shall be reflected in the fine-tuning and improvement of the internal risk and governance models.

The internal risk classification, combined with the assessment of risk mitigators, in the form of personal or asset-backed guarantees, constitute determinant aspects for the decision-making and pricing of the operations. The levels at which pricing decisions are taken are defined according to risk adjusted return on equity (ROE), in accordance with the principle that the highest hierarchical levels are competent to approve operations with a lower risk adjusted ROE.

In addition to the rating and scoring models, the decision-making process regarding credit operations is also based on rejection rules. Credit rejection is determined by the occurrence of credit events in the financial system, breach of credit rules (for example, borrowing capacity in the case of credit to individuals) and whenever the pricing associated to a particular operation represents a risk of adverse selection.

In the mortgage loan portfolio, the levels of the loan-to-value (LTV) ratio (the funding value divided by the value of the guarantee) showed an increase, with the average LTV of the lending portfolio having increased to 65% in 2015, compared to 63.6% recorded in 2014.

Distribution of the Mortgage Loan Portfolio by LTV Level



The maintenance of the adverse economic circumstances continued to be reflected in the deterioration of default and credit risk ratios, with the balance of credit and interest overdue having grown by 18.3%. This evolution led to the worsening of some credit risk indicators, such as the ratio of credit-at-risk which stands at 14.3%.

Credit Quality Indicators

(Thousand Euros)

	2014	2015	Change	
			Amount	%
Gross Loans to Customers	16,612,095	15,944,015	(668,080)	(4.0)
Loans and Interest Overdue	1,148,497	1,358,250	209,753	18.3
Loans and Interest Overdue by more than 90 days	1,014,197	1,232,905	218,708	21.6
Loans impairment	1,385,872	1,281,738	(104,134)	(7.5)
Ratios (%)				
Loans and Interest Overdue by more than 90 days	6.11	7.73	1.62 p.p.	
Non-performing loans (a)	7.42	9.53	2.11 p.p.	
Net non-performing loans (a)	(1.00)	1.62	2.62 p.p.	
Credit-at-Risk (a)	12.03	14.32	2.29 p.p.	
Net Credit-at-Risk (a)	4.02	6.83	2.81 p.p.	
Restructured loans (b)	10.49	9.60	(0.89 p.p.)	
Restructured loans not included in Credit-at-Risk (b)	6.89	4.04	(2.85 p.p.)	
Coverage by Impairments (%)				
Loans and Interest Overdue by more than 90 days	136.65	103.96	(32.69 p.p.)	
Loans and Interest Overdue	120.67	94.37	(26.30 p.p.)	
Credit-at-Risk	69.35	56.12	(13.23 p.p.)	
Credit-at-Risk factoring in associated real estate collateral	136.47	126.92	(9.55 p.p.)	

(a) In accordance with Banco de Portugal Instruction No. 16/2004, in its current version.
(b) In accordance with Banco de Portugal Instruction No. 32/2013.

The total amount of impairments for credit risk reached 1,281.7 million euros at the end of 2015, giving rise to a ratio of coverage of credit and interest overdue by more than 90 days of 104.0%. Furthermore, the simple coverage of credit-at-risk by impairment stood at 56.1%, while the coverage ratio considering total credit impairments and the associated real estate collateral reached 126.9%.

Concentration Risk

Following the diversification strategy that has been followed by CEMG, a favourable evolution was observed in 2015 in the concentration levels recorded, as reported under the terms of Instruction 5/2011 to Banco de Portugal.

One of the fundamental types of concentration risks is individual concentration risk, in other words, significant exposure to an individual counterpart or a group of related counterparts. Comparison of individual concentration risk in December 2015 with December 2014 reveals, in general, a reduction of the weight of the highest exposures in the loan portfolio and total portfolio (includes CEMG's own portfolio). Regarding the individual concentration index, a decline was recorded in the loan portfolio, from 0.29 to 0.25, reflecting the strategy of funding SMEs as opposed to large sized companies. A reduction also occurred in the value of the index of the total portfolio in December 2015 (0.29) compared to December 2014 (0.34), following the strategic decision to reduce exposure to Portuguese public debt.

The weight of the 100 largest exposures in the total portfolio fell from 22.2% in December 2014 to 20.3% in December 2015 (from 17.9% to 17.7% in the loan portfolio).

As a consequence of the diversification strategy implemented by CEMG, the sector concentration index in the portfolio of loans to companies/business and in the total portfolio in December 2015 was lower than in December 2014, having fallen from 9.8% to 9.4% and from 10.2% to 9.6%, respectively. This evolution is related to reduction of the weight of the construction sector (from 19.7% to 18.0%), in spite of the increased concentration in the trade sector (from 16.7% to 18.3%).

At the level of the total portfolio, close to 93.1% of exposure is concentrated in Portugal, compared to 93.3% in December 2014.

Market Risks

Market risks reflect the potential loss inherent in a given portfolio as a consequence of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and their volatility.

In order to assure more effective risk management, the portfolio positions are separated into the portfolio of financial assets available for sale, those held to maturity and those in the trading book (which exclude hedges and fair value option), with various risk limits being defined according to the type of portfolio. The limits applicable to the portfolios are defined in internal manuals, updated on an annual basis or whenever justified by changes in market risk levels. The manuals also define stop loss and loss trigger limits applicable to the portfolios. Whenever any of these limits is reached, the re-examination of the strategy intrinsic to this position is compulsory.

CEMG's investment policy has aimed to reduce exposure to national public debt securities, and increase exposure to Spanish and Italian public debt. This investment policy, as well as the upgrades of credit ratings which took place during 2015, led to variations in terms of the rating structure, namely in the BB+, BBB and BBB+ buckets. The accounting reclassification of bonds explains the net change observed in the Not Rated (NR) securities. Hence, a greater weight was observed for bonds classified as investment grade in the total bond portfolio in December 2015 compared to December 2014.

Structure of the Bond Portfolio by Rating Class

(Excluding mortgage bonds and securitizations)

Rating	2014		2015		Change	
	Amount	%	Amount	%	Amount	%
AAA	5,507	0.2	0	0.0	(5,507)	-
AA+	0	0.0	0	0.0	0	-
AA	2,080	0.1	2,629	0.1	549	26.4
AA-	3,017	0.1	4,389	0.2	1,372	45.5
A+	24,392	0.8	2,694	0.1	(21,698)	(89.0)
A	69,897	2.2	56,726	2.1	(13,171)	(18.8)
A-	40,832	1.3	44,816	1.7	3,984	9.8
BBB+	69,091	2.2	628,318	23.4	559,227	>100
BBB	155,307	4.9	649,158	24.2	493,851	>100
BBB-	80,019	2.5	30,145	1.1	(49,874)	(62.3)
BB+	1,987,978	62.6	1,047,907	39.1	(940,071)	(47.3)
BB	6,965	0.2	24,143	0.9	17,178	>100
BB-	109,355	3.4	0	0.0	(109,355)	-
B+	2,628	0.1	133,453	5.0	130,825	>100
B	9,901	0.3	3,887	0.1	(6,014)	(60.7)
B-	35,404	1.1	0	0.0	(35,404)	-
CCC+	0	0.0	0	0.0	0	-
CCC	0	0.0	11,196	0.4	11,196	-
CCC-	206	0.0	0	0.0	(206)	-
C	0	0.0	0	0.0	0	-
NR	572,431	18.0	42,162	1.6	(530,269)	(92.6)
TOTAL	**3,175,010**	**100.0**	**2,681,623**	**100.0**	**(493,387)**	**(15.5)**

The management of market risks of the portfolio also uses the Value at Risk (VaR) model, based on the historic simulation methodology with a time horizon of 10 days on a series with depth of 1 year and a significance level of 99%.

A summary of the VaR indicators as at 31 December 2014 and 2015 is presented below:

VaR Indicators (10d, 99%)[1]

	2014		2015	
	Available for sale	Trading	Available for sale	Trading
Market VaR	**0.17%**	**1.02%**	**0.80%**	**2.71%**
Interest rate risk	0.11%	0.95%	0.79%	0.68%
Foreign exchange risk	0.00%	0.19%	0.11%	0.28%
Pricing risk	0.10%	0.60%	0.39%	0.47%
Spread risk (CDS)	0.00%	0.00%	0.00%	1.94%
Diversification effect	(0.04%)	(0.72%)	(0.49%)	(0.66%)
Loans VaR [2]	**1.01%**	**0.01%**	**0.73%**	**0.23%**
Total VaR	**1.18%**	**1.03%**	**1.53%**	**2.94%**

(1) - As a % of total assets portfolio. Includes the portfolios of CEMG and Montepio Investimento.
(2) - Also include positions held to maturity.

Analysis of Scenarios for the Trading Book

In addition to monitoring the VaR indicators, analyses are conducted of scenarios for the trading book to supplement the analysis of the other risk indicators. In December 2015 the following results were obtained from the analysis of scenarios:

Stress Test of the Trading Portfolio

(Thousand Euros)

Scenario	2015
Rise of 100 bp in interest rates	(2,037)
25% drop of the equity market	(1,362)
Credit spreads increase by 100 bp (bonds)	(754)

Exchange Rate Risk

Concerning exchange rate risk, as a rule, CEMG invests the resources attracted in different currencies through assets in the respective money market and for maturity periods that are not higher than those of the resources. In CEMG's international activity, namely in Angola and Mozambique, the management of exchange rate risk is carried out by the corresponding institutions, although the Group's consolidated foreign exchange gaps are monitored and followed-up closely.

Interest Rate Risk in the Banking Portfolio

The interest rate risk caused by operations of the banking portfolio is assessed through risk-sensitivity analysis, on an individual and consolidated basis for the entities included in the Group's consolidated balance sheet.

Interest rate risk is appraised in accordance with the impacts on net interest income, net worth and own funds caused by variations in market interest rates. The main risk factors arise from the mismatch between the interest rate revision periods and/or residual maturity between assets and liabilities (repricing risk), from non-parallel variations in interest rate curves (yield curve risk), from the nonexistence of perfect correlation between different indexers with the same repricing period (basis risk), and from the options associated to instruments which enable divergent action of agents depending on the level of rates that are contracted and applied at any given time (option risk).

Based on the financial features of each contract, the respective expected cash flow projection is made, according to the rate repricing dates and any pertinent behavioural assumptions that are considered.

The table below presents a summary of the exposure to balance sheet interest rate risk, classifying all the headings of the assets, liabilities and off-balance sheet items, which do not belong to the trading book, by repricing brackets:

Interest Rate Repricing Gaps (Million Euros)

	Residual maturities of repricing			
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years
Assets	9,517	3,879	391	1,684
Off-Balance sheet	8,218	19	68	141
Total assets	**17,735**	**3,898**	**459**	**1,825**
Liabilities	5,179	2,232	2,228	8,334
Off-Balance sheet	8,228	99	20	98
Total liabilities	**13,407**	**2,331**	**2,248**	**8,432**
GAP (Assets - Liabilities) in 2015	**4,328**	**1,567**	**(1,789)**	**(6,607)**
GAP (Assets - Liabilities) in 2014	**4,028**	**2,057**	**(2,532)**	**(6,362)**

In view of the interest rate gaps observed, as at 31 December 2015, an instantaneous and parallel shift of the interest rates by 100 basis points would lead to an increase of the net gains in the expected economic value of the banking portfolio of approximately 16,662 thousand euros (31 December 2014: 64,726 thousand euros).

Liquidity Risk

The assessment of liquidity risk is carried out using regulatory indicators defined by the supervisory authorities and other internal measurements for which exposure limits are also defined. This control is reinforced by the execution of stress tests, aimed at characterising CEMG's risk profile and assure that the Group meets its liabilities in the event of a liquidity crisis.

The objective of controlling the liquidity levels is to maintain a satisfactory level of disposable assets so as to meet financial needs in the short, medium and long term. Liquidity risk is monitored daily, with various reports being prepared for control and monitoring purposes and to support decision--taking.

The evolution of the liquidity situation is analysed, in particular, based on estimated future cash flow projections for various time horizons, taking into account the Bank's balance sheet.

The liquidity position of the day under review and the amount of assets that are considered highly liquid in the unencumbered securities portfolio are added to these projections so as to determine the accumulated liquidity gap for various time horizons.

Liquidity position GAPS

(Million Euros)

Position on reference date + forecast amounts	Maturity periods				
	On sight and up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months
Accumulated mismatches	1,884	1,914	1,865	1,832	807

At the end of 2015, customers' resources continued to be the main source of funding, accounting for 65,5% of the total funding sources:

Liabilities	%
Deposits from central banks	11.50
Deposits from other financial institutions	7.94
Deposits from Customers	65.50
Debt securities issued	10.26
Other liabilities	4.80
Total	**100.00**

The liquidity coverage ratio (LCR) reached 111.4%, above the minimum requirement in force as at 31 December 2015, which was established at 60%. Special note should also be made of the maintenance of a balanced commercial balance sheet with the loan-to-deposit ratio, considering the entirety of all loans and customers' resources, standing comfortably at 97.7%, compared to 92.5% in 2014.

Liquidity Management Constraints in 2016

As was the case throughout the previous year, excess liquidity in the market should continue to be observed, strongly constrained by the low interest rate levels, which are negative for various shorter maturity periods. The Euribor rates should continue to portray this fact, due to the conventional, strongly expansionary monetary policy of the ECB allied to non-conventional measures, such as the quantitative easing (QE) programme, leading to a deterioration of the net interest income of credit institutions. Regarding the constraints derived from the assessment of the creditworthiness of financial institutions, it is not expected that there should be alterations in the unsecured market, which to a large extent limits the operation of the interbank money market. For operations with collateral posting (secured operations), interest rates should continue to fall, to even more negative levels and close to the ECB deposit rate.

The announcement of new long term liquidity assignment operations by the ECB - TLTRO2 - should place further pressure on interest rates in the money market and repo market, however, it is not expected that this should have a significant impact on the liquidity exchanged between banking institutions of the so-called peripheral countries. The expansion of the base of eligible assets and the increased amount of purchases, both under the ECB's quantitative easing programme, could lead to increased liquidity in the economy in jurisdictions with eligible rating levels, releasing bank balances for new loans to small and medium-sized enterprises, a fact which does not appear particularly relevant in the Portuguese context. Nevertheless, the increased amounts of purchases could have a positive impact on the absorption of mortgage bonds issued by the banking sector.

Real Estate Risk

Real Estate Risk arises from exposure in real estate properties, which may result from properties that are under credit recovery procedures or investment properties. Participation units of real estate investment funds held in the securities portfolio are also considered for this risk. These exposures are monitored regularly with analyses of scenarios being conducted which seek to estimate potential impacts of alterations in the real estate market on the portfolios of real estate investment funds, investment properties and repossessed property.

During 2015, CEMG's exposure to Real Estate Risk, in the components described above, fell by approximately 453 million euros (from 1,949.5 million euros at the end of 2014 to 1,496.5 million euros at the end of 2015).

Pension Fund Risk

Pension Fund risk essentially arises from a possible reduction of the profitability of the Fund's assets, where this profitability could decline due to potential devaluation of the Fund's assets or as a result of the decreased expected returns of these assets. In view of scenarios of this kind, CEMG might have to consider paying in exceptional contributions to the Fund.

In 2015, the negative actuarial deviation of the Pension Fund decreased by approximately 23 million euros (from 153 million euros to 130 million euros) essentially due to the actuarial gains occurred during the year.

Operational Risk

At the risk assessment level, major focus has been given to the prior identification of relevant operational risks whenever a product, process or system in the CEMG Group is implemented or reviewed.

With regard to the monitoring of operational risk, the activities of collection and analysis of loss events have been maintained.

In terms of exposure to operational risk, the business lines which show greatest exposure are retail activity and payment and settlement activity.

Events Distribution by Business Line in 2015

	Frequency	Severity
Retail banking	15.6%	31.9%
Payment and settlement	74.1%	31.7%
Intermediation regarding the retail portfolio	10.3%	36.4%

In turn, the business continuity management cycle is supported by a series of activities of assessment, design, implementation and monitoring, integrated in a continuous improvement routine aimed at making business processes more resilient, thus assuring the continuity of operations in the case of events causing an interruption of activity.

A time schedule of tests was defined in 2015 for scenarios of incidents which imply the recovery of the critical business applications. The tests are included in the stage of monitoring the Management of Business Continuity methodology, in order to prepare Montepio to respond in an effective manner to an incident, identifying opportunities for improvement and showing the extent to which the implemented strategies and plans are effective, complete and up-to-date.

Stress Tests

Pursuant to the regulatory terms, CEMG conducted stress tests, under the Recovery Plan of the CEMG Group and the Internal Capital Adequacy Assessment Process (ICAAP) submitted to Banco de Portugal during 2015.

The Recovery Plan of the CEMG Group involves analysis and measurement of impacts derived from adverse scenarios, considering systemic events, idiosyncratic events of the Group and a combination of both. This analysis gave rise to a series of strategic options and recovery measures to be placed in practice in order to assure the preservation and solidity of the CEMG Group's levels of capital, liquidity, profitability and operating activities, in the event of being faced with situations of contingency or financial crisis.

The Internal Capital Adequacy Assessment Process (ICAAP), so as to assess capital insufficiency during periods of stress, involved the definition of a series of stress tests (sensitivity and scenario analysis) on the risk quantification models. The results of these tests enable confirming the adequacy of internal capital levels to the tested adverse scenarios.

In addition to the stress tests reported to Banco de Portugal, CEMG also regularly carries out other impact studies aimed at providing an analytical vision of its position in terms of liquidity, net income for the year and capital when subject to adverse scenarios arising from changes in risk factors such as interest rates, credit spreads, refunding of deposits, margins of assessment of eligible assets applied by the European Central Bank (ECB), ratings (of the CEMG and counterparts), portfolio loss ratios, collateral, among others.

The stress tests and analyses of adverse scenarios are disclosed and debated with CEMG's management, with the conclusions drawn being subsequently incorporated in the strategic decision-making processes, more precisely in the determination of levels of solvency, liquidity, exposure to specific risks (counterpart and price risks) and overall risks (interest rate, exchange rate and liquidity risks).

Participation Fund

On 25 November 2013, CEMG launched the Initial Public Offer (IPO) of 200,000,000 Participation Units (UPs), with a nominal value of 1 euro, representative of its Participation Fund, with this event having opened its capital to public investment.

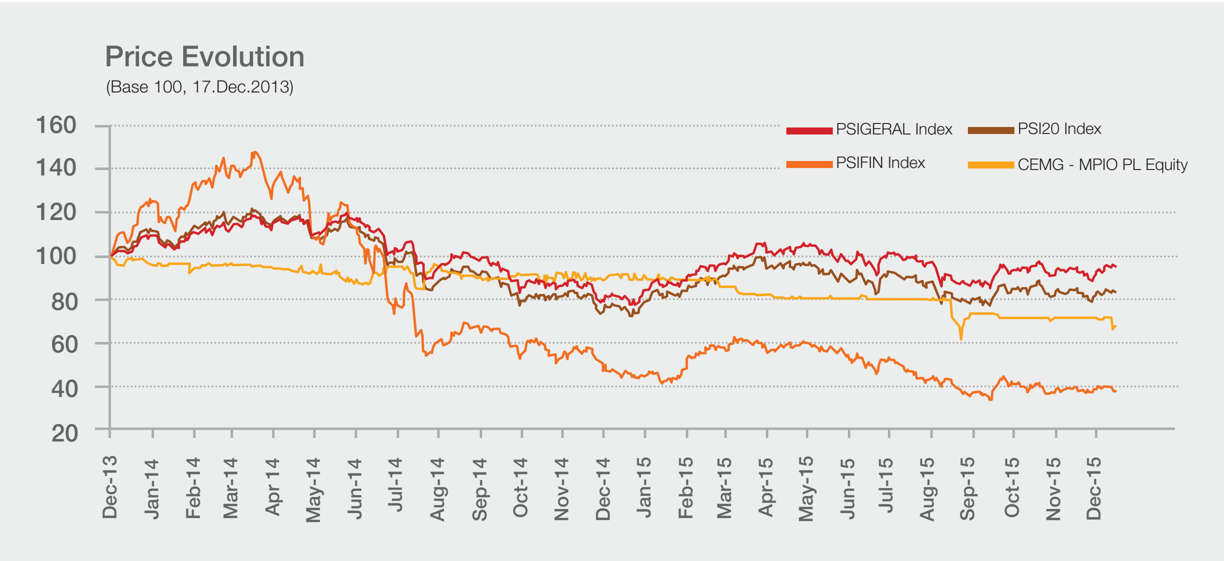
This IPO, whose main purpose was to strengthen the institution’s base own funds, proved to be a success with demand having surpassed the supply by 10.2%.

On 17 December 2013, the UPs were listed for trading on the stock exchange (NYSE Euronext Lisbon) after the Regulated Market Special Session (ISIN PTCMHUIM0015).

On 26 June 2015, the second issue of CEMG’s Participation Fund was paid-up and registered, by private subscription of Montepio Geral - Associação Mutualista, of the total number of 200,000,000 Participation Units, with a nominal value of 1 euro. Therefore, as at 31 December 2015, CEMG’s Participation Fund was represented by 400,000,000 UPs.

With the issue of its Participation Fund, CEMG was deemed equivalent, for all purposes established in the Securities Code (CVM) and associated regulations, to an issuer of shares listed for trading on a regulated market, implying that the Participation Fund has been included in the PSI General and Sectoral PSI (Financial) stock exchange indices since the end of 2013.

Moreover, by 2016, on 21 March, the Participation Units were included in the Portuguese reference stock exchange index, as a result of the annual review of the PSI20 index.



Key Indicators

	Unit	2014	2015
Adjusted prices			
Maximum price	eur	0.966	0.895
Minimum price	eur	0.830	0.600
Average price of the year	eur	0.899	0.779
Closing price	eur	0.895	0.655
Liquidity			
Turnover	eur	15,274,558	29,193,246
Average daily turnover	eur	60,613	117,242
Volume	unit	16,992,093	37,456,913
Average daily volume	unit	67,429	150,429

Rating

In June 2015, the agency Moody's upgraded CEMG's Long Term rating from 'B2' to 'B1', and made an upward revision of the institution's Outlook, improving it to 'Stable'. Particular note should also be made of the upgrade, by 3 rating notches, of covered bonds assigned by Moody's, from 'Ba1' to 'Baa1', which were henceforth classified as moderate credit risk instruments in the Investment Grade category.

In May 2015, Fitch Ratings confirmed CEMG's intrinsic rating (Viability Rating), having upgraded the Outlook from 'Negative' to 'Stable' and revised CEMG's Long Term Issuer Default Rating (IDR), from 'BB' to 'B+', reflecting its Viability Rating, following the withdrawal of government support from its assessment models. Furthermore, already in 2016, on 14 January, the agency improved the rating of CEMG's covered bonds from 'BB+' to 'BBB-', placing them in the Investment Grade category.

Also DBRS, in September 2015, confirmed CEMG's intrinsic rating of 'BB(high)', having maintained the Outlook and revised the Long Term rating from 'BBB(low)' to 'BB(high)', reflecting its intrinsic rating, following the withdrawal of government support from its assessment models. Regarding CEMG's covered bonds, the agency recognised their high quality, on 10 December 2015, assigning them the Upper Medium Grade of 'A'.

As at 31 December 2015, the ratings assigned to CEMG by the rating agencies Fitch Ratings, Moody's Investors Service and DBRS were as follows:

Rating Agencies	Long Term	Short Term	Outlook
Fitch Ratings	B+	B	Stable
Moody's Investors Service	B1	NP	Stable
DBRS	BB (high)	R -3	Negative

It should also be noted that, on 10 September 2015, the agency Standard & Poor's reiterated the high quality of the liabilities associated to securitized mortgage loans (RMBS – Residential Mortgage Backed Securities), where CEMG intervenes in the capacity of originator, maintaining the following ratings:

- A(sf): Classes A for the Pelican Mortgages No.2 and Aqua Mortgage No.1 operations.
- BBB+(sf): Class B for the Pelican Mortgages No.2 operation.
- BB(sf): Class C for the Pelican Mortgages No.2 operation.

Proposal for the Aplication of Results - Individual Basis

In conformity with the provisions in subparagraph f) of article 16 of the Articles of Association of Caixa Económina Montepio Geral (CEMG),

Considering:

a) That the Net Income for 2015 of Caixa Económica Montepio Geral was negative on an individual basis, amounting to 376,043 thousand euros

It is proposed:

That Net Income determined on an individual basis, mentioned above, should be transferred to Retained Earnings.

Montepio

Valores que crescem consigo.

CAIXA ECONÓMICA MONTEPIO GERAL
CAIXA ECONÓMICA BANCÁRIA
PUBLICLY LISTED COMPANY

Registered Office: Rua Áurea, 219-241, Lisboa
Institutional Capital: 1,770,000,000 Euros
Registered at the Lisbon Commercial Registry Office, under the same Registration and Tax Identification Number: 500 792 615

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REPORT AND ACCOUNTS 2015

CAIXA ECONÓMICA
MONTEPIO GERAL

CAIXA ECONÓMICA
MONTEPIO GERAL

FINANCIAL STATEMENTS,
EXPLANATORY NOTES AND STATEMENTS
2015

CONTENTS

FINANCIAL STATEMENTS, EXPLANATORY NOTES AND STATEMENTS

Consolidated Financial Statements and Explanatory Notes

Consolidated Balance Sheet as at 31 December 2015 and 2014

(Thousand euros)	2015 Gross Assets	2015 Impairment and Amortization	2015 Net Assets	2014 Net Assets
Cash and deposits at central banks	424,450	-	424,450	284,813
Loans and avances to credit institution repayable on demand	238,007	-	238,007	217,043
Financial assets held for trading	51,093	-	51,093	86,581
Financial assets available for sale	3,135,810	67,309	3,068,501	3,589,711
Other loans and advances to credit intitutions	172,046	2	172,044	546,162
Loans and advances to customers	15,944,015	1,281,738	14,662,277	15,226,223
Held to maturity instruments	161,540	-	161,540	120,101
Hedging derivatives	9	-	9	60
Non-current assets held for sale	892,163	137,265	754,898	799,739
Investment properties	692,485	-	692,485	715,737
Property and equipment	272,603	183,488	89,115	98,931
Intangible assets	153,643	87,781	65,862	66,054
Inv. in associates and subsidiaries excluded from consolidation	5,356	1,448	3,908	24,650
Current tax assets	27,861	-	27,861	2,664
Deferred tax assets	403,506	-	403,506	355,881
Other assets	359,196	29,536	329,660	339,124
TOTAL ASSETS	**22,933,783**	**1,788,567**	**21,145,216**	**22,473,474**
Deposits from central banks			2,277,258	2,496,886
Financial liabilities held for trading			70,289	85,292
Deposits from other financial institutions			1,573,131	1,070,156
Deposits from customers and other liabilities			12,969,431	14,314,659
Debt securities issued			2,031,165	2 146,525
Financial liabilities associated to transferred assets			323,037	163,650
Hedging derivatives			439	1,494
Provisions			16,587	20,329
Current tax liabilities			3,069	16,962
Other subordinated debt			333,039	373,279
Other liabilities			203,625	369,718
TOTAL LIABILITIES			**19,801,070**	**21,058,950**
Capital			1,900,000	1,700,000
Institutional Capital			1,500,000	1,500,000
Participation Fund			400,000	200,000
Other equity instruments			8,273	8,273
Treasury stock			(31,581)	(3,280)
Revaluation reserves			646	14,958
Other reserves and retained earnings			(318,454)	(144,914)
Net income for the period			(243,407)	(186,953)
Non-controlling interests			28,669	26,440
TOTAL EQUITY			**1,344,146**	**1,414,524**
TOTAL LIABILITIES AND EQUITY			**21,145,216**	**22,473,474**

CHIEF ACCOUNTANT

Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

José Manuel Félix Morgado - CEO

João Carlos Martins da Cunha Neves

Luís Gabriel Moreira Maia Almeida

Fernando Ferreira Santo

João Belard da Fonseca Lopes Raimundo

Jorge Manuel Viana de Azevedo Pinto Bravo

Luís Miguel Resende de Jesus

Consolidated Income Statement as at 31 December 2015 and 2014

(Thousand euros)	2015	2014
Interest and similar income	643,164	913,710
Interest and similar expense	415,645	577,204
NET INTEREST INCOME	**227,519**	**336,506**
Dividends from equity instruments	3,636	610
Fee and commission income	134,854	135,708
Fee and commission expense	33,044	26,142
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(13,498)	4,204
Net gains/(losses) arising from available for sale financial assets	114,451	374,386
Net gains/(losses) arising from foreign exchange differences	16,510	17,016
Net gains/(losses) arising from sale of other financial assets	482	(41,974)
Other operating income	4,564	(15,815)
NET BANKING INCOME	**455,474**	**784,499**
Staff costs	204,093	194,153
General and administrative expenses	128,690	120,494
Amortization and depreciation	26,595	27,077
Other provisions	(2,480)	13,225
Loan impairments (net of reversals and recoveries)	258,681	524,579
Other financial assets impairments (net of reversals and recoveries)	15,997	61,648
Other non-financial assets impairments (net of reversals and recoveries)	88,538	46,291
Earnings from associates and joint ventures (equity method)	(3,910)	(5,223)
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	**(268,550)**	**(208,191)**
Tax		
Current	1,490	(18,190)
Deferred	24,890	41,004
Non-controlling interests	(1,237)	(1,576)
NET INCOME	**(243,407)**	**(186, 953)**

CHIEF ACCOUNTANT

Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

José Manuel Félix Morgado - CEO

João Carlos Martins da Cunha Neves

Luís Gabriel Moreira Maia Almeida

Fernando Ferreira Santo

João Belard da Fonseca Lopes Raimundo

Jorge Manuel Viana de Azevedo Pinto Bravo

Luís Miguel Resende de Jesus

Explanatory Notes to the Consolidated Financial Statements

Caixa Económica Montepio Geral
Consolidated Income Statement for the years ended at 31 December 2015 and 2014

(Thousand Euros)

	Notes	2015	2014
Interest and similar income	3	643,164	913,710
Interest and similar expense	3	415,645	577,204
Net interest income		227,519	336,506
Dividends from equity instruments	4	3,636	610
Fee and commission income	5	134,854	135,708
Fee and commission expense	5	(33,044)	(26,142)
Net gains / (losses) arising from financial assets and liabilities at fair value through profit or loss	6	(13,498)	4,204
Net gains / (losses) arising from available for sale financial assets	7	114,451	374,386
Net gains / (losses) arising from foreign exchange differences	8	16,510	17,016
Net gains / (losses) arising from sale of other financial assets	9	482	(41,974)
Other operating income	10	4,564	(15,815)
Total operating income		455,474	784,499
Staff costs	11	204,093	194,153
General and administrative expenses	12	128,690	120,494
Depreciation and amortisation	13	26,595	27,077
Total operating costs		359,378	341,724
Loans impairment	14	258,681	524,579
Other financial assets impairment	15	15,997	61,648
Other assets impairment	16	88,538	46,291
Other provisions	17	(2,480)	13,225
Operating profit		(264,640)	(202,968)
Share of profit of associates under the equity method	18	(3,910)	(5,223)
Profit before income tax		(268,550)	(208,191)
Tax			
Current	32	1,490	(18,190)
Deferred	32	24,890	41,004
Consolidated profit / (loss) for the year		(242,170)	(185,377)
Profit / (loss) for the year attributable to Institutional Capital and Participation Fund		(243,407)	(186,953)
Non-controlling interests	49	1,237	1,576
Consolidated profit / (loss) for the year		(242,170)	(185,377)

CHIEF ACCOUNTANT **THE EXECUTIVE BOARD OF DIRECTORS**

The following notes form an integral part of these consolidated financial statements

Caixa Económica Montepio Geral
Consolidated Statement of Financial Position as at 31 December 2015 and 2014

(Thousand Euros)

	Notes	2015	2014
Assets			
Cash and deposits at central banks	19	424,450	284,813
Loans and advances to credit institutions repayable on demand	20	238,007	217,043
Other loans and advances to credit institutions	21	172,044	546,162
Loans and advances to customers	22	14,662,277	15 226,223
Financial assets held for trading	23	51,093	86,581
Financial assets available for sale	24	3,068,501	3,589,711
Hedging derivatives	25	9	60
Held-to-maturity instruments	26	161,540	120,101
Investments in associated companies anf others	27	3,908	24,650
Non-current assets held for sale	28	754,898	799,739
Investment properties	29	692,485	715,737
Property and equipment	30	89,115	98,931
Intangible assets	31	65,862	66,054
Current tax assets		27,861	2,664
Deferred tax assets	32	403,506	355,881
Other assets	33	329,660	339,124
Total Assets		21,145,216	22,473,474
Liabilities			
Deposits from central banks	34	2,277,258	2,496,886
Deposits from other financial institutions	35	1,573,131	1,070,156
Deposits from customers	36	12,969,431	14,314,659
Debt securities issued	37	2,031,165	2,146,525
Financial liabilities relating to transferred assets	38	323,037	163,650
Financial liabilities held for trading	23	70,289	85,292
Hedging derivatives	25	439	1,494
Provisions	39	16,587	20,329
Current tax liabilities		3,069	16,962
Other subordinated debt	40	333,039	373,279
Other liabilities	41	203,625	369,718
Total Liabilities		19,801,070	21,058,950
Equity			
Institutional capital	42	1 500,000	1 500,000
Participation fund	43	400,000	200,000
Other equity instruments	44	8,273	8,273
Treasury stock	45	(31,581)	(3,280)
Fair value reserves	47	646	14,958
Other reserves and retained earnings	46 and 47	(318,454)	(144,914)
Consolidated profit / (loss) for the year attributable to Institutional capital and participation fund		(243,407)	(186,953)
Total equity attributable to holders of institutional capital and participation fund units		1,315,477	1,388,084
Non-controlling interests	49	28,669	26,440
Total Equity		1,344,146	1,414,524
		21,145,216	22,473,474

CHIEF ACCOUNTANT **THE EXECUTIVE BOARD OF DIRECTORS**

The following notes form an integral part of these consolidated financial statements

Caixa Económica Montepio Geral
Consolidated Statement of Cash Flows for the years ended at 31 December 2015 and 2014

(Thousand of Euros)

	2015	2014
Cash flows arising from operating activities		
Interest income received	597,642	712,444
Commissions income received	134,077	73,755
Interest expense paid	(467,740)	(618,707)
Commissions expense paid	(33,014)	(25,126)
Payments to employees and suppliers	(424,292)	(293,103)
Recoveries on loans previously written off	9,596	12,561
Other payments and receivables	(44,711)	81,352
Income tax payment	(37,600)	(19,108)
	(266,042)	(75,932)
(Increase) / decrease in operating assets		
Loans and advances to credit institutions and customers	660,821	(402,820)
Other assets	(43,149)	(335,171)
	617,672	(737,991)
(Increase) / decrease in operating liabilities		
Deposits from customers	(1,314,435)	192,065
Deposits from credit institutions	503,228	595,742
Deposits from central banks	(200,000)	(919,010)
	(1,011,207)	(131,203)
	(659,577)	(945,126)
Cash flows arising from investing activities		
Dividends received	3,636	610
(Acquisition) / sale of financial assets held for trading	21,368	(15,029)
(Acquisition) / sale of other financial assets at fair value through profit or loss	-	4,391
(Acquisition) / sale of available for sale financial assets	521,132	1,234,376
Interest received arising from available-for-sale financial assets	87 433	215,375
(Acquisition) / sale of hedging derivatives	-	-
(Acquisition) / sale of investments held to maturity	(40,846)	(84,546)
(Acquisition) / sale of shares in associated companies	20,000	(22,424)
Deposits owned with the purpose of monetary control	(120,946)	38,576
(Acquisition) / sale of other fixed assets	14,395	11,253
Fixed assets and investment properties acquisition	(54,608)	-
Fixed assets and investment properties sale	65,982	(192,285)
	517,546	1,190,297
Cash flows arising from financing activities		
Dividends paid	-	-
Own securities	(23,863)	-
Capital increase	200,000	(2,578)
Other equity instruments	(758)	-
Proceeds from issuance of bonds and subordinated debt	726,937	542,973
Reimbursement of bonds and subordinated debt	(715,328)	(818,530)
Increase / (decrease) in order sundry liabilities	(21,814)	23,694
	165,174	(254,441)
Exchange effects on cash and equivalents	16,510	1,659
Net changes in cash and equivalents	39,653	(7,611)
Cash and equivalents balance at the beginning of the year	406,391	414,002
Net changes in cash and equivalents	39,653	(7,611)
Cash and equivalents balance at end of the year	446,044	406,391
Cash and equivalents balance at end of the year includes:		
Cash (note 19)	208,037	189,348
Loans and advances to credit institutions repayable on demand (note 20)	238,007	217,043
	446,044	406,391

The following notes form an integral part of these consolidated financial statements

Caixa Económica Montepio Geral
Consolidated Statement of Changes in Equity for the years ended at 31 December 2015 and 2014

(Thousand of Euros)

	Institutional capital	Participation fund	Other equity instruments	Other reserves and retained earnings: Fair value reserves	Other reserves and retained earnings: General and special reserve	Other reserves and retained earnings: Other reserves	Total equity attributable to holders of institutional capital and participation fund units	Non-controlling interests	Total equity
Balance on 1 January, 2014	1,500,000	200,000	8,273	(31,858)	255,805	(295,912)	1,636,308	11,035	1,647,343
Other comprehensive income:									
Exchange difference arising from the consolidation	-	-	-	-	-	(309)	(309)	862	553
Actuarial losses in the year (note 52)	-	-	-	-	-	(82,054)	(82,054)	-	(82,054)
Deferred taxes related to balance sheet changes accounted for reserves (note 32)	-	-	-	-	-	(7,146)	(7,146)	-	(7,146)
Fair value changes (note 47)	-	-	-	61,057	-	-	61,057	-	61,057
Deferred taxes related to fair value changes (note 32)	-	-	-	(14,241)	-	-	(14,241)	-	(14,241)
Consolidated profit / (loss) for the year	-	-	-	-	-	(186,953)	(186,953)	1,576	(185,377)
Total comprehensive income for the year	-	-	-	46,816	-	(276,462)	(229,646)	2,438	(227,208)
Dividends from Finibanco Angola, S.A.	-	-	-	-	-	-	-	(2,469)	(2,469)
Acquisition of 45.54% of Banco Terra, S.A. (note 49)	-	-	-	-	-	-	-	15,436	15,436
Other consolidation reserves	-	-	-	-	-	(15,298)	(15,298)	-	(15,298)
Acquisition of participation fund	-	(3,280)	-	-	-	-	(3,280)	-	(3,280)
Balance on 31 December, 2014	1,500,000	196,720	8,273	14,958	255,805	(587,672)	1,388,084	26,440	1,414,524
Other comprehensive income:									
Exchange difference arising from the consolidation	-	-	-	-	-	(21,471)	(21,471)	992	(20,479)
Actuarial losses in the year (note 52)	-	-	-	-	-	22,492	22,492	-	22,492
Deferred taxes related to balance sheet changes accounted for reserves (note 32)	-	-	-	-	-	538	538	-	538
Fair value changes (note 47)	-	-	-	(68,488)	-	-	(68,488)	-	(68,488)
Deferred taxes related to fair value changes (note 32)	-	-	-	22,197	-	-	22,197	-	22,197
Disposal of the participation in Montepio Seguros, S.G.P.S., S.A. (note 27)	-	-	-	31,979	-	-	31,979	-	31,979
Consolidated profit / (loss) for the year	-	-	-	-	-	(243,407)	(243,407)	1,237	(242,170)
Total comprehensive income for the year	-	-	-	(14,312)	-	(241,848)	(256,160)	2,229	(253,931)
Increases in capital by subscription of participation fund (note 43)	-	200,000	-	-	-	-	200,000	-	200,000
Costs related to the issue of perpetual subordinated instruments	-	-	-	-	-	(758)	(758)	-	(758)
Acquisition of participation fund	-	(28,301)	-	-	-	5,837	(22,464)	-	(22,464)
Other consolidation reserves	-	-	-	-	-	6,775	6,775	-	6,775
Balance on 31 December, 2015	1,500,000	368,419	8,273	646	255,805	(817,666)	1,315,477	28,669	1,344,146

The following notes form an integral part of these consolidated financial statements

Caixa Económica Montepio Geral
Consolidated Statement of Comprehensive Income for the year ended at 31 December 2015

(Thousand Euros)

		2015		
	Notes	Total	Holders of institutional capital and participation fund	Non-controlling Interests
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available for sale financial assets	47	(68,488)	(68,488)	-
Taxes	32 and 47	22,197	22,197	-
Exchange difference arising from the consolidation		(20,479)	(21,471)	992
Disposal of the participation in Montepio Seguros, S.G.P.S., S.A.	27	31,979	31,979	-
		(34,791)	(35,783)	992
Items that won't be reclassified into the Income Statement				
Actuarial losses for the year	52	22,492	22,492	-
Deferred taxes	32	538	538	-
		23,030	23,030	-
Other comprehensive income for the year		(11,761)	(12,753)	992
Consolidated profit/(loss) for the year		(242,170)	(243,407)	1,237
Total comprehensive income/(loss) for the year		(253,931)	(256,160)	2,229

Caixa Económica Montepio Geral
Consolidated Statement of Comprehensive Income for the year ended at 31 December 2014

(Thousand Euros)

		2014		
	Notes	Total	Holders of institutional capital and participation fund	Non-controlling Interests
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available for sale financial assets	47	61,057	61,057	-
Taxes	32 and 47	(14,241)	(14,241)	-
Exchange difference arising from the consolidation		553	(309)	862
		47,369	46,507	862
Items that won't be reclassified into the Income Statement				
Actuarial losses for the year	52	(82,054)	(82,054)	-
Deferred taxes	32	(7,146)	(7,146)	-
		(89,200)	(89,200)	-
Other comprehensive income for the year		(41,831)	(42,693)	862
Consolidated profit / (loss) for the year		(185,377)	(186,953)	1,576
Total comprehensive income/(loss) for the year		(227,208)	(229,646)	2,438

1 Accounting policies

a) Basis of presentation

Caixa Económica Montepio Geral ("CEMG") is a credit institution held by Montepio Geral – Associação Mutualista, established on 24 March, 1844, and authorised to operate in accordance with Decree-Laws no. 298/92 of 31 December, and no. 136/79 of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. However, CEMG is authorised to carry out banking operations in addition to those mentioned in its by-laws, if previously authorised by the Bank of Portugal. This fact conducts to the practice of banking operations in general.

In 2010, Montepio Geral – Associação Mutualista, CEMG sole shareholder, has made an acquisition of 100% of Finibanco Holding, S.G.P.S., S.A. share capital through an Initial Public Offering (IPO) in the amount of Euro 341,250 thousand.

As at 31 March, 2011, Montepio Geral – Associação Mutualista sold its participation in Finibanco Holding, S.G.P.S., S.A. to CEMG. Under the change in the structure of the Group arising from this acquisition, as at 4 April, 2011, CEMG acquired a set of assets and liabilities of Finibanco, S.A. (excluding properties owned by Finibanco, SA and acquired as a result of loans and advances to costumers and a leasing portfolio (securities and real estate) in which Finibanco, S.A. is lessor and the fixed assets that materially support the operating leasing activities), and all associated liabilities and provisions.

As at 3 September 2013, Finibanco Holding, S.G.P.S., S.A. changed its designation to Montepio Holding, S.G.P.S., S.A. and as at 12 July 2013, Finibanco S.A. changed its designation to Montepio Investimento, S.A.

On 10 September 2015 it was published the Decree-Law no. 190/2015, which introduces amendments in the General Regime for Credit Institutions and Financial Companies (*Regime Geral das Instituições de Crédito e Sociedades Financeiras*) and in the Mutual Association Code (*Código das Associações Mutualistas*). Following the publication of this Decree-Law, CEMG changed its classification to "Caixa Económica Bancária" (Economical Savings Bank).

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Counsel, of 19 July, 2002 and Regulation no. 1/2005 from the Bank of Portugal, Group's consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body. The consolidated financial statements presented herein were approved by the Executive Board of Directors of CEMG on 7 March, 2016. The financial statements are presented in Euro rounded to the nearest thousand.

All references regarding normative in this document report to the current version.

The financial statements for the year ended 31 December, 2015 have been prepared in accordance with the IFRS, as adopted by the European Union and effective at that date.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2015, as referred in note 58.

The accounting policies in this note were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period, being introduced the amendments from the adoption of standard IFRIC 21 – Levies, which was issued on 20 May 2013, effective with retrospective application for annual periods beginning on or after 1 January 2014. This interpretation was adopted by European Commission Regulation No 634/2014 of 13 June (defining the date of entry into force no later than the beginning of the first financial period which starts on or after 17 June 2014).

IFRIC 21 defines a levy as an outflow from an entity imposed by the government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

The financial statements are prepared under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss (trading and fair value option) and available for sale assets, except those for which a reliable measure of fair value is not available. Financial assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the risk that is being hedged.

The preparation of the financial statements in accordance with IFRS's requires the Executive Board of Directors to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity or where assumptions and estimates are considered to be significant are presented in the accounting policy described in note 1 aa).

b) Basis of consolidation

The consolidated financial statements now presented reflect the assets, liabilities, profits and losses of CEMG and its subsidiaries (Group), and the results attributable to the Group by its financial investments in associates firms, for the years ended December 31, 2015 and 2014.

Investment in subsidiaries

Subsidiaries are entities (including investment funds and securitisation vehicles) controlled by the Group. The Group controls an entity when has exposure, or rights, to variable returns derived of its involvement with this entity, and can reclaim them with the power that have over the entity relevant activities (de facto control). The financial statements of the subsidiaries are included on the consolidated financial statements since the moment that the Group acquire the control until the moment that the control ends.

Accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognize negative non-controlling interests.

On a step acquisition process resulting in the acquisition of control the revaluation of any participation previously acquired is booked against the profit and loss account, when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revaluated at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

Investments in associates

Investments in associated companies are consolidated by the equity method between the beginning date that the Group acquires significant influence and the ending date it ceases. Associates are those entities, in which the Group has significant influence, but not control, over the financial and operating policy decisions of the investee. It is assumed that the Group has significant influence when it holds, directly or indirectly, 20% or more of the voting rights of the investee. If the Group holds, directly or indirectly less than 20% of the voting rights of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

- representation on the Executive Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Group and the investee;
- interchange of the management team; and
- provision of essential technical information.

The consolidated financial statements include the part that is attributable to the Group of the total reserves and results of associated companies accounted on an equity basis. When the Group's share of losses exceeds its interest in an associate, the carrying amount of the investment, including any medium or long-term interest in that associate, is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred in a legal or constructive obligation to assume those losses on behalf of an associate.

Goodwill – Differences arising from consolidation

Concentrations of business activities are recorded by the purchase method. The acquisition cost correspond to the fair value determined at the purchase date, of the given assets and incurred or assumed liabilities.

Costs directly related with a subsidiary acquisition are recognised directly in the income statement.

The positive goodwill that results of the acquisitions, is recognised as an asset carried at acquisition cost and not subject to amortisation.

Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the total value or the total cost of acquisition and the total or corresponding share of the fair value of the net assets acquired, respectively, depending on the option taken.

Negative goodwill arising on an acquisition is recognised directly in the income statement in the period the business combination occurs.

The recoverable amount of the goodwill is assessed annually, regardless of the existence of any impairment triggers. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement, or reserves, if applicable.

Purchases and dilution of non-controlling interests

The acquisition of the non-controlling interests that does not impact the control position of a subsidiary is accounted as a transaction with shareholders and, therefore, is not recognised additional goodwill resulting from this transaction. The difference between the acquisition cost and the book value or fair value of non-controlling interests acquired is recognised directly in reserves. On this basis, the gains and losses resulting from the sale of non-controlling interests, that does not impact the control position of a subsidiary, are always recognised against reserves.

Loss of control

The gains and losses resulting from the dilution or sale of a financial position in a subsidiary, with loss of control, are recognised by the Group in the income statement.

In an acquisition (dilution) of non-controlling interests not resulting in a loss of control, the difference between the fair value of the non-controlling interests acquired and the consideration paid, is accounted against reserves.

Investments in foreign subsidiaries and associates

The financial statements of the foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries are converted into euro at the official exchange rate at the balance sheet date.

Regarding the investments in foreign operations that are consolidated in the Group accounts under the full consolidation and equity methods, for exchange differences between the conversion to Euros of the opening net assets at the beginning of the year and their value in Euros at the exchange rate ruling at the balance sheet date for consolidated accounts are charged against consolidated reserves. Exchange differences resulting from hedging instruments related with investments in foreign currency are exchange differences booked in reserves resulting from those investments. Whenever the hedge is no fully effective, the ineffective portion is accounted in the income statement.

The income and expenses of these subsidiaries are converted to Euros at an approximate rate of the rates ruling at the dates of the transactions. Exchange differences from the conversion to Euros of the profits and losses for the reporting period, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognised in reserves - exchange differences.

On disposal of investments in foreign subsidiaries for which there is loss of control, exchange differences related to the investment in the foreign operation and to the associated hedge transaction previously recognised in reserves, are transferred to profit and loss as part of the gains or loss arising from the disposal.

Transactions eliminated on consolidation

Intragroup balances and any unrealized gains and losses arising from intragroup transactions, are eliminated in the preparation of the consolidated financial statements. Unrealized gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity.

c) Loans and advances to customers

Loans and advances to customers includes loans and advances originated by the Group which are not intended to be sold in the short term and are recognised when cash is advanced to borrowers.

The derecognition of these assets occurs in the following situations: (i) the contractual rights of the Group to their respective cash flows have expired; or (ii) the Group transferred substantially all the associated risks and rewards of ownership; or (iii) notwithstanding the fact that the Group may have retained part, but not substantially all the associated risks and rewards of ownership, control over the assets was transferred.

Loans and advances to customers are initially recognised at fair value plus any directly attributable transaction costs and fees and are subsequently measured at amortised cost using the effective interest method, less impairment losses.

Impairment

The Group's policy consists in a regular assessment of the existence of objective evidence of impairment in the loan portfolios. Impairment losses identified are charged against results and subsequently the charge is reversed, if there is a reduction of the estimated impairment loss, in a subsequent period.

After initial recognition, a loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, may be classified as impaired when there is objective evidence of impairment as a result of one or more events and when the loss event has an impact on the estimated future cash flows of the loan or of the loan portfolio that can be reliably estimated.

According to IAS 39, there are two basic methods of calculating impairment losses: (i) individually assessed loans; and (ii) collective assessment.

(i) Individually assessed loans

Impairment losses on individually assessed loans are determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Group assesses, at each balance sheet date, the existence of any objective evidence of impairment. In determining such impairment losses on individually assessed loans, the following factors are considered:

- Group's aggregate exposure to the customer and the existence of overdue loans;
- The viability of the customer's business and capability to generate sufficient cash flow to service their debt obligations in the future;
- The existence, nature and estimated value of the collaterals;
- A significant downgrading in the client rating;
- The assets available on liquidation or insolvency;
- The ranking of all creditor claims; and
- The amount and timing of expected receipts and recoveries.

Impairment losses are calculated by comparing the present value of the expected future cash flows, discounted at the original effective interest rate of the loan, with its current carrying value and the amount of any loss is charged in the income statement. The carrying amount of impaired loans is reduced through the use of an allowance account. For loans with a variable interest rate, the discount rate used corresponds to the effective annual interest rate, which was applicable in the period that the impairment was determined.

(ii) Collective assessment

Loans which have been individually assessed and for which no evidence of impairment has been identified, are grouped together based on similar credit risk characteristics for a collective assessment of impairment losses. This analysis allows the Group to recognize losses at the balance sheet date that would not be individually identified until sometime in the future.

Impairment losses are calculated on a collective basis under two different scenarios:

- for homogeneous groups of loans that are not considered individually significant; or

- in respect of losses which have been incurred but have not yet been reported ("IBNR") on loans for which no objective evidence of impairment is identified (see section (i)).

The collective impairment loss is determined considering the following factors:

- historical loss experience in portfolios of similar risk characteristics;
- knowledge of the current economic and credit conditions and its impact on the historical losses level; and
- the estimated period between a loss occurring and a loss being identified.

The methodology and assumptions used to estimate the future cash flows are reviewed regularly by the Group in order to monitor the differences between estimated and real losses.

In accordance with "Carta-Circular" no. 15/2009 of the Bank of Portugal, loans and advances to customers are charged-off when there are no realistic expectation, from an economic perspective, of recovering the loan amount. For collateralized loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals for the part of the loans which is collateralized is effectively received. This charge-off is carried out only for loans that are considered not to be recoverable and fully provided.

d) Financial instruments

(i) Classification, initial recognition and subsequent measurement

Financial assets are recognised on their trade date, which is the date on which the Group commits to acquiring the asset and are classified considering its underlying purpose, in the following categories:

1) Financial assets and liabilities at fair value through profit and loss

1a) Financial assets held for trading

The financial assets and liabilities acquired or issued with the purpose of sale or re-acquisition on the short term, namely bonds, treasury bills or shares or that are part of a financial instruments portfolio and for which there is evidence of a recent pattern of short-term profit taking or that can be included in the definition of derivative (except in the case of a derivative classified as hedging) are classified as trading. The dividends associated to these portfolios are accounted in gains arising on trading and hedging activities.

The interest from debt instruments are recognised as interest margin.

Trading derivatives with a positive fair value are included in the Financial assets held for trading and the trading derivatives with negative fair value are included in the Financial liabilities held for trading.

1b) Other financial assets and liabilities at fair value through profit and loss ("Fair value Option")

The Group has adopted the Fair value Option for certain owned issuances, money market operations and term deposits which contain embedded derivatives or with hedge derivatives associated.

The variations of the Group's credit risk related with financial liabilities accounted under Fair value Option are disclosed in Net gains / (losses) arising from assets and liabilities at fair value through profit or loss.

The designation of the financial assets and liabilities at fair value through profit and loss by decision of the entity is performed whenever at least one of the requirements is fulfilled:

- the assets and liabilities are managed, evaluated and reported internally at its fair value;
- the designation eliminates or significantly reduces the accounting mismatch of the transactions; and
- the assets and liabilities include derivatives that significantly change the cash-flows of the original contracts (host contracts).

The financial assets and liabilities at Fair value Option are initially accounted at their fair value, with the expenses or income related to the transactions being recognised in profit and loss and subsequently measured at fair value through profit and loss. The accrual of interest and premium/discount (when applicable) is recognised in Net interest income according with the effective interest rate of each transaction, as well as for the derivatives associated to financial instruments classified as Fair value Option.

2) Financial assets available for sale

Financial assets available for sale held with the purpose of being maintained by the Group, namely bonds, treasury bills or shares, are classified as available for sale, except if they are classified in another category of financial assets. The financial assets available for sale are initially accounted at fair value, including all expenses or income associated with the transactions and subsequently measured at fair value. The changes in fair value are accounted for against fair value reserves until they are sold or an impairment loss exists. The accumulated gains or losses recognised as fair value reserves are recognised in the income statement. When it is not possible to estimate with reliability the fair value, the financial instruments are recognised at acquisition cost. Interest income from debt instruments is recognised in Net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends are recognised in the income statement when the right to receive the dividends is attributed.

3) Investments held-to-maturity

Financial assets held-to-maturity include non-derivative financial assets with fixed or determinable payments and fixed maturity, that the Group has the intention and capacity to maintain until the maturity of the assets and that were not included in the category of financial assets at fair value through profit and loss or financial assets available for sale. These financial assets are initially recognised at fair value and subsequently measured at amortized cost. The interest is calculated using the effective interest rate method and recognised in Net interest income. The impairment losses are recognised in profit and loss when identified.

Any reclassification or sale of financial assets included in this category that does not occur close to the maturity, or if is not included in the exemptions of the standards, will require the Group to reclassify the entire portfolio as Financial assets available for sale and the Group will not be allowed to classify any assets under this category for the following two years.

4) Loans and receivables - Loans represented by securities

Non-derivative financial assets with fixed or determined payments, that are not quoted in a market and which the Group does not intend to sell immediately or in a near future, may be classified in this category.

In addition to loans granted, the Group recognises in this category unquoted bonds and commercial paper. The financial assets recognised in this category are initially accounted at fair value and subsequently at amortised cost net of impairment. The incremental direct transaction costs are included in the effective interest rate for these financial instruments. The interest accounted based on the effective interest rate method are recognised in Net interest income.

The impairment losses are recognised in profit and loss when identified.

5) Other financial liabilities

Other financial liabilities are all financial liabilities that are not recognised as financial liabilities at fair value through profit and loss. This category includes money market transactions, deposits from customers and from other financial institutions, issued debt, and other transactions.

These financial liabilities are initially recognised at fair value and subsequently at amortised cost. The related transaction costs are included in the effective interest rate. The interest calculated at the effective interest rate is recognised in net interest income.

The financial gains or losses calculated at the time of the repurchase of other financial liabilities are recognised as Net gains / (losses) arising from assets and liabilities at fair value through profit and loss when occurred.

(ii) Impairment

At each balance sheet date, an assessment of the existence of objective evidence of impairment, is made. A financial asset or group of financial assets are impaired when there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition, such as: (i) for listed securities, a prolonged devaluation or a significant decrease in its quotation price, and (ii) for unlisted securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reasonably. According to the Group's policies, a 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1-year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) is removed from fair value reserves and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the income statement. Recovery of impairment losses on equity instruments classified as financial assets available for sale, is recognised as a gain in fair value reserves when it occurs (if there are no reversal in the income statement).

(iii) Embedded derivatives

Embedded derivatives should be accounted for separately as derivatives if the economic risks and benefits of the embedded derivative are not closely related to the host contract, unless the hybrid (combined) instrument is not initially measured at fair value with changes through profit and loss. Embedded derivatives are classified as trading and recognised at fair value with changes through profit and loss.

e) Derivatives hedge accounting

(i) Hedge accounting

The Group designates derivatives and non-financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on re-measurement are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is valuable in a continuous basis and highly effective throughout the reporting year; and
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative and to changes in foreign exchange risk related with the monetary items are recognised through profit and loss.

(ii) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses recognised until the discontinuance of the hedge accounting are amortized through profit and loss over the residual period of the hedged item.

(iii) Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness has to be demonstrated. As such, the Group performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, showing that the changes in the fair value of the hedging instrument are hedged by the changes in the hedged item for the risk being covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

f) Reclassifications between financial instruments categories

In October 2008, the IASB issued a change to IAS 39 – Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures). This change allowed an entity, in that financial year, to transfer Financial assets from Financial assets at fair value through profit and loss – trading to Available for sale financial assets, to Loans and Receivables - Loans represented by securities or to Held-to-maturity investments.

The Group adopted this possibility for a group of financial assets.

Transfers of financial assets recognised in the category of Available for sale financial assets to Loans and receivables - Loans represented by securities and to Financial assets held-to-maturity are allowed, in determined and specific circumstances.

Transfers from and to Financial assets and financial liabilities at fair value through profit and loss by decision of the entity ("Fair value option") are prohibited.

g) Derecognition

The Group derecognizes financial assets when all rights to future cash flows have expired. In a transfer of assets, derecognition can only occur either when risks and rewards have been substantially transferred or the Group does not maintain control over the assets.

The Group derecognizes financial liabilities when these are discharged, cancelled or extinguished.

h) Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently from its legal form, showing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Income from equity instruments (dividends) are recognised when the right to receive this income is established and are deducted to equity.

i) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

(ii) Repurchase agreements

The Group performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/'reverse repos'). The securities related to reselling agreements in a future date have not been recognised on the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralized by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions.

The difference between the acquisition/sale and reselling/repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in Interest and similar income and Interest and similar expense.

j) Non-current assets held for sale and discontinued operations

Non-current assets, groups of non-current assets held for sale (groups of assets together and related liabilities that include at least a non-current asset) and discontinued operations are classified as held for sale when there is an intention to sell the referred assets and liabilities and when the referred assets are available for immediate sale and its sale is highly probable.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short term, are consolidated until the disposal.

The Group also classifies as non-current assets held for sale, the investments arising from recovered loans that are measured initially by the lower of its fair value net of selling costs and the loan's carrying amount on the date that the recovery occurs or the judicial decision is formalised.

The fair value is determined based on the expected selling price estimated through periodic valuations performed by the Group.

The subsequent accounting of these assets is determined based on the lower of the carrying amount and the corresponding fair value net of selling costs. In case of unrealised losses, these should be recognised as impairment losses against results.

k) Finance lease transactions

At the lessee's perspective, finance lease transactions are recorded as an asset and liability at fair value of the leased asset, which is equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each year end.

At the lessor's perspective, assets held under finance leases are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals are a combination of the financial income and amortisation of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

l) Interest income and expense

Interest income and expense for financial instruments measured at amortised cost are recognised in the interest and similar income or interests and similar expenses (net interest income) through the effective interest rate method. The interest related to financial assets available for sale calculated at the effective interest rate method are also recognised on the net interest income as well as those from assets and liabilities at fair value through profit and loss.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related with the transaction except for assets and liabilities at fair value through profit and loss.

If a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Specifically regarding the accounting policy for interest on overdue loans portfolio the following aspects are considered:

- Interest income for overdue loans with collaterals are accounted for as income up to the limit of the valuation of the collateral valued on a prudent basis. This income is registered against results in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and
- The interests accrued and not paid for overdue loans for more than 90 days that are not covered by collaterals are written-off and are recognised only when they are received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Net gains / (losses) arising from assets and liabilities at fair value through profit and loss. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities recognised in the Fair value Option category, the interest component of the changes in their fair value is recognised under interest income or expense (Net interest income).

m) Financial results (Results arising from available for sale financial assets and net gains / (losses) arising from assets and liabilities at fair value through profit and loss)

Financial results includes gains and losses arising from financial assets and financial liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives), as well as the corresponding dividends received. This caption also includes gains and losses arising from the sale of available for sale financial assets and investments held to maturity. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this caption.

n) Fee and commission income

Fees and commissions are recognised according to the following criteria:

- Fees and commissions which are earned as services are provided are recognised in income over the period in which the service is being provided; or
- Fees and commissions that are earned on the execution of a significant act, are recognised as income when the service is completed; and
- Fees and commissions that are an integral part of the effective interest rate of a financial instrument, are recognised in net interest income.

o) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in the Group's consolidated financial statements. Fees and commissions arising from this activity are recognised in the income statement in the year to which they relate.

p) Property and equipment

Property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Group. All other repairs and maintenance expenses are charged to the income statement during the financial year in which they are incurred.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Premises	50
Expenditure on freehold and leasehold buildings	10
Other property and equipment	4 to 10

Whenever there is an indication that property and equipment might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount.

The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash-flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

The impairment losses of the property and equipment are recognised in profit and loss.

q) Investment property

Real estate properties owned by the investment funds consolidated in the Group, are recognised as Investment properties considering, that the main objective of these buildings is the capital appreciation on a long term basis and not its sale in a short term period, or its maintenance for own use.

These investments are initially recognised at its acquisition cost, including the transaction costs and subsequently revaluated at its fair value. The fair value of the investment property should reflect the market conditions at the balance sheet date. Changes in fair value are recognised in results in the period in which they occur, as Other operating income.

The expertise responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

r) Intangible Assets

Software

The Group accounts as intangible assets the costs associated to software acquired from external entities and depreciates them on a straight line basis by an estimated lifetime of three or six years. The Group does not capitalise internal costs arising from software development.

s) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, including cash and deposits with banks.

t) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

u) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, are translated into the respective functional currency of the operation at the foreign exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in the profit and loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency of the operation at the foreign exchange rate at the date that the fair value was determined against profit and loss, except for available for sale financial assets, for which the difference is recognised against equity.

v) Employee benefits

Defined benefit plan

Arising from the signing of “Acordo Colectivo de Trabalho” (“ACT”) and subsequent amendments, CEMG set up a pension fund to cover the liabilities with pensions on retirement and disability, widows’ pension, health-care benefits and death subsidy.

On 1 January 2011, bank employees were integrated in the Social Security System which ensure their protection in maternity, paternity, adoption and old age. Protections associated with sickness, incapacity, survival and death remain under banks responsibility (Decree-Law No 1-A/2011, of 3 January).

The contribution rate is 26.6% in which 23.6% belongs to the employer, and 3% to employees, replacing the Caixa de Abono de Família dos Empregados Bancários (CAFEB) extinguished by the same Decree-Law. As a result, the pension rights of the active employees started to be covered by the terms defined by Social Security System, considering the period of service rendered since 1 January 2011 until the retirement age. The difference to the minimum pension guaranteed is supported by the banks, in accordance with the terms defined in Collective Labor Agreement (“Acordo Colectivo de Trabalho”).

Following the Government approval of the Decree-Law nº. 127/2011, which was published in 31 December, a three-party agreement between the Government, the Portuguese Bank Association and the Union of Bank employees was established, regarding the transfer to Social Security domain of the liabilities with pensions under payment to retired employers and pensioners, as at 31 December 2011.

This decree-law established that the liabilities to be transferred were the liabilities with pensions under payment at 31 December 2011 to retired employees and pensioners, at permanent values (discount rate 0%) in the terms set forth in Collective Labour Regulation Instrument (IRCT). The liabilities regarding the update of pensions, benefit plans, contributions to Social-Medical Assistance Services (SAMS) over retirement and survival pensions, death subsidy and deferred survival pension are still under the responsibility of the Institutions.

The actuarial calculation is made using the projected unit credit method and considering actuarial and financial assumptions, in accordance with the requirements of IAS 19.

The Group’s liabilities with pension plans and other benefits are calculated annually, at 31 December of each year.

The pension liabilities and health care benefits are covered by the pension fund managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A.

The Group’s net liability regarding defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates associated with high quality corporate bonds and with a similar maturity to the date of termination of the plan. The net liability is determined after the deduction of the fair value of the assets of the Pensions Plan.

The income / cost of interests with the pension plan is calculated, by the Group, multiplying the net asset / liability with retirement pension (liabilities less the fair value of the plan's assets) by the discount rate used in the determination of the retirement pension liabilities, mentioned before. On this basis, the income / cost net of interests includes the interest costs associated with retirement pension liabilities and the expected return of the plan's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experience gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected return of the plan's assets and the amounts obtained, are recognised against equity under other comprehensive income.

The Group recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income / cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurred during the period. The net income / cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of 65.

Other benefits non-related with pensions, namely retired employees' health expenses and benefits to spouses and descendants by death, are also used to calculate liabilities.

Payments to the Fund are made by the Group on an annual basis and according to a schedule of contributions in order to maintain the solvency of the fund. The liability related with pensions in payment shall be funded at a minimum level of 100% and 95% to past services cost with active employees.

Bonus to employees and to the Executive Board of Directors

In accordance with IAS 19 Employee benefits, the bonus payment to employees and to the Executive Board of Directors is recognised in the income statement in the year to which they relate.

w) Income taxes

Until 31 December 2011, CEMG was an entity exempt from Income Tax ("IRC"), in accordance with subparagraph a) n. 1 of Article 10 of the IRC. This exemption had been recognised under the Order of 3 December 1993, of the Secretary of State for Fiscal Issues and confirmed by Law no. 10-B/96 of March 23, approving the State Budget for 1996.

With effect from 1 January 2012, CEMG is subject to the regime established by the Income Tax Code ("CIRC"). Additionally, deferred taxes resulting from the temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation, are accounted for, whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

Income tax recognised in profit or loss comprises current and deferred tax effects. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly to reserves in which case it is recognised in reserves. Deferred taxes arising from the revaluation of financial assets available for sale and cash flow hedging derivatives are recognised in equity and are recognised in profit and loss in the moment the results were originated.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

Deferred taxes assets are recognised to the extent when it is probable that future taxable profits, will be available to absorb deductible temporary differences for taxation purposes (including reportable taxable losses).

The Group, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

x) Segmental reporting

The Group adopted the IFRS 8 – Operational Segments for the purposes of disclosure of financial information by operational segments. An operating segment is a Group's component: (i) that engages in business activities from which it may earn revenues or incur expenses; (ii) whose operational results are regularly reviewed by the main responsible for Group operational decisions about allocating resources to the segment and assess its performance; and (iii) for which distinct financial information is available.

The Group controls its activity through the following main segments: (i): Operational: Retail Banking, Corporate Banking and Others segments, and (ii) Geographical: National and International Area (Angola, Cape Vert and Mozambique).

y) Provisions

Provisions are recognised when (i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities), (ii) it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation as a result of past events and (iii) a reliable estimate can be made of the amount of the obligation.

The provisions measurement is based on the defined principles on IAS 37 regarding the best prevision of the expected cost, the most probable result on the actions in course and having in present the risks and uncertainties inherent to the process. On the cases that the discount effect is material, provisions corresponds to actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are not probable.

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

z) Insurance and reinsurance brokerage services

The CEMG is duly authorized by the Insurance and Pension Funds Supervisory Authority (Autoridade de Supervisão de Seguros e Fundos de Pensões) to provide insurance brokerage services, in the Insurance Brokerage Services area, in accordance with the article 8, paragraph a), subparagraph i) of Decree-Law 144/2006 of 31 July, operating in the life and non life insurance brokerage areas.

In the insurance brokerage services area, CEMG sells insurance contracts. As remuneration for the insurance brokerage services rendered, CEMG receives commission for brokering insurance contracts, which is defined in agreements/protocols established between CEMG and the Insurers.

Commission received for insurance brokerage services refer to:

- Commission that includes a fixed and a variable component. The fixed component is calculated by applying a predetermined rate over the amounts of subscriptions made through CEMG and a variable component calculated based on predetermined criteria, total annual fees being the sum of the fees calculated monthly; and
- Commission for participation in the results of insurance, which are calculated annually and paid by the insurer in the beginning of the year following that to which they refer (up to 31 January).

Commission received for insurance brokerage services are recognised in an accruals basis. Fees paid in a different period from that to which it relates are recorded as a receivable in the caption “Other assets” by corresponding entry to “Income from services and commissions - for insurance brokerage services”.

aa) Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments and require the Executive Board of Directors and management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects the Group reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Executive Board of Directors, the Group reported results would differ if a different treatment was chosen. The Executive Board of Directors believes that the choices made are appropriate and that the financial statements present the Group‘s financial position and results fairly in all material aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairment of available for-sale financial assets

The Group determines that available for sale financial assets are impaired when there has been a significant or prolonged decrease in the fair value below its acquisition cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the volatility in the prices of the financial assets. According to the Group’s policies, 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1 year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

In the case of debt instruments it is considered the existence of impairment whenever there is objective evidence of events that impact the recoverable value of future cash flows of these assets.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the consolidated income statement of the Group.

Impairment losses on loans and advances to customers

The Group reviews its loan portfolios to assess impairment losses on a regularly basis, as described in the accounting policy described in note 1 c).

The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgments. The probability of default, risk ratings, value of associated collaterals recovery rates and the estimation of both the amount and timing of future cash flows, among other things, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the consolidated income statement of the Group.

Fair value of derivatives

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their values.

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different financial results for a particular period.

Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for the specific circumstances — for example, selling an insignificant amount close to maturity — it will be required to reclassify the entire class as available for sale. The investments would therefore be measured at fair value instead of amortised cost.

Held-to-maturity investments are subject to impairment tests made by the Group. The use of different assumptions and estimates could have an impact on the income statement of the Group.

Entities included in the consolidation perimeter

For the purposes of determining entities to include in the consolidation perimeter, the Group assess whether is exposed to, or has rights to, the variable returns from its involvement with the entity and can obtain those variable returns through the power it holds over that entity (de facto control).

The decision if an entity needs to be consolidated by the Group requires the use of judgment, estimates and assumptions to determine what extend the Group is exposed to the variable returns and its ability to use its power to affect those returns.

Different estimates and assumptions could lead the Group to a different scope of consolidation perimeter with a direct impact in net income.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant interpretations and estimates are required in determining the global amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the year.

The Portuguese Tax and Customs Authorities are entitled to review the Bank and its Portuguese subsidiaries' determination of its annual taxable earnings, for a period of four years or six years in case there are tax losses brought forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law which for its probability, the Executive Board of Directors considers that there is no relevant material effect at the level of the Financial Statements.

Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated return on investments, and other factors that could impact the cost and liability of the pension plan.

Changes in these assumptions could materially affect these values.

Goodwill impairment

The goodwill recoverable amount recognised as a Group's asset, is revised annually regardless the existence of signs of impairment.

For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows projections, applying a discount rate that includes a risk premium appropriated to the business unit being tested. Determining the future cash flows to discount and the discount rate, involves judgment.

Provisions

The measurement of provisions considers the principles set out in IAS 37 regarding the best estimate of the expected cost, the most likely outcome of ongoing litigations and considering the risks and uncertainties of the process. Whenever the effect of discount is material, the provision corresponds to the present value of expected future payments, discounted at a rate that considers the risk associated to the liability.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reversed through profit and loss in the proportion of the payments that are probable.

The provisions are derecognised through their use, for the obligations for which they were initially accounted or when they are no longer observables.

2 Net interest income and net gains arising from assets and liabilities at fair value through profit or loss and available for sale financial assets

IFRS requires a separate disclosure of net interest income, net gains arising from assets and liabilities at fair value through profit or loss and available for sale financial assets, as presented in notes 3, 6 and 7. A particular business activity can generate impacts either in net gains arising from assets and liabilities at fair value through profit or loss and available for sale financial assets or in net interest income captions. Therefore, the disclosure now presented highlights the contribution of the different business activities to the net interest income and to the net gains arising from assets and liabilities at fair value through profit or loss and available for sale financial assets.

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Net interest income	227,519	336,506
Net gains arising from assets and liabilities at fair value through profit and loss	(13,498)	4,204
Net gains arising from available-for-sale financial assets	114,451	374,386
	328,472	715,096

3 Net interest income

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Interest and similar income		
Interest from loans to customers	467,278	597,813
Interest from deposits and other investments	1,833	4,504
Interest from available-for-sale financial assets	61,715	180,627
Interest from held for trading financial assets	88,792	104,098
Interest from financial assets at fair value through profit and loss	-	50
Interest from held-to-maturity financial assets	9,697	10,204
Interest from hedging derivatives	128	606
Other interest and similar income	13,721	15,808
	643,164	913,710
Interest and similar expense		
Interest from deposits of customers	231,342	316,303
Interest from loans of Central Banks and other financial institutions	15,030	13,823
Interest from securities issued	68,939	87,161
Interest from subordinated liabilities	5,522	7,142
Interest from financial liabilities associated with transfered assets	2,342	43,045
Interest from held for trading financial liabilities	87,007	104,920
Interest from hedging derivatives	544	1,183
Other interest and similar expense	4,919	3,627
	415,645	577,204
Net interest income	227,519	336,506

The balances Interest from loans to customers and Other interest and similar expenses include the positive amount of Euro 21,961 thousand and the negative amount of Euro 21,956 thousand (2014: the positive amount of Euro 24,144 thousand and the negative amount of Euro 3,605 thousand), respectively, related to commissions and other gains / losses which are accounted for under the effective interest rate method, as referred in the accounting policy, note 1 l).

4 Dividends from equity instruments

This balance includes dividends and income from investment fund units received during the year, relating to available for sale financial assets.

5 Net fee and commission income

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Fee and commission income		
From banking services	90,406	86,958
From transactions order by third parties	21,217	22,312
From insurance activity	8,180	11,731
From guarantees provided	8,032	8,532
From commitments to third parties	4,310	5,622
Other fee and commision income	2,709	553
	134,854	135,708
Fee and commission expense		
From banking services rendered by third parties	20,849	20,540
From transactions with securities	629	584
From commitments from third parties	3	-
Other fee and commission expense	11,563	5,018
	33,044	26,142
Net fee and commission income	**101,810**	**109,566**

As at 31 December, 2015 and 2014, commissions received on insurance brokerage services or reinsurance are presented as follows:

(Thousand Euros)

	2015	2014
Life insurance		
Mortgage	1,698	1,731
Consumer	1,203	1,266
Other	2,015	5,492
	4,916	8,489
Non-life insurance		
Mortgage	1,885	1,924
Consumer	61	139
Other	1,318	1,179
	3,264	3,242
	8,180	11,731

Insurance mediation services remunerations were received in full in cash and all its fees were the result of insurance intermediation carried out by Lusitania, Companhia de Seguros, S.A. and Lusitania Vida, Companhia de Seguros, S.A.

6 Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss

The amount of this account is comprised of:

(Thousand Euros)

	2015			2014		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed income securities						
Issued by public entities	15,037	(17,772)	(2,735)	1,824	(1,333)	491
Issued by other entities	163	(137)	26	242	(166)	76
Shares	14,656	(13,480)	1,176	29,007	(29,086)	(79)
Investments units	441	(466)	(25)	5,622	(5,505)	117
	30,297	(31,855)	(1,558)	36,695	(36,090)	605
Derivative financial instruments						
Interest rate contracts	217,705	(207,518)	10,187	231,928	(228,147)	3,781
Exchange rate contracts	86,336	(84,804)	1,532	74,643	(73,206)	1,437
Futures contracts	4,598	(4,324)	274	3,381	(5,322)	(1,941)
Commodities contracts	106,578	(106,496)	82	34,400	(34,299)	101
Options contracts	19,858	(20,186)	(328)	13,340	(13,736)	(396)
Credit default contracts (CDS)	165	(35 343)	(35 178)	253	(224)	29
	435,240	(458,671)	(23,431)	357,945	(354,934)	3,011
Other financial assets	14,088	(131)	13,957	5,309	(47)	5,262
	14,088	(131)	13,957	5,309	(47)	5,262
Other financial assets at fair value through profit or loss						
Bonds and other fixed income securities						
From other entities	-	-	-	1,216	(275)	941
Loans to customers	1,532	(2,051)	(519)	401	(337)	64
	1,532	(2 051)	(519)	1,617	(612)	1,005
Hedging derivatives						
Interest rate contracts	2,253	(1,353)	900	2,684	(2,603)	81
	2,253	(1,353)	900	2,684	(2,603)	81
Financial liabilities						
Deposits from other credit institutions	1,384	(63)	1,321	281	(2,342)	(2,061)
Deposits from customers	435	(423)	12	5,872	(529)	5,343
Debt securities issued	1,610	(2,741)	(1,131)	1,265	(5,413)	(4,148)
Other subordinated liabilities	-	(2,786)	(2,786)	-	(3,014)	(3,014)
	3,429	(6,013)	(2,584)	7,418	(11,298)	(3,880)
Other financial operations						
Loans to customers	-	(1,085)	(1,085)	-	(1,085)	(1,085)
Other	1,255	(433)	822	206	(1,001)	(795)
	1,255	(1,518)	(263)	206	(2,086)	(1,880)
	488,094	(501,592)	(13,498)	411,874	(407,670)	4,204

The balance Financial liabilities, includes fair value changes related with changes in the own credit risk (spread) of operations of Euro 5,387 thousand (2014: Euro 13,083 thousand), as described in note 23.

In accordance with the accounting policies followed by the Group, financial instruments are initially recognised at fair value. The best evidence of the fair value of the instrument at inception is deemed to be the transaction price. However, in particular circumstances, the fair value of a financial instrument at inception, determined based on valuation techniques, may differ from the transaction price, namely due to the existence of a built-in fee, originating a day one profit.

The Group recognises in the income statement the gains arising from the built-in fee (day one profit), generated, namely, on the trading of derivative and foreign exchange financial products, considering that the fair value of these instruments at inception and on subsequent measurements is determined only based on observable market data and reflects the Group access to the wholesale financial market.

7 Net gains/ (losses) arising from available for sale financial assets

The amount of this account is comprised of:

(Thousand Euros)

	2015			2014		
	Gains	Losses	Total	Gains	Losses	Total
Fixed income securities						
Bonds						
Issued by public entities	89,784	(3,115)	86,669	364,506	(875)	363,631
Issued by other entities	27,351	(6,259)	21,092	1,975	(3,300)	(1,325)
Shares	3,251	(2,465)	1,056	1,418	(386)	1,032
Other variable income securities	5,864	(230)	5,634	14,450	(3,402)	11,048
	126,520	(12,069)	114,451	382,349	(7,963)	374,386

The balance Fixed income securities – Bonds – Issued by other entities includes the amount of Euro 86,600 thousand (2014: Euro 363,735 thousand), related with capital gains resulting from sale of treasury bonds of Portuguese domestic debt.

8 Net gains/(losses) arising from foreign exchange differences

The amount of this account is comprised of:

(Thousand Euros)

	2015			2014		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	330,124	(313,614)	16,510	176,081	(159,065)	17,016

This account comprises the results from foreign exchange differences of monetary assets and liabilities in foreign currency in accordance with the accounting policy described in note 1 u).

9 Net gains/(losses) arising from sale of other assets

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Sale of investments in associates	17,217	19,000
Sale of other assets	(739)	(667)
Sale of loans and advances to customers	(1,662)	(37,712)
Sale of non-current assets held for sale	(14,334)	(22,595)
	482	(41,974)

As at 31 December 2015 and 2014, the balance Sale of investments in associates refers to the gain related with to the disposal of Montepio Seguros, S.G.P.S., S.A. and Nutre, S.G.P.S., S.A., respectively, as described in note 27.

As at 31 December 2015, the balance Sale of loans and advances to customers includes the gain in the amount of Euro 6,025 thousand obtained through the sale of loans to customers which were in default. The nominal value of the loans sold amounted to Euro 94,033 thousand, as described in note 22.

As at 31 December 2014, the balance Sale of loans and advances to customers includes the gain on the sale of loans to customers which were in default. The global amount of loans sold amounted to Euro 398,100 thousand having generated a loss of Euro 37,712 thousand, as described in note 22.

The balance Sale of non-current assets held for sale includes essentially the result obtained with the sale of real estate properties.

10 Other operating income

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Other operating income		
Services rendered	32,605	6,938
Profits arising from investment properties rentals	15,183	17,676
Profits arising from investment properties revaluation	11,577	2,000
Profits arising from deposits on demand management	9,181	8,667
Reimbursement of expenses	8,186	8,052
Staff transfer	7,702	6,129
Repurchase of own securities	439	980
Other	35,913	16,231
	120,786	66,673
Other operating expense		
Revaluation losses in investment properties	49,009	8,517
Contribution to the resolution fund	10,870	1,850
Ex-ante contribution to the Resolution Fund	8 452	-
Taxes	5,742	1,945
Repurchase of own securities	4,355	326
Contribution for the banking sector	2,214	12,960
Donations and membership	1,144	980
Deposit Guarantee Fund	653	3 117
Other	37,783	52,793
	116,222	82,488
	4,564	(15,815)

As at 31 December 2015, the balance Other operating income – Services rendered includes the amount of Euro 26,000 thousand, referring to the supply of services by the Group to Montepio Geral Associação Mutualista, as described in note 33.

As at 31 December 2015, the balance Other operating income – Staff transfer includes the amount of Euro 6,900 thousand (2014: Euro 5,536 thousand) referring to the staff transfers from the Group to Montepio Geral Associação Mutualista and to other entities of the Group.

As at 31 December 2015 and 2014, the balance Repurchase of own securities is calculated in accordance with accounting policy described in note 1 d) and refers to the re-acquisition of Euro Medium Term Notes and cash bonds.

The balance contribution for the banking sector is estimated according to the terms of the Decree-Law 55-A/2010. The determination of the amount payable focuses on: (i) the annual average liability developed in balance deducted from core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund; and (ii) the notional amount of derivative financial instruments.

The item Ex-ante Contribution to the Resolution Fund corresponds to the annual contribution collected in 2015 by the Resolution Fund, in accordance with paragraph 1, article 153-H of the Legal Framework of Credit Institutions and Financial Companies (*Regime Geral das Instituições de Crédito e Sociedades Financeiras* – RGICSF), which transposed the articles 100 (4) (a) and 103 (1) of the Directive 2015/59/EU of the European Parliament and of the Council of 15 May 2014, and article 20 of the Delegated Regulation (EU) 2015/63 of 21 October 2014 (Delegated Regulation). This contribution was determined by the Bank of Portugal, in its quality of National Resolution Authority, based in the methodology defined in the Delegated Regulation in accordance with its articles 4, 13 and 20. Under the Single Resolution Mechanism this contribution will be transferred to the Single Resolution Fund until 31 January 2016, as stipulated in paragraph 3 of article 3 of the Agreement for the Transfer and Mutualisation of the contributions to the Single Resolution Fund signed in Brussels on 21 May 2014.

The item Contribution to the Resolution Fund corresponds to the mandatory periodic contributions paid to the Fund, in accordance with Decree-Law No 24/2013. The periodic contributions are determined using a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile. The year contributions focus on the liabilities of the member credit institutions, in accordance with article 10 of the referred Decree-Law, deducted from the liability elements that are part of the Tier 1 and Tier 2 capital and from the deposits covered by the Deposit Guarantee Fund.

11 Staff costs

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Remunerations	149,010	141,887
Mandatory social securities charges	37,487	37,379
Charges with the pension fund	12,943	8,571
Other staff costs	4,653	6,316
	204,093	194,153

As at 31 December 2015, the caption Charges with the pensions fund includes the amount of Euro 680 thousand (2014: Euro 1,076 thousand) related to the impact of early retirements.

Remuneration of the members of the Executive Board of Directors, General and Supervisory Board and from Other key management personnel

The balance Management Bodies includes the remuneration from the Executive Board of Directors of CEMG and from the Boards of Directors of the Group subsidiaries.

Other key management personnel are considered first-line managers, General and Supervisory Board members, Audit Committee, members and shareholder's General Meeting members from the several entities of the Group.

The remuneration of the Executive Board of Directors members aims to be a compensation for their direct activities in CEMG and any function performed in companies or corporate bodies for which they have been designated by indication or on behalf of CEMG.

At 31 December 2015 were assigned to the Board of Directors and Other key management personnel variable remunerations in the amount of Euro 652 thousand (2014: 428 thousand).

During 2015 were paid Euro 31 thousand of compensations for termination of service to key management elements.

The costs with salaries and other benefits attributed to the Board of Directors and Other key management personnel of the Group in 2015 are presented as follows:

(Thousand Euros)

	Board of Directors	Other key management personnel	Total
Salaries and short-term benefits	3,760	5,770	9,530
Pension costs	58	287	345
SAMS costs	23	151	174
Variable remunerations	408	244	652
Total	4,249	6,452	10,701
Social Security charges	618	917	1,535
Pension Fund charges	43	236	279
Ageing bonus	-	13	13
	661	1,166	1,827

The costs with salaries and other benefits attributed to the Group Board of Directors and key management personnel of the Group in 2014 are presented as follows:

(Thousand Euros)

	Board of Directors	Other key management personnel	Total
Salaries and short-term benefits	2,971	7,468	10,439
Pension costs	20	303	323
SAMS costs	18	206	224
Variable remunerations	262	166	428
Total	3,271	8,143	11,414
Social Security charges	366	1,237	1,603
Pension Fund charges	26	307	333
Ageing bonus paid	-	60	60
	392	1,604	1,996

As at 31 December 2015 the remuneration of the General and Supervisory Board, included in Other key management personnel amounted to Euro 407 thousand (2014: Euro 491 thousand).

As at 31 December 2015 and 2014, loans granted by the Group to its key management personnel, amounted to Euro 4,398 thousand and Euro 4,779 thousand, respectively.

The average number of employees by professional category at service in the Group during 2015 and 2014 is analysed as follows:

	2015	2014
Portugal		
Management	238	234
Managerial staff	738	736
Technical staff	1,187	1,172
Specific categories	161	171
Administrative staff	1,666	1,677
Staff	60	62
Foreign	195	369
	4,245	4,421

12 General and administrative expenses

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Rental costs	26,719	29,528
Specialized services		
IT services	15,491	9,913
Independent work	2,985	2,760
Other specialized services	27,522	26,674
Communication costs	9,502	10,385
Advertising costs	8,617	9,059
Maintenance and related services	7,292	5,991
Water, energy and fuel	5,752	5,488
Insurance	3,224	2,841
Transportation	3,029	3,144
Travel, hotel and representation costs	2,693	2 651
Consumables	1,900	1,925
Training costs	466	400
Other	13,498	9,735
	128,690	120,494

The balance Rental costs, includes the amount of Euro 24,683 thousand (2014: Euro 26,199 thousand) related to rents paid regarding buildings used by the Group as lessee.

The Group has several vehicle operational leasing contracts. Payments made under such leasing contracts are recognised in income during the duration of the contract. The future minimum payments for operational leasing contracts not revocable by maturity, are presented as follows:

(Thousand Euros)

	2015	2014
Up to 1 year	57	108
1 to 5 years	3,284	5,071
	3,341	5,179

The balance Other specialised services includes fees invoiced (excluding VAT) by the Group's Statutory Auditor within its functions of statutory audit and other services, as presented:

(Thousand Euros)

	2015	2014
Statutory Audit services	1,209	1,285
Other reliability assurance services	1,399	1,091
Other	1,072	874
	3,680	3,250

The balance Other administrative costs includes the amount of Euro 3,150 thousand (2014: Euro 1,393 thousand) related with the services rendered by Montepio Gestão de Activos Imobiliários, A.C.E..

13 Depreciation and amortisation

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Intangible assets		
Software	13,902	13,399
Property equipment		
Real estate		
For own use	1,529	1,398
Leasehold improvements	2,785	2,893
Equipment		
Security	381	553
Transportation	666	529
IT	4,573	5,212
Interior installations	1,579	1,653
Machinery and tools	81	92
Furniture and material	880	1,010
Other	7	-
Operating lease	122	212
Other tangible assets	90	126
	12,693	13,678
	26,595	27,077

14 Loans impairment

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Other loans and advances to credit institutions		
Charge for the year	230	265
Write-back for the year	(239)	(762)
	(9)	(497)
Loans and advances to customers		
Charge for the period net of reversals	268,286	537,637
Recovery of loans and interest charged-off	(9,596)	(12,561)
	258,690	525,076
	258,681	524,579

The caption Loans and advances to customers relates to the estimate of the incurred losses determined according with the methodology for a regular evaluation of objective evidence of impairment, as described in note 1 c).

15 Other financial assets impairment

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Impairment for available for sale financial assets		
Charge for the yer	71,262	78,410
Write-back for the year	(55,265)	(16,762)
	15,997	61,648

As at 31 December 2015, the balance Impairment for available for sale financial assets – Charge for the year includes the amount of Euro 554 thousand (2014: Euro 219 thousand) that corresponds to the impairment recognised for investment units in a Fund specialised in the recovery of loans, acquired under the sale of loans and advances to customers, as referred in notes 22, 24 and 60.

Additionally, at 31 de December 2015 this caption includes the amount of Euro 1,144 thousand referring to the impairment recorded on Class B Notes acquired under the credit sale operation, as referred in notes 22 and 24.

As at 31 de December 2015, the balance Impairment for available for sale financial assets – Write-back for the year includes the amount of Euro 1,491 thousand (2014: included on the balance Impairment for available for sale financial assets – Charge for the year the amount of Euro 419 thousand) that corresponds to the impairment recognised for sovereign debt of Greece, as referred in notes 24 and 59.

16 Other assets impairment

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Impairment for non-current assets held for sale		
Charge for the year	100,222	62,189
Write-back for the year	(29,927)	(19,847)
	70,295	42,342
Impairment for intangible assets		
Charge for the year	60	-
	60	-
Impairment for other assets		
Charge for the year	18,672	7,493
Write-back for the year	(1,596)	(3,544)
	17,076	3,949
Impairment for investments in associates and others		
Charge for the year	1,107	-
	1,107	-
	88,538	46,291

The caption Impairment for other assets registers the amount corresponding to the impairment recognised during the year for the supplementary payments subscribed in an operation of sale of credits to clients, as referred in notes 22, 24 and 60.

17 Other provisions

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Provisions for other liabilities and charges		
Charge for the year	13,814	17,061
Write-back for the year	(16,294)	(3,836)
	(2,480)	13,225

18 Share of profit under the equity method

The contribution of the associated companies accounted under the equity method is analysed as follows:

(Thousand Euros)

	2015	2014
Montepio Seguros, S.G.P.S., S.A.	(4,013)	(5,278)
Iberpartners Cafés, S.G.P.S., S.A.	37	93
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	66	(38)
	(3,910)	(5,223)

19 Cash and deposits at central banks

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Cash	208,037	189,348
Deposits at central banks		
Bank of Portugal	159,199	31,079
Other central banks	57,214	64,386
	424,450	284,813

The caption Deposits at central banks – Bank of Portugal, refers to the deposits within Bank of Portugal, to satisfy the legal requirements to maintain a minimum cash reserve, calculated based on the value of deposits and other effective liabilities. The cash reserve requirements, according with the European Central Bank System for Euro Zone, establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirements period.

As at 31 December 2015 and 31 December 2014, these deposits at Bank of Portugal presented an average interest rate of 0.05%. It should be noted that Other deposits at central banks are non-interest-bearing deposits.

Other deposits at central banks include deposits of Finibanco Angola, SA in the National Bank of Angola ("BNA") in order to comply with the requirements in force in Angola to maintain mandatory reserves and are not remunerated.

Mandatory reserves are currently calculated in accordance with the Instruction No. 08/2015 of 3 June from BNA and are incorporated in kwanzas and dollars, depending on the designation of the liabilities that constitute its basis of assessment and should be maintained throughout the period to which they relate. On 31 December 2015, the requirement to maintain mandatory reserves is determined by applying a 25% rate on the arithmetical average of eligible liabilities in kwanzas and 15% in other currencies (2014: 12.5% in kwanzas and 15% in other currencies).

20 Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Credit institutions in Portugal	194,780	160,244
Credit institutions abroad	16,168	18,812
Amounts due for collection	27,059	37,987
	238,007	217,043

The balance Amounts due for collection represents essentially check receivable from other credit institutions due for collection.

21 Other loans and advances to credit institutions repayable on demand

This balance is analyzed as follows:

(Thousand Euros)

	2015	2014
Loans and advances to credit institutions in Portugal		
Term Deposits	2,076	1,076
Loans	-	48
Short-term investments	-	96,473
Other loans and advances	6,006	10,126
	8,082	107,723
Loans and advances to credit institutions abroad		
Repos	61,193	16,905
Term deposits	25,461	19,653
Subordinated investments	91	271
Short-term investments	-	286,883
CSA's	63,924	99,446
CSA's - Independent amount	11,295	11,204
CSA's - Term deposit	-	4,390
	163,964	438,752
	172,046	546,475
Impairment for loans and advances to credit institutions	(2)	(313)
	172,044	546,162

The Credit Support Annex (hereinafter referred to as "CSA's") are contracts that regulate the delivery, reception and monitoring of delivered/received collateral to cover the exposure of a counterparty to the other, as a result of open positions in over-the-counter derivatives. According to most CSA's executed by the Group, this collateral might be in the form of securities or cash, however, in the Group's particular case, collaterals are all in cash.

Collaterals in cash delivered (establishment or strengthening) or received (collateral release) result from the changes in the fair value of the several derivative instruments that the Group negotiated with each one of the counterparties and are an effective transfer of cash, through TARGET2 transfers, for each one of the counterparties, as a guarantee of the Group exposure towards the counterparty.

The CSA's caption – Independent amount constitutes an additional margin/guarantee given by the Group determined in accordance to their credit risk.

The CSA's caption – Term deposit, represents a collateral in cash that might be due under the terms of the assets front swap executed between the Group and a financial institution.

On this basis, and within operations of derivative financial instruments with institutional counterparties, and as defined in the respective contracts, the Group holds an amount of Euro 75,124 thousand (2014: Euro 110,650 thousand) related to deposits in credit institutions given as collateral for the referred operations.

The balance Other loans and advances to credit institutions, by maturity, is analysed as follows:

(Thousand Euros)

	2015	2014
Due within 3 months	142,262	496,496
3 to 6 months	-	28,130
6 months to 1 year	1,000	42
1 to 5 years	23,475	12,720
Over 5 years	4,242	8,037
Undetermined	1,067	1,050
	172,046	546,475

The changes in impairment for loans and advances to credit institutions, are analysed as follows:

(Thousand Euros)

	2015	2014
Balance on 1 January	313	810
Charge for the year	230	265
Write-back for the year	(239)	(762)
Charge-off	(302)	-
Balance on 31 December	2	313

22 Loans and advances to customers

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Domestic loans		
Corporate		
Loans not represented by securities		
Loans	2,669,607	2,635,216
Commercial lines of credits	745,753	1,072,130
Finance lease	481,194	487,088
Discounted bills	94,817	112,230
Factoring	83,141	87,998
Overdrafts	33,412	68,131
Other loans	927,247	1,099,673
Loans represented by securities		
Commercial paper	339,054	626,359
Bonds	358,488	-
Retail		
Mortgage loans	7,391,219	7,763,579
Finance leases	70,232	75,312
Consumer and other loans	1,070,000	1,108,171
	14,264,164	15,135,887
Foreign loans		
Corporate	301,818	282,834
Retail	17,274	40,764
	14,583,256	15,459,485
Correction value os assets subject to hedge operations		
Other credits	2,509	4,113
Overdue loans and interest		
Less than 90 days	125,345	134,300
More than 90 days	1,232,905	1,014,197
	1,358,250	1,148,497
	15,944,015	16,612,095
Impairment for credit risks	(1,281,738)	(1,385,872)
	14,662,277	15,226,223

As at 31 December 2015, the balance Loans and advances to customers includes the amount of Euro 2,727,400 thousand (2014: Euro 2,711,971 thousand) related to the issue of covered bonds held by the Group, as described in note 37.

On 31 December 2015, the credit, guarantees and irrevocable credit lines (excluding interbank and money market transactions) that the Group granted to the holder of institutional capital and to its subsidiaries was Euro 86,483 thousand (2014: Euro 118,610 thousand), as referred in note 54. The conclusion of businesses between the Group and the holders of institutional capital individual or collective persons related to them, according to article 20 of the Portuguese Securities Code, regardless the value, it's always submitted to examination and deliberation of the Executive Board of Directors and the General and Supervisory Board, as proposed by the commercial network, supported by analysis and opinion about the compliance with the limit established in article 109 of the Credit Institutions and Financial Companies General Regime issued by the Risk Division. The impairment amount (collective) for these contracts amounts to Euro 944 thousand in 31 December 2015 (2014: Euro 689 thousand).

In March 2015, the Group sold three consumer credit portfolios and a car credit portfolio which were in default to a securitisation company ("Tagus - Sociedade de Titularização de Créditos, S.A."). These three portfolios presented a gross amount of Euro 94,033 thousand: (i) Euro 14,254 thousand in loans and advances to customers; (ii) Euro 39,229 thousand recorded in Financial assets available for trading (note 23) and (iii) Euro 40,550 thousand recorded off balance sheet.

Considering the nature of this transaction, the Executive Board of Directors conducted its analysis and accounting framework, under the requirements established in Notice No. 7/2007 of Bank of Portugal, in accordance with subparagraph c) of paragraph 4 of Instruction No. 7/2008 of the Bank of Portugal to transfer the credit risk of a securitisation, namely:

- The exposure is out of sellers control as well as creditors control, namely in case of insolvency; and
- The seller does not maintain effective control, direct or indirect, on transferred exposures.

Once carried out this sale, the Group is not obligated to repurchase any of those credits, and there is also no right of recourse over the Group in case of default in the payment of obligations by the debtors of credits granted, in compliance with paragraph 6 of Article 4 of Securitisation Law, since it was not provided by the Group any guarantee regarding the solvency of the referred debtors.

On another hand, in the contract, it was only accepted the possibility of early amortisation of residual positions when an amount equal or less than 10% of Class A notes securitised (Principal Amount Outstanding of the Class A notes on the Closing Date) remains unamortised, namely Euro 1,430 thousand, and in the case of tax changes with impact in, *inter alia*, the Issuer, in the credits granted or in the securitised notes and in compliance with Article 45 of Securitisation Law.

Regarding Class B securities, the Group will fully withhold this portion, in the amount of Euro 1,144 thousand with a major degree of subordination with compliance of the disposed in Notice No. 9/2010, of the Bank of Portugal and in the articles 405 to 410 of the Regulation (UE) No. 648/2012, of the European Parliament, of 4 July 2012. Additionally, considering that the securitisation has cash reserves, whose notes were bought by the Group, a provision for impairment losses of 100% over the paid amount, Euro 1,144 thousand, was constituted, as described in note 15 and 24.

Towards the characteristics of the agreement, the sale of credits within the securitisation constituted, an effective and total sale, with a complete segregation of the credits object of the sale of Group's assets and consequently inclusion in the *Tagus – Sociedade de Titularização de Créditos, S.A.* assets.

The amount of the disposed credits portfolio was recorded in the financial statement position for Euro 6,702 thousand, being recorded a gain of Euro 6,025 thousand, according to note 9.

As at December 2014, CEMG's Executive Board of Directors decided to sell a portfolio of credits on default and real estate property recorded as non-current assets held for sale to SilverEquation, Unipessoal, Lda, S.A. ("SilverEquation"). This sale implied the transfer of all risks and rewards related to the portfolio, including the right over the guarantees given as collateral of loans/credits. Considering the nature of this operation the Executive Board of Directors analysed this transaction and its accounting impacts, considering the derecognition requirements in IAS 39 – Financial Instruments: Recognition and Measurement, particularly the ones expressed on paragraphs AG 36 and following, of this standard. This analysis was performed in order to verify the followings aspects:

- Transference in full of the rights to the asset's future cash-flows;
- Existence or not of price adjustment ("contingent price");
- Existence or not of rights on credits returns;

- Verification of the transferee's autonomy (autopilot); and
- Eventual control or influence by CEMG over SilverEquation.

Considering the characteristics of the contract celebrated between the Group and SilverEquation, the Executive Board of Directors concluded that by selling the credits, the Group eliminated its exposure to the variability of the amounts and timing of the cash-flows associated to the credit portfolio. On that basis, the Executive Board of Directors concluded that all the risks and rewards related to the respective credit portfolio were transferred in 2014, and therefore as at 31 December 2014, credits in the amount of Euro 398,100 thousand were derecognised from the financial statement position generating a gain of Euro 37,712 thousand recorded in the income statement, in accordance with note 9. It should be noted that within this operation there were no real estate sales performed in 2014.

As at 31 December 2015 and within the sale of credits and real estate properties performed, it is outstanding by SilverEquation the amount of Euro 161,420 thousand (2014: Euro 139,176 thousand) related to this sale, as referred in note 33.

As referred in notes 15, 24 and 60, the Group performed sales of Loans and advances to customers to funds specialised in credit recovery. The global amount of credits sold amounted to Euro 27,074 thousand (2014: Euro 16,763 thousand), originating a gain of Euro 15,128 thousand (2014: loss of Euro 456 thousand).

As at 31 December 2015, the Group reclassified bonds from available for sale financial assets to loans and advances to customers, in the amount of Euro 358,488 thousand and with an associated fair value reserve of Euro 3,858 thousand, as described in note 24. Also within this transfer, the Group recorded an impairment in the amount of Euro 1,565 thousand.

The balance loans and advances to customers includes the effect of traditional securitisation transactions, held by SPE's subject of consolidation under IFRS 10, according with the accounting policy described in note 1 b) and synthetics securitisation.

Securitisation operations performed by the Group are related to mortgages credits, consumer credits, leasings and loans to firms realised through special purpose entities (SPE's). As referred in accounting policy described in note 1 b), the SPE's are consolidated by full method when the substance of the relation with the entities show that the Group has control over his activities. As at 31 December 2015, the value of loans and advances to customers (net of impairment), includes the amount of Euro 166,819 thousand (2014: Euro 191,970 thousand) related to securitisation transactions where, in accordance with the accounting policy described in note 1 b), are subject of consolidation in the Group under the full method (note 55).

As at 31 December 2015, the balance Loans and advances to customers includes the amount of Euro 4,086,815 thousand (2014: Euro 3,219,099 thousand) related with loans object of securitisation that, in accordance with note 1 g), were not subject of derecogniton, as referred in note 55.

In the balance Correction value of assets subject to hedge operations is accounted the fair value of portfolio that is hedged. The valuation is accounted for in the income statement, in accordance with note 1 e). The Group evaluates on an ongoing basis the effectiveness of the existing hedge operations.

The fair value of the portfolio of loans to customers is presented in note 51.

The analysis of Loans and advances to customers, by type of rate as at 31 December 2015 and 2014, is presented as follows:

(Thousand Euros)

	2015	2014
Variable interest rate contract	14,712,099	15,469,933
Fixed interest rate contract	1,231,916	1,142,162
	15,944,015	16,612,095

The analysis of Overdue loans and interest, by type of credit, is as follows:

(Thousand of Euros)

	2015	2014
Asset-backed loans	838,063	633,646
Other guarantee loans	327,465	298,141
Finance leases loans	43,293	49,759
Secured loans	19,050	-
Other loans	130,379	166,951
	1 358,250	1,148,497

The analysis of Loans and advances to customers, by maturity and type of credit, for the year ended as at 31 December 2015, is as follows:

(Thousand Euros)

	Loans and advances to customers				
	Due within 1 year	1 to 5 years	Over 5 years	Undetermined	Total
Asset-backed loans	371,562	919,961	9,503,622	838,063	11,633 208
Other guarantee loans	768,848	328,671	429,119	327,465	1,854,103
Finance leases loans	27,016	246,743	277,667	43,293	594,719
Secured loans	359,375	263,638	74,529	19,050	716,592
Other loans	418,064	190,858	406,092	130,379	1,145,393
	1,944,865	1,949,871	10,691,029	1,358,250	15,944,015

The balance Loans and advances to customers, by maturity and type of credit, for the year ended as at 31 December 2014, is analysed as follows:

(Thousand Euros)

	Loans and advances to customers				
	Due within 1 year	1 to 5 years	Over 5 years	Undetermined	Total
Asset-back loans	473,687	1,168,163	9,781,530	633,646	12,057,026
Other guarantee loans	684,273	74,941	640,545	298,141	1,697,900
Finance leases loans	37,313	225,426	299,661	49,759	612,159
Secured loans	626,359	-	-	-	626,359
Other loans	763,183	255,572	432,945	166,951	1,618,651
	2,584,815	1,724,102	11,154,681	1,148,497	16,612,095

As at 31 December 2015, the balance Financial leases, by maturity, is analysed as follows:

(Thousand Euros)

	Financial leases			
	Due within 1 year	1 to 5 years	Over 5 years	Total
Outstanding rents	71,532	279,073	163,821	514,426
Outstanding interests	(10,026)	(35,427)	(33,189)	(78,642)
Residual values	12,333	64,004	39,305	115,642
	73,839	307,650	169,937	551,426

As at 31 December 2014, the balance Financial leases, by maturity, is analysed as follows:

(Thousand Euros)

	Financial leases			
	Due within 1 year	1 to 5 years	Over 5 years	Total
Outstanding rents	90,000	271,761	191,130	552,891
Outstanding interests	(17,645)	(43,151)	(34,619)	(95,415)
Residual values	12,104	50,125	42,695	104,924
	84,459	278,735	199,206	562,400

Towards the Operating lease, the Group does not present significant contracts as a Lessor.

The analysis of Overdue loans and interest, by type of client, is presented as follows:

(Thousand Euros)

	2015	2014
Domestic loans		
Corporate		
Construction/Production	264,958	263,218
Investments	468,861	305,972
Treasury	298,540	268,272
Other loans	70,838	95,045
Retail		
Mortgage loans	96,860	84,843
Consumer credit	64,961	57,340
Other loans	77,123	58,729
	1,342,141	1,133,419
Foreign loans		
Corporate	13,570	12,459
Retail	2,539	2,619
	16,109	15,078
	1,358,250	1,148,497

The changes in impairment for credit risks are analysed as follows:

(Thousand Euros)

	2015	2014
Balance on 1 January	1,385,872	1,051,526
Change in the consolidation perimeter	-	4,578
Charge for the period net of reversals	268,286	537,637
Loans charged-off	(371,029)	(208,555)
Exchange differences	(1,391)	686
Balance on 31 December	1,281,738	1,385,872

In compliance with note 1 c), interest on overdue loans for a period over 90 days not covered by asset-backed guarantees, is only recorded as income when received.

If the impairment loss decreases in a subsequent period to its initial accounting and this decrease can be objectively associated to an event that occurred after the recognition of the loss, the impairment in excess is reversed through profit and loss.

The impairment for credit risks, by type of credit, is as follows:

(Thousand Euros)

	2015	2014
Asset-backed loans	743,332	795,564
Other guaranteed loans	345,022	350,715
Unsecured loans	193,384	239,593
	1,281,738	1,385,872

In compliance with note 1 c), loans and advances to customers are charged-off when there are no expectations, from an economic point of view, of recovering the loan amount and for collateralized loans, when the funds arising from the execution of the respective collaterals were already received. This charge-off is carried out for loans that are fully provided.

The analysis of the loans charged-off, by type of credit, is analysed as follows:

(Thousand Euros)

	2015	2014
Asset-backed loans	81,775	120,287
Other guaranteed loans	95,001	26,270
Unsecured loans	194,253	61,998
	371,029	208,555

The recovered loans and overdue interest, performed during 2015 and 2014, includes the amount of Euro 9,596 thousand and Euro 12,561 thousand, respectively, related with the recovery of asset-backed loans, as referred in note 14.

The Group's customer loan portfolio includes loans that, towards the financial difficulties of the customer, initial conditions of the contract were amended in the amount of Euro 1,510,672 thousand (2014: Euro 1,695,420 thousand) which have an impairment of Euro 399,409 thousand (2014: Euro 401,239 thousand).

The Group has adopted forbearance measures and practices, according to the risk, in order to adjust the disposable income or the financial capacity of customers to its debt service. On this basis, were adopted the recommendations legislated within the non-compliance regimes (Decree-Law No. 227/2012) and in the companies (SIREVE, PER), widely disclosed in the institutional website, in internal rules and communications, to disclosure and implementation within customers who show evidence of financial difficulties.

Regarding the particular forbearance measures, the Group adopted the ones included in Instruction No. 32/2013 of the Bank of Portugal, namely contractual amendments (lack of capital, extension of the final date, deferral of capital, etc.) and consolidation of debts in another contract, with conditions adjusted to the customer's current situation.

In 2015 and 2014, the restructuring operations that were performed were positive allowing to mitigate the effect of the economic and financial crisis and within a situation in which is observed some economic recovery signs, adapting the debt service to the disposable income of customers.

According with the present scenario of real estate and financial markets, the Group continued to negotiate, during 2015, the strengthening of physical and financial collaterals with their customers.

Additionally, the loans portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may result in a reinforcement of guarantees and / or liquidation of part of the credit and involve an extension of maturities or a different interest rate. The analysis of restructured loans, by type of credit, is as follows:

(Thousand of Euros)

	2015	2014
Domestic loans		
Corporate		
Loans not represented by securities		
Loans	220,196	183,303
Commercial lines of credit	4,845	6,458
Finance lease	314	1,152
Other loans	2,559	987
Overdrafts	-	-
Retail		
Mortgage loans	39,575	95,616
Consumer credit and other loans	5,741	6,458
	273,230	293,974

Restructured loans are subject to an impairment analysis resulting from the revaluation of expectations to meet new cash flows inherent to the new contractual conditions, discounted at the original effective interest rate and considering new collaterals.

In respect of restructured loans, the impairment associated to these operations amounts to Euro 26,699 thousand (2014: Euro 30,173 thousand).

The Group's credit portfolio, which includes loans to customers and also guarantees and commitments granted to third parties, in the amount of Euro 500,144 thousand (2014: Euro 534,347 thousand) divided between impaired credit and not impaired credit, is analysed as follows:

(Thousand Euros)

	2015	2014
Total of loans	16,444,588	17,146,442
Individually significant		
Gross amount	5,177,249	5,485,854
Impairment	(704,392)	(869,992)
Net amount	4,472,857	4,615,862
Collective analysis		
Loans with impairment triggers		
Gross amount	2,088,660	2,165,706
Impairment	(551,556)	(485,922)
Net amount	1,537,104	1,679,784
Loans and advances to customers without impairment	9,178,679	9 494 882
Impairment (IBNR)	(25,790)	(29,958)
Net amount	15,162,850	15,760,570

As at 31 December 2015 and 2014, the impairment determined according to note 1 c) described in the accounting policies, is as follows:

(Thousand Euros)

	2015						
	Impairment calculated in an individual basis		Impairment calculated in a portfolio basis		Total		
	Loan amount	Impairment	Loan amount	Impairment	Loan amount	Impairment	Loan net of impairment
Corporate	5,086,133	680,219	2,979,516	383,846	8,065,649	1,064,065	7,001,584
Retail – Mortgages	18,295	1,949	7,461,581	105,200	7,479,876	107,149	7,372,727
Retails – Others	72,821	22,224	826,242	88,300	899,063	110,524	788,539
	5,177,249	704,392	11,267,339	577,346	16,444,588	1,281,738	15,162,850

(Thousand Euros)

	2014						
	Impairment calculated in an individual basis		IImpairment calculated in a portfolio basis		Total		
	Loan amount	Impairment	Loan amount	Impairment	Loan amount	Impairment	Loan net of impairment
Corporate	5,735,331	848,851	2,985,454	326,952	8,360,785	1,175 803	7,184,982
Retail – Mortgages	19,095	2,407	7,812,919	100,797	7,832,014	103,204	7,728,810
Retails – Others	91,428	18,734	862,215	88,131	953,643	106,865	846,778
	5,485,854	869,992	11,660,588	515,880	17,146,442	1,385,872	15,760,570

The fair value of collaterals associated to the loans and advances to customers portfolio is analysed as follows:

(Thousand Euros)

	2015	2014
Loans with impairment:		
Securities and other financial assets	255,336	300,976
Residential real estate - Mortgage loans	28,190	29,328
Real estate - Construction and CRE	2,024,805	2,637,367
Other real estate	1,492,133	1,484,448
Other guarantees	376,369	402,203
	4,176,833	4,854,322
Parametric analysis:		
Securities and other financial assets	23,959	24,314
Residential real estate - Mortgage loans	1,475,782	1,727,096
Real estate - Construction and CRE	386,032	504,519
Other real estate	360,208	375,304
Other guarantees	28,608	33,201
	2,274,589	2,664,434
Loans without impairment:		
Securities and other financial assets	305,317	309,383
Residential real estate - Mortgage loans	12,590,298	13,277,722
Real estate - Construction and CRE	234,927	266,165
Other real estate	864,138	867,673
Other guarantees	278,357	279,897
	14,273,037	15,000,840
	20,724,459	22,519,596

The Group is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. In order to reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of evaluation coefficients that reflect the market trends for each specific type of property and the geographical area. The financial collaterals are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices.

Most of the physical collaterals are reevaluated at least once a year.

As at 31 December 2015 and 2014, the credit exposures by segment and impairment recorded are presented as follows:

(Thousand Euros)

	Exposure 2015					Impairment 2015		
Segment	**Total exposure**	**Credit in compliance**	**Reestructured credit in compliance**	**Default credit**	**Reestructured default credit**	**Total impairment**	**Credit in compliance**	**Default credit**
Corporate	5,700,756	4,836,013	126,584	864,743	263,649	554,171	146,711	407,460
Construction and CRE	2,364,893	1,249,588	170,853	1,115,305	552,838	509,894	56,272	453,167
Mortgages	7,479,876	7,098,476	214,505	381,400	127,288	107,149	11,017	96,132
Retail - others	899,063	722,375	28,098	176,688	26,857	110,524	6,061	104,463
	16,444,588	13,906,452	540,040	2,538,136	970,632	1,281,738	220,516	1,061,222

(Thousand Euros)

Segment	Exposure 2014					Impairment 2014		
	Total exposure	Credit in compliance	Reestructured credit in compliance	Default credit	Reestructured default credit	Total impairment	Credit in compliance	Default credit
Corporate	5,774,440	4,998,966	197,609	775,474	234,900	613,707	227,462	386,245
Construction and CRE	2,586,345	1,508,077	329,848	1 078,268	481,248	562,096	121,409	440,687
Mortgages	7,832,014	7,456,896	275,984	375,118	110,954	103,204	16,822	86,382
Retail - others	953,643	793,320	35,773	160,323	29,104	106,865	24,263	82,602
	17,146,442	14,757,259	839,214	2 389,183	856,206	1,385,872	389,956	995,916

Segment	Total exposure 2015						Total impairment 2015				
		Credit in compliance			Credit in default			Credit in compliance		Credit in default	
	Total exposure Dec 15	Without signs	Overdue days <30 with signs	Sub-total	Overdue days <= 90*	Overdue days > 90 days	Total imapirment Dec 15	Overdue days < 30	Overdue days between 30 - 90	Overdue days <= 90*	Overdue days > 90 dias
Corporate	5,700,756	4,111,747	561,580	4,673,327	158,784	705,959	554,171	119,877	26,834	61,190	346,270
Construction and CRE	2,364,893	914,083	311,729	1,225,812	216,623	898,682	509,894	54,246	2,481	62,365	390,802
Mortgage	7,479,876	6,446,462	563,366	7,011,828	25,843	355,557	107,149	7,885	3,132	3,822	93,310
Retail - Other	899,063	595,210	112,818	708,028	6,034	170,654	110,524	4,455	1,606	1,514	102,949
	16,444,588	12,067,502	1,551,493	13,618,995	407,284	2,130,852	1,281,738	186,463	34,053	128,891	932,331

Segment	Total exposure 2014						Total impairment 2014				
		Credit in compliance			Credit in default			Credit in compliance		Credit in default	
	Total exposure Dec 14	Without signs	Overdue days <30 with signs	Sub-total	Overdue days <= 90*	Overdue days > 90 days	Total imapirment Dec 14	Overdue days < 30	Overdue days between 30 - 90	Overdue days <= 90*	Overdue days > 90 dias
Corporate	5,774,440	4,499,579	593,988	5,093,567	282,382	520,203	613,707	215,838	11,624	98,607	287,638
Construction and CRE	2,586,345	979,418	527,583	1,505,001	368,147	747,816	562,096	112,273	9,135	113,957	326,731
Mortgage	7,832,014	6,456,670	648,500	7,105,170	32,807	329,455	103,204	12,143	4,678	5,469	80,914
Retail - Other	953,643	611,771	135,937	747,708	13,737	141,092	106,865	21,747	2,516	7,577	75,025
	17,146,442	12,547,438	1,906,008	14,453,446	697,073	1,738,566	1,385,872	362,001	27,953	225,610	770,308

As at 31 December 2015, the credit portfolio by segment and production year is presented as follows:

(Thousand Euros)

Production year	Corporate			Construction and CRE			Retail - Mortgages			Reatil - Others		
	Number of operations	Amount	Booked impairment	Number of operations	Amount	Booked impairment	Number of operations	Amount	Booked impairment	Number of operations	Amount	Booked impairment
2004 and before	2,433	149,750	28,918	1,798	338,736	142,781	64,670	2,507,776	38,034	42,385	37,566	8,075
2005	783	36,606	8,904	498	112,247	37,892	14,821	861,619	12,602	5,048	12,360	2,302
2006	1,186	61,677	10,607	685	128,903	35,828	17,771	1,044,654	17,477	7,795	58,404	15,344
2007	2,277	119,863	21,795	1,170	183,852	46,704	17,965	1,044,838	18,048	42,634	53,016	16,664
2008	8,663	137,604	36,743	2,381	145,224	28,879	9,414	547,539	9,277	60,340	51,977	10,657
2009	10,158	209,070	44,261	3,247	186,894	53,573	5,216	348,211	4,753	44,599	57,895	12,293
2010	10,041	326,015	74,528	2,171	151,826	35,619	5,417	389,930	3,752	23,711	66,959	14,063
2011	13,871	330,921	48,435	3,160	134,856	28,586	2,095	151,081	1,111	25,541	60,161	11,074
2012	10,135	380,239	42,182	1,876	125,643	21,676	1,409	102,689	903	15,353	53,711	6,819
2013	21,405	746,455	82,981	2,492	234,125	41,267	1,786	135,412	775	22,305	85,466	5,996
2014	26,766	1,212,445	50,873	4,449	306,180	28,826	2,069	157,612	225	33,825	161,299	4,631
2015	28,499	1,990,111	103,944	5,051	316,407	8,263	2,359	188,515	192	40,741	200,249	2,606
	136,217	5,700,756	554,171	28,978	2,364,893	509,894	144,992	7,479,876	107,149	364,277	889,063	110,524

As at 31 December 2014, the credit portfolio by segment and production year is presented as follows:

(Thousand Euros)

	Corporate			Construction and CRE			Retail - Mortgages			Reatil - Others		
Production year	Number of operations	Amount	Booked impairment	Number of operations	Amount	Booked impairment	Number of operations	Amount	Booked impairment	Number of operations	Amount	Booked impairment
2004 and before	2,890	167,943	29,657	2,156	400,707	164,975	67,290	3,746,589	39,786	45,857	45,442	9,598
2005	964	54,112	9,683	579	132,390	44,156	15,371	917,281	12,437	5,709	14,936	2,335
2006	1,362	86,995	11,401	823	177,329	55,376	18,238	1,107,974	16,471	8,971	51,597	10,421
2007	2,826	168,723	33,924	1,408	244,721	55,550	18,462	1,105,686	16,599	49,595	66,419	14,466
2008	9,183	176,275	39,353	2,780	182,139	36,757	9,673	580,279	7,771	65,284	70,372	13,149
2009	11,602	256,305	45,456	3,825	252,673	58,566	5,387	370,653	3,936	48,414	78,336	14,803
2010	12,885	438,505	70,010	2,593	187,505	38,492	5,577	414,490	3,382	28,769	95,218	14,673
2011	17,837	407,781	57,444	3,890	159,296	27,175	2,181	162,034	913	29,248	88,842	10,576
2012	11,989	494,232	54,037	2,544	177,120	31,674	1,492	112,642	859	17,772	73,054	6,627
2013	22,047	1 056,616	100,094	2,664	267,584	30,573	1,877	146,837	748	25,740	125,604	5,454
2014	37,378	2,466,953	162,648	6,066	404,881	18,802	2,123	167,549	302	37,011	243,823	4,763
	130,963	5 774,440	613,707	29,328	2,586,345	562,096	147,671	7,832,014	103,204	362,370	953,643	106,865

As at 31 December 2015, the gross credit exposure and individual/collective impairment by segment are presented as follows:

(Thousand Euros)

	Corporate		Construction and CRE		Retail - Mortgages		Retail - Others		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation										
Individual	3,290,013	293,508	1,796,120	386,711	18,295	1,949	72,821	22,224	5,177,249	704,392
Collective	2,410,743	260,663	568,773	123,183	7,461,581	105,200	826,242	88,300	11,267,339	577,346
	5,700,756	554,171	2,364,893	509,894	7,479,876	107,149	899,063	110,524	16,444,588	1,281,738

As at 31 December 2014, the gross credit exposure and individual and collective impairment by segment are presented as follows:

(Thousand Euros)

	Corporate		Construction and CRE		Retail - Mortgages		Retail - Others		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation										
Individual	3,378,629	329,708	1,996,702	456,143	19,095	2,407	91,428	18,734	5,485,854	869,992
Collective	2,395,811	220,999	589,643	105,953	7,812,919	100,797	862,215	88,131	11,660,588	515,880
	5,774,440	613,707	2,586,345	562,096	7,832,014	103,204	953,643	106,865	17,146,442	1,385,872

As at 31 December 2015, the gross credit exposure and individual/collective impairment by activity sector are presented as follows:

(Thousand Euros)

31.12.2015	Construction		Industry		Commerce		Real Estate Activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposição	Impairment
Evaluation												
Individual	1,074,209	255,219	642,931	43,122	410,542	42,736	557,583	117,735	2,400,868	221,407	5,086,133	680,219
Collective	304,349	81,670	843,463	78,941	808,428	119,835	121,898	17,319	901,378	86,081	2,979,516	383,846
Total	1,378,558	336,889	1,486,394	122,063	1,218,970	162,571	679,481	135,054	3,302,246	307,488	8,065,649	1,064,065

As at 31 December 2014, the gross credit exposure and individual/collective impairment by activity sector are presented as follows:

(Thousand Euros)

31.12.2014	Construction		Industry		Commerce		Real Estate Activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation												
Individual	1,303,293	296,817	634,353	53,739	477,111	54,271	737,587	145,318	2,608,337	298,706	5,760,681	848,851
Collective	348,567	70,896	925,371	66,055	871,983	98,960	126,707	14,728	926,849	76,313	3,199,477	326,952
Total	1,651,860	367,713	1,559,724	119,794	1,349,094	153,231	864,294	160,046	3,535,186	375,019	8,960,158	1,175,803

As at 31 December 2015, the gross credit exposure and individual/collective impairment by geography are presented as follows:

(Thousand Euros)

	Portugal		Angola		International		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation								
Individual	5,177,249	704,392	-	-	-	-	5,177,249	704,392
Collective	10,871,885	549,740	354,112	24,231	41,342	3,375	11,267,339	577,346
Total	16,049,134	1,254,132	354,112	24,231	41,342	3,375	16,444,588	1,281,738

As at 31 December 2014, the gross credit exposure and individual/collective impairment by geography are presented as follows:

(Thousand Euros)

	Portugal		Angola		International		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation								
Individual	5,485,854	869,992	-	-	-	-	5,485,854	869,992
Collective	11,216,913	493,451	410,967	17,836	32,708	4,593	11,660,588	515,880
Total	16,702,767	1,363,443	410,967	17,836	32,708	4,593	17,146,442	1,385,872

As at 31 December 2015, the restructured credit portfolio by restructuration measure is presented as follows:

(Thousand Euros)

	2015								
	Credit in compliance			Credit in default			Total		
Measure	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment
Term extension	1,014	86,727	4,052	495	64,146	19,050	1,509	150,873	23,102
Shortage period	2,970	368,049	38,270	2,217	635,074	216,994	5,187	1,003,123	255,264
New operation with settlement	1,072	44,802	1,607	616	39,040	13,468	1,688	83,842	15,075
Interest rate decrease	11	972	12	122	13,036	5,300	133	14,008	5,312
Others	621	39,490	1,020	626	219,336	99,636	1,247	258,826	100,656
	5,688	540,040	44,961	4,076	970,632	354,448	9,764	1,510,672	399,409

As at 31 December 2014, the restructured credit portfolio by restructuration measure is presented as follows:

(Thousand Euros)

	2014								
	Credit in compliance			Credit in default			Total		
Measure	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment
Term extension	1,261	124,409	11,994	447	65,850	11,890	1,708	190,259	23,884
Shortage period	3,990	536,477	64,403	2,064	589,329	185,031	6,054	1,125,806	249,434
New operation with settlement	1,225	55,196	2,691	480	24,132	7,907	1,705	79,328	10,598
Interest rate decrease	28	4,743	102	131	13,249	4,337	159	17,992	4,439
Others	712	118,389	31,755	714	163,646	81,129	1,426	282,035	112,884
	7,216	839,214	110,945	3,836	856,206	290,294	11,052	1,695,420	401,239

The inflows and outflows in the restructured credit portfolio are presented as follows:

(Thousand Euros)

	2015	2014
Opening balance of the restructured portfolio (gross of impairment)	1,695,420	1,617,417
Restructured credit in the year	193,640	339,377
Accrued interest of the restructured portfolio	2,037	1,872
Restructured credit liquidation (partial or total)	(299,912)	(233,421)
Reclassified credits from "restructured" to "normal"	(80,784)	(29,825)
Closing balance of the restructured portfolio (gross of impairment)	1,510,401	1,695,420

As at 31 December 2015, the fair value of collateral underlying to credit portfolio of Corporate, Construction and Commercial Real Estate (CRE) and Retail - Mortgages segments is presented as follows:

(Thousand Euros)

	Construction and CRE				Retail - Mortgages			
	Real Estate		Other real collaterals		Real Estate		Other real collaterals	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
<0,5 M€	5,306	659,519	1,842	73,467	112,551	13,828,631	332	12,268
>=0,5 M€ and <1M€	328	229,271	56	34,782	328	205,256	2	1,216
>=1 M€ and <5 M€	339	705,733	27	45,755	30	41,883	-	-
>=5 M€ and <10 M€	37	268,235	3	19,115	-	-	-	-
>=10 M€ and <20 M€	24	314,966	1	12,609	1	18,500	-	-
>=20 M€ and <50 M€	9	266,706	-	-	-	-	-	-
>=50 M€	2	201,334	-	-	-	-	-	-
	6,045	2,645,764	1,929	185,728	112,910	14,094,270	334	13,484

As at 31 December 2014, the fair value of collateral underlying to credit portfolio of Corporate, Construction and Commercial Real Estate (CRE) and Retail - Mortgages segments is presented as follows:

(Thousand Euros)

	Construction and CRE				Retail - Mortgages			
	Real Estate		Other real collaterals		Real Estate		Other real collaterals	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
<0,5 M€	5,208	686,595	1,939	79,963	114,236	14,730,677	317	12,532
>=0,5 M€ and <1M€	401	280,853	49	29,877	406	252,514	1	500
>=1 M€ and <5 M€	487	996,232	38	63,339	37	50,955	1	1,584
>=5 M€ and <10 M€	61	442,890	2	13,690	-	-	-	-
>=10 M€ and <20 M€	36	473,288	1	12,609	-	-	-	-
>=20 M€ and <50 M€	11	326,858	-	-	-	-	-	-
>=50 M€	2	201,334	-	-	-	-	-	-
	6,206	3,408,050	2,029	199,478	114,679	15,034,146	319	14,616

As at 31 December 2015, the LTV ratio of Corporate, Construction and CRE and Retail - Mortgages segments is presented as follows:

(Thousand Euros)

	2015			
Segment/ Ratio	Number of real estate	Credit in compliance	Credit in default	Impairment
Corporate				
Without real estate (*)	-	4,016,420	574,305	430,839
<60%	2,264	298,269	69,317	30,007
>=60% and <80%	987	206,038	92,929	25,915
>=80% and <100%	958	252,508	48,879	19,187
>=100%	263	62,778	79,313	48,224
Construction and CRE				
Without real estate (*)	-	723,747	340,660	177,065
<60%	1,921	195,683	178,210	67,123
>=60% and <80%	939	80,897	165,789	60,523
>=80% and <100%	1,849	177,176	158,226	47,942
>=100%	1,336	72,085	272,419	157,239
Retail - Mortgage				
Without real estate (*)	-	595,279	58,632	16,137
<60%	63,357	2,517,929	46,009	11,456
>=60% and <80%	26,566	2,057,541	54,291	13,564
>=80% and <100%	19,023	1,674,802	87,926	24,247
>=100%	3,964	252,926	134,541	41,745

(*) Includes operations with other types of associated collaterals, namely, financial collaterals.

As at 31 December 2014, the LTV ratio of Corporate, Construction and CRE and Retail - Mortgages segments is presented as follows:

(Thousand Euros)

	2014			
Segment/ Ratio	**Number of real estate**	**Credit in compliance**	**Credit in default**	**Impairment**
Corporate				
Without real estate (*)	-	4,252,770	521,698	489,210
<60%	2,209	299,971	41,334	21,335
>=60% and <80%	870	165,167	79,987	15,491
>=80% and <100%	950	224,700	45,350	22,238
>=100%	240	56 358	87,105	65,433
Construction and CRE				
Without real estate (*)	-	789,393	368,842	205,318
<60%	2,130	250,275	153,948	74,429
>=60% and <80%	994	158,059	140,452	58,304
>=80% and <100%	1,858	167,776	168,322	70,363
>=100%	1,224	142,574	246,704	153,682
Retail - Mortgage				
Without real estate (*)	-	641,911	59,393	16,215
<60%	65,197	2,726,701	55,157	14,079
>=60% and <80%	29,630	2,374,375	68,338	18,081
>=80% and <100%	17,659	1,601,013	93,567	25,031
>=100%	2,193	112,896	98,663	29,798

(*) Includes operations with other types of asociated collaterals, namely, financial collaterals.

As at 31 December 2015, the fair value and net value of real estate received as default payments, by asset type and ageing, are presented as follows:

	2015		
Asset	**Number of real estate**	**Asset real estate**	**Accounting value**
Property	**1,774**	**320,237**	**286,669**
Urban	1,565	274,635	247,303
Rural	209	45,602	39,366
Buildings in development	**485**	**123,601**	**111,427**
Commercials	39	3,532	2,434
Housing	444	119,916	108,841
Others	2	153	152
Developed buildings	**3,437**	**419,561**	**355,220**
Commercials	908	125,500	95,658
Housing	2,029	282,861	249,974
Others	500	11,200	9,768
	5,696	863,399	753,316

As at 31 December 2014, the fair value and net value of real estate received as default payments, by asset type and ageing, are presented as follows:

	2014		
Asset	Number of real estate	Asset fair value	Accounting value
Property	**1,605**	**309,119**	**258,009**
Urban	1,351	243,732	199,929
Rural	254	65,387	58,080
Buildings in development	**569**	**134,798**	**125,016**
Commercials	88	7,635	6,571
Housing	468	126,983	118,267
Others	13	180	178
Developed buildings	**3,584**	**440,664**	**414,002**
Commercials	921	139,361	130,329
Housing	2,151	292,554	276,396
Others	512	8,749	7,277
	5,758	884,581	797,027

As at 31 December 2015, the elapsed time since the recovery/execution of real estate received is presented as follows:

(Thousand Euros)

	2015				
Elapsed time since the recovery/execution	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Property	**58,840**	**108,172**	**117,408**	**2,249**	**286,669**
Urban	51,480	97,040	97,120	1,663	247,303
Rural	7,360	11,132	20,288	586	39,366
Buildings in development	**33,632**	**36,551**	**40,202**	**1,042**	**111,427**
Commercials	134	347	1,953	-	2,434
Housing	33,498	36,204	38,097	1,042	108,841
Others	-	-	152	-	152
Developed buildings	**93,474**	**161,675**	**93,653**	**6,418**	**355,220**
Commercials	17,194	48,416	28,731	1,317	95,658
Housing	72,524	109,604	62,814	4,852	249,794
Others	3,756	3,655	2,108	249	9,768
	185,946	306,398	251,263	9,709	753,316

As at 31 December 2014, the elapsed time since the recovery/execution of real estate received is presented as follows:

(Thousand Euros)

	2014				
Elapsed time since the recovery/execution	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Property	**59,015**	**162,571**	**33,670**	**2,753**	**258,009**
Urban	50,676	116,810	30,142	2,301	199,929
Rural	8,339	45,761	3,528	452	58,080
Buildings in development	**23,587**	**62,756**	**38,562**	**111**	**125,016**
Commercials	887	3,347	2,337	-	6,571
Housing	22,664	59,267	36,225	111	118,267
Others	36	142	-	-	178
Developed buildings	**144,962**	**210,696**	**49,634**	**8,710**	**414,002**
Commercials	25,174	87,344	15,323	2,488	130,329
Housing	116,538	119,988	33,922	5,948	276,396
Others	3,250	3,364	389	274	7,277
	227,564	436,023	121,866	11,574	797,027

23 Financial assets held for trading

The balance financial assets and liabilities held for trading is analysed as follows:

		(Thousand Euros)
	2015	2014
Financial assets held for trading		
Securities		
Shares	7,363	6,115
Bonds	12,435	648
	(19,798)	6,763
Derivatives		
Derivatives financial instruments with positive fair value	31,295	74,509
Loans and other receivables	-	5,309
	31,295	79,818
	51,093	86,581
Financial liabilities held for trading		
Securities		
Short sales	1,896	561
Derivatives		
Derivatives financial instruments with negative fair value	68,393	84,731
	70,289	85,292

The balance Derivatives financial instruments with positive fair value includes the amount of Euro 8,830 thousand (2014: 30,350 thousand) referred to instruments associated to assets or liabilities at fair value through profit and loss, with the exception of loans and advances to customers in the amount of Euro 189 thousand (2014: Euro 218 thousand).

As at 31 December 2015, the balance Derivatives financial instruments with negative fair value includes the valuation of embedded derivatives separated from the host contracts in accordance with the accounting policy described in note 1 d), in the amount of Euro 35,493 thousand. It should be noted that, at 31 December 2014, the Group does not discloses embedded derivatives separated from the host contracts.

As at 31 December 2015, the balance Derivatives financial instruments with negative fair value also includes the amount of Euro 8,391 thousand (2014: Euro 21,346 thousand) referred to instruments associated to assets or liabilities at fair value through profit or loss, with the exception of loans and advances to customers in the amount of Euro 1,449 thousand (2014: Euro 1,959 thousand).

As referred in IFRS 13, financial instruments are measured in accordance with the following levels of valuation described in note 51, as follows:

(Thousand Euros)

	2015			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	7,363	-	-	7,363
Bonds	12 435	-	-	12,435
	19,798	-	-	19,798
Derivatives				
Derivatives financial instruments with positive fair value	-	31,295	-	31,295
	19,798	31,295	-	51,093
Financial liabilities held for trading				
Securities				
Short sales	1,896	-	-	1,896
Derivatives				
Derivatives financial instruments with negative fair value	-	68,393	-	68,393
	1,896	68,393	-	70,289

(Thousand Euros)

	2014			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	6,115	-	-	6,115
Bonds	648	-	-	648
	6,763	-	-	6,763
Derivatives				
Derivatives financial instruments with positive fair value	-	74,509	-	74,509
Loans and other receivables	-	-	5,309	5,309
	6,763	74,509	5,309	86,581
Financial liabilities held for trading				
Securities				
Short sales	561	-	-	561
Derivatives				
Financial derivatives instruments with negative fair value	-	84,731	-	84,731
	561	84,731	-	85,292

The trading portfolio is recorded at fair value through profit and loss, in accordance with the accounting policy described in note 1 d). As referred in this note, assets held for trading are those which were acquired with the purpose of sale or re-acquisition on the short term regardless of its maturity.

The analysis of the securities portfolio held for trading by maturity as at 31 December 2015 is as follows:

(Thousand Euros)

	2015				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Bonds					
Domestic	-	-	6,438	-	6,438
Foreign	-	-	5,997	-	5,997
Variable income securities					
Shares					
Domestic	-	-	-	864	864
Foreign	-	-	-	6,499	6,499
	-	-	12,435	7,363	19,798

The analysis of the securities portfolio held for trading by maturity as at 31 December 2014 is as follows:

(Thousand Euros)

	2014				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Bonds					
Foreign	-	-	648	-	648
Variable income securities					
Shares					
Domestic	-	-	-	1,080	1,080
Foreign	-	-	-	5,035	5,035
	-	-	648	6,115	6,763

The balance of financial assets and liabilities held for trading as at 31 December 2015, in comparison with the assets and liabilities associated, registered in the fair value, can be analysed as follows:

(Thousand Euros)

		2015						
		Derivative			Related asset/liability			
Derivative	Related financial asset/liability	Notional	Fair value	Fair value changes in the period	Fair value	Fair value changes in the period	Book value	Reimbursement amount at maturity date
Interest rate swap	Debt securities issued and other subordinated debt	87,656	817	(2,010)	(4,028)	3,917	113,852	113,121
Interest rate swap	Deposits from customers	55,150	(491)	892	8	(12)	54,654	54,602
Interest rate swap	Deposits from financial institutions	59,620	6,537	(2,702)	522	(1,321)	71,065	60,000
Interest rate swap	Covered bonds	5,460,455	(3,035)	1,512	-	-	-	-
Interest rate swap	Loans	44,453	(1,449)	510	1,333	(519)	44,825	44,453
Interest rate swap	Others	2,773,877	(4,865)	10,551	-	-	-	-
Currency swap	-	94,521	536	(126)	-	-	-	-
Futures	-	138,397	(3)	1	-	-	-	-
Options	-	107,034	31	(328)	-	-	-	-
Credit Default Swaps	-	85,000	(35,176)	(35,176)	-	-	-	-
		8,906,163	(37,098)	(26,876)	(2,165)	2,065	284,396	272,176

The balance of derivative financial instruments at 31 December 2014, and the comparison with the assets and liabilities associated, registered in the fair value, can be analysed as follows:

(Thousand Euros)

		2014						
		Derivative			Related asset/liability			
Derivative	Related financial asset/liability	Notional	Fair value	Fair value changes in the period	Fair value	Fair value changes in the period	Book value	Reimbursement amount at maturity date
Interest rate swap	Debt securities issued and other subordinated debt	228,653	2,827	(2,836)	(7,945)	7,162	266,441	262,864
Interest rate swap	Deposits from customers	101,610	(1,383)	(222)	20	(5,343)	95,657	95,624
Interest rate swap	Deposits from financial institutions	67,745	9,239	(711)	1,842	2,270	61,009	60,000
Interest rate swap	Covered bonds	5,513,279	(4,547)	(74)	-	-	-	-
Interest rate swap	Loans	43,740	(1,959)	6	1,852	64	44,110	43,740
Interest rate swap	Others	3,198,090	(15,416)	5,447	-	-	-	-
Currency swap	-	197,172	662	1,052	-	-	-	-
Futures	-	1,559	(4)	(1)	-	-	-	-
Options	-	214,562	359	(109)	-	-	-	-
Credit Default Swaps	-	-	-	(81)	-	-	-	-
		9,566,410	(10,222)	2,471	(4,231)	4,153	467,217	462,228

The fair value component of financial liabilities recognised at fair value through profit or loss attributable to the CEMG's credit risk is negative and the accumulated value amounts to Euro 7,458 thousand at 31 December 2015 (2014: Euro 12,845 thousand), as referred in notes 6 and 35.

The analysis of financial instruments held for trading, by maturity date as at 31 December 2015, is as follows:

(Thousand Euros)

	2015					
	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Asset	Liability
Interest rate contracts						
Interest rate swaps	8,000	5,535,805	2,937,406	8,481,211	27,419	29,905
Options	53,436	14,350	39,248	107,034	3,178	3,147
Exchange rate contracts						
Currency swap	94,521	-	-	94,521	647	111
Index contracts						
Index futures	138,397	-	-	138,397	2	5
Loan contracts						
Credit Default Swaps	-	-	85,000	85,000	49	35,225
	294,354	5,550,155	3,061,654	8,906,163	31,295	68,393

The analysis of financial instruments held for trading, by maturity date as at 31 December 2014, is as follows:

(Thousand Euros)

	2014					
	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Asset	Liability
Interest rate contracts						
Interest rate swaps	106,450	313,457	8,732,940	9,152,847	67,665	78,904
Options	40,530	111,796	62,236	214,562	6,013	5,654
Exchange rate contracts						
Currency swap	195,533	1,639	-	197,172	831	169
Index contracts						
Index futures	1,559	-	-	1,559	-	4
	344,072	426,892	8,795,176	9,566,140	74,509	84,731

24 Financial assets available for sale

This balance is analysed as follows:

(Thousand Euros)

	2015				
		Fair value reserve			
	Cost [1]	Positive	Negative	Impairment losses	Book value
Fixed income securities					
Issued by public entities					
Domestic	1,030,902	5 987	(22,954)	-	1,013,935
Foreign	1,251,882	11,566	(3,713)	(7,343)	1,252,392
Issued by other entities					
Domestic	66,360	1,521	(1,335)	(27,444)	39,102
Foreign	234,743	3,925	(25,681)	(8,709)	204,278
Commercial paper	998	-	-	(998)	-
Variable income securities					
Shares					
Domestic	80,992	9,534	(1,634)	(5,984)	82,908
Foreign	75,331	16,127	(12,430)	(2,114)	76,914
Investment fund units	397,703	16,482	(496)	(14,717)	398,972
	3,138,911	65,142	(68,243)	(67,309)	3,068,501

(1) Acquisition cost relating to shares and amortized cost relating to debt securities.

(Thousand Euros)

	2014				
		Fair value reserve			
	Cost (1)	Positive	Negative	Impairment losses	Book value
Fixed income securities					
Issued by public entities					
Domestic	1,751,190	59,697	(3,085)	-	1,807,802
Foreign	123,227	5,030	(1,331)	(8,834)	118,092
Issued by other entities					
Domestic	657,855	7,155	(19,037)	(19,690)	626,283
Foreign	568,952	18,707	(5,501)	(8,278)	573,880
Commercial paper	10,998	-	-	(998)	10,000
Variable income securities					
Shares					
Domestic	87,184	147	(55)	(6,775)	80,501
Foreign	16,482	2,248	(916)	(3,030)	14,784
Investment fund units	359,977	11,790	(5,240)	(8,158)	358,369
	3,575,865	104,774	(35,165)	(55,763)	3,589,711

(1) Acquisition cost relating to shares and amortized cost relating to debt securities.

As at 31 December 2015, the balance Financial assets available for sale, in the financial statement position, includes securities subject to hedging operations, in the amount of Euro 286 thousand (2014: Euro 1,230 thousand), as referred in note 25.

As referred in note 60, the balance Variable income securities – Investment fund units includes the amount of Euro 120,408 thousand (2014: Euro 94,528 thousand) relating to units in a Fund specialised in the recovery of loans acquired under the sale of loans and advances to customers. As at 31 December 2015 and 2014 this amount includes Euro 6,153 thousand engaged to junior securities (investment fund units with a more subordinated character), which are fully provided, according to note 15.

IAS 39 – Financial instruments: Recognition and measurement allows the reclassification of unquoted financial instruments registered in the portfolio of financial assets available for sale to loans and advances to customers. This reclassification is allowed only if the unquoted financial instruments correspond to this definition and if there is the intention and the ability to hold the debt instruments for the foreseeable future or until maturity.

According to this standard, the unquoted financial instruments (securities) meet the definition of loans and receivables, which means that is a non-derivative financial asset with fixed or determined payments that are not quoted in an active market. Moreover, the Group has the intention and ability to hold these assets until maturity.

As at the date of reclassification the following aspects are observed:

- The reclassification of securities from financial assets available for sale portfolio to the loans and advances to customers category is realised at the fair value of the debt instrument at the date of reclassification;
- The fair value of securities at the reclassification date will become the new cost;
- As at the date of reclassification a new effective interest rate is determined as the basis of calculation and recognition of interest and amortised cost from that moment;
- The new effective interest rate is the rate that exactly discounts estimated future cash flows over the remaining expected life of the instruments fair value at the date of reclassification;

- A subsequent change in the fair value of the debt instrument over its new amortised cost is not recognised;
- It's performed a review of subsequent impairment taking into consideration the new amortised cost, the new effective interest rate and the expected future cash flows; and
- Any impairment loss, measured as the difference between the new amortised cost and the present value of estimated future cash flows (excluding future credit losses that have not incurred) discounted at the new effective interest rate determined at the date of reclassification, is recognised in profit or loss.

In this context, as at 31 December 2015, the Group reclassified securities portfolio from financial Assets available for sale to loans and advances to customers, in the amount of Euro 358,488 thousand and impairment in the amount of Euro 1,565 thousand, as described in note 22. The fair value reserve of the securities transferred amounted, at the date of reclassification, to Euro 3,858 thousand, as referred in note 47.

The impact of the reclassifications performed in 2015, is as follows:

(Thousand Euros)

	At the reclassification date		2015		
	Book value	Fair value	Book value	Fair value	Difference
Financial assets available for sale to:					
Loans and advances to customers	358,488	358,488	358,488	358,488	-
	358,488	358,488	358,488	358,488	-

As at 31 December 2015 and 2014, the analysis of financial assets available for sale net of impairment, by valuation levels, is presented as follows:

(Thousand Euros)

	2015				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Issued by public entities					
Domestic	1,013,935	-	-	-	1,013,935
Foreign	1,243,427	8,965	-	-	1,252,392
Issued by other entities					
Domestic	5,909	31,990	1,203	-	39,102
Foreign	98,347	105,931	-	-	204,278
	2,361,618	146,886	1,203	-	2,509,707
Variable income securities					
Shares					
Domestic	1,008	-	77,016	4,884	82,908
Foreign	6,551	-	69,836	527	76,914
Investment fund units	142,961	-	256,011	-	398,972
	150,520	-	402,863	5,411	558,794
	2,512,138	146,886	404,066	5,411	3,068,501

(Thousand Euros)

	2014				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Issued by public entities					
Domestic	1,807,802	-	-	-	1,807,802
Foreign	101,960	257	-	15,875	118,092
Issued by other entities					
Domestic	151,097	36,324	438,862	-	626,283
Estrangeiros	378,041	117,386	78,453	-	573,880
Commercial paper	-	-	10,000	-	10,000
	2,438,900	153,967	527,315	15,875	3,136,057
Variable income securities					
Shares					
Domestic	919	-	74,698	4,884	80,501
Foreign	11,450	-	2,942	392	14,784
Investment fund units	142,192	-	216,177	-	358,369
	154,561	-	293,817	5,276	453,654
	2,593,461	153,967	821,132	21,151	3,589,711

As referred on IFRS 13, the financial instruments are measured according to the valuation levels described in note 51.

The assets included in level 3 amounting to Euro 256,011 thousand (2014: Euro 216,177 thousand), correspond to investment units in closed investment funds whose value resulted from the disclosure of the Net Asset Value of the Fund (NAV) determined by the management company, in accordance with the respective funds accounts. The assets of these funds result from a diverse set of assets and liabilities valued, in the respective accounts, at fair value, by internal methodologies used by the management company. It is not practicable to provide a sensitivity analysis of the different components of assumptions used by entities in the presentation of NAV of funds, nevertheless it should be noted that a variation of ± 10% in NAV has an impact of Euro 25,601 thousand (2014: Euro 21,618 thousand) in equity.

Additionally, assets classified in level 3 also include the shares held by the Group in Visa Europe Limited, amounting to Euro 7,900 thousand, as a result of their valuation within the undergoing transaction with Visa International, as referred in notes 47 and 64.

The instruments classified as level 3 have associated unrealised gains and losses in the positive amount of Euro 22,976 thousand (2014: negative amount of Euro 8,722 thousand) recognised in fair value reserves.

The impairment amount registered in these securities amounts to Euro 51,658 thousand at 31 December 2015 (2014: Euro 36,805 thousand). There haven't been any transfers from and to this level.

The movements occurred in Impairment of financial assets available for sale are analysed as follows:

(Thousand Euros)

	2015	2014
Balance on 1 January	55,763	39,266
Charge for the year	71,262	78,410
Write-back for the year	(55,265)	(16,762)
Charge-off	(4,451)	(45,151)
Balance on 31 December	67,309	55,763

The evolution of the debt crisis of the Euro countries associated with macro-economic developments in Greece, which has contributed to a deterioration of economic and financial situation of the Greek State and the inability to access markets which implies that the solvency of the country immediately remains dependent on continued support from EU and the IMF.

At 31 December 2015, impairment losses recognised regarding the sovereign debt of Greece amounts to Euro 7,343 thousand (2014: Euro 8,834 thousand), as referred in notes 15 and 59.

The analysis of the available for sale financial assets by maturity date, as at 31 December 2015, is as follows:

(Thousand Euros)

	2015				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Issued by public entities					
Domestic	-	-	1,013,935	-	1,013,935
Foreign	-	-	1,248,555	3,837	1,252,392
Issued by other entities					
Domestic	-	-	37,902	1,200	39,102
Foreign	-	167	200,560	3,551	204,278
Commercial paper	-	-	-	-	-
	-	167	2,500,952	8,588	2,509,707
Variable income securities					
Shares					
Domestic	-	-	-	82,908	82,908
Foreign	-	-	-	76,914	76,914
Investment fund units	-	-	2,135	396,837	398,972
	-	-	2,135	556,659	558,794
	-	167	2,503,087	565,247	3,068,501

The analysis of the available for sale financial assets by maturity date, as at 31 December 2014, is as follows:

(Thousand Euros)

	2014				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Issued by public entities					
Domestic	835	23,205	1,783,762	-	1,807,802
Foreign	7,193	13,811	97,088	-	118,092
Issued by other entities					
Domestic	10,397	15,513	598,251	2,122	626,283
Foreign	67,152	19,487	483,766	3,475	573,880
Commercial paper	10,000	-	-	-	10,000
	95,577	72,016	2,962,867	5,597	3,136,057
Variable income securities					
Shares					
Domestic	-	-	-	80,501	80,501
Foreign	-	-	-	14,784	14,784
Investment fund units	-	-	1,772	356,597	358,369
	-	-	1,772	451,882	453,654
	95,577	72,016	2,964,639	457,479	3,589,711

The securities pledged as collateral recorded in Available for sale financial assets, are presented as follows:

- The market value of the assets pledged as collateral to the European Central Bank under liquidity providing operations in the amount of Euro 3,758 billions (2014: Euro 4,202 billions);
- Securities pledged as collateral to the Portuguese Securities Market Commission under the Investors' Compensation Fund with a nominal amount of Euro 1,750 millions (2014: Euro 1,750 millions);
- The amount of the EIB loan obtained is collateralised by Italian, Spanish, Portuguese and Greek states' securities with a nominal amount of Euro 706,638 thousand (2014: Euro 420,000 thousand), registered in the balance Available for sale financial assets; and
- Securities pledged as collateral to the Deposit Guarantee Fund with a nominal amount of Euro 25 millions (2014: Euro 28 millions).

These financial assets pledged as collateral can be executed in case of default of contractual obligations assumed by the Group under the terms and conditions of signed contracts, as referred in notes 34 and 35.

25 Hedging derivatives

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Asset		
Interest rate swap	9	60
Liability		
Interest rate swap	439	1,494

Hedging derivatives are measured according to internal valuation techniques based on observable market data. Therefore, in accordance with the hierarquisation of the valuation sources, and as referred in IFRS 13, these instruments are classified as level 2, as described in note 51.

The Group uses derivatives to hedge interest rate risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes or probable forecast transactions.

The Group performs periodical effectiveness tests of the hedging relationships.

The adjustment performed to the assets and liabilities that includes hedged items is analysed as follows:

(Thousand Euros)

	2015	2014
Financial assets available for sale	286	1,230
	286	1,230

The analysis of the hedging derivatives portfolio by maturity date, as at 31 December 2015 is as follows:

(Thousand Euros)

	2015							
	Notional by maturity date				Fair value			
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Due within 3 months	3 months to 1 year	Over 1 year	Total
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	-	-	5,000	5,000	-	-	(430)	(430)
	-	-	5,000	5,000	-	-	(430)	(430)

The analysis of the hedging derivatives portfolio by maturity date, as at 31 December 2014 is as follows:

(Thousand Euros)

	2014							
	Notional by maturity date				Fair value			
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Due within 3 months	3 months to 1 year	Over 1 year	Total
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	-	20,000	6,500	26,500	-	(447)	(987)	(1,434)
	-	20,000	6,500	26,500	-	(447)	(987)	(1,434)

As at 31 December 2015, the fair value hedge operations can be analysed as follows:

(Thousand Euros)

	2015						
Derivative	Hedged item	Hedged risk	Notional	Fair value derivative (1)	Changes in the fair value of the derivative in the period	Fair value of the hedged item (2)	Changes in the fair value of the hedged item in the period (2)
Interest rate swap	Financial assets available for sale	Interest rate	5,000	(430)	1,004	286	(944)
			5,000	(430)	1,004	286	(944)

(1) Includes the accrued interest.

(2) Attributable to the hedged risk.

As at 31 December 2014, the fair value hedge operations can be analysed as follows:

(Thousand Euros)

	2014						
Derivative	Hedged item	Hedged risk	Notional	Fair value derivative (1)	Changes in the fair value of the derivative in the period	Fair value of the hedged item (2)	Changes in the fair value of the hedged item in the period (2)
Interest rate swap	Deposits	Interest rate	-	-	(414)	-	209
Interest rate swap	Financial assets available for sale	Interest rate	26,500	(1,434)	326	1,230	(248)
			26,500	(1,434)	(88)	1,230	(39)

(1) Includes the accrued interest.

(2) Attributable to the hedged risk.

26 Held-to-maturity instruments

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Fixed income securities		
Bonds issued by portuguese public entities	26,130	6,209
Bonds issued by foreign public entities	135,410	113,892
	161,540	120,101

The fair value of held-to-maturity investments portfolio is presented in note 51.

The Group assessed, with reference to 31 December 2015, the existence of objective evidence of impairment on its held-to-maturity investments portfolio and no events with impact on the recoverable amount of the future cash flows associated with those investments were identified.

The held-to-maturity investments, as at 31 December 2015 can be analysed as follows:

(Thousand Euros)

Issue	Issue date	Maturity date	Interest rate	Book value
OT 2.875% 15-OCT-2025	January, 2015	October, 2025	Fixed rate of 2.875%	26,130
OT Cabo Verde 13/28-04-2016	April, 2013	April, 2016	Fixed rate of 5.50%	50
OT Angola 13/15-11-2016	November, 2013	November, 2016	Fixed rate of 5.00%	23,519
OT Angola 13/15-11-2017	November, 2013	November, 2017	Fixed rate of 5.00%	5,368
OT Angola 13/04-12-2016	December, 2013	December, 2016	Fixed rate of 7.25%	4,706
OT Angola 14/09-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	1,256
OT Angola 14/16-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	1,257
OT Angola 14/23-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	1,260
OT Angola 14/30-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	629
OT Angola 14/16-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	944
OT Angola 14/23-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	945
OT Angola 14/30-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	944
OT Angola 14/23-07-2018	July, 2014	July, 2018	Fixed rate of 7.50%	473
OT Angola 14/30-07-2018	July, 2014	July, 2018	Fixed rate of 7.50%	473
OT Angola 14/23-07-2019	July, 2014	July, 2019	Fixed rate of 7.75%	474
OT Angola 14/30-07-2019	July, 2014	July, 2019	Fixed rate of 7.75%	473
OT Angola 14/06-08-2017	August, 2014	August, 2017	Fixed rate of 7.25%	589
OT Angola 14/13-08-2017	August, 2014	August, 2017	Fixed rate of 7.25%	3,230
OT Angola 14/06-08-2018	August, 2014	August, 2018	Fixed rate of 7.50%	1,179
OT Angola 14/13-08-2018	August, 2014	August, 2018	Fixed rate of 7.50%	1,616
OT Angola 14/06-08-2019	August, 2014	August, 2019	Fixed rate of 7.75%	590
OT Angola 14/13-08-2019	August, 2014	August, 2019	Fixed rate of 7.75%	1,617
OT Angola 14/16-09-2018	September, 2014	September, 2018	Fixed rate of 7.50%	1,606
OT Angola 14/16-09-2019	September, 2014	September, 2019	Fixed rate of 7.75%	1,607
OT Angola 14/01-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2,247
OT Angola 14/08-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2,243
OT Angola 14/22-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2,226
OT Angola 14/29-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2,219
OT Angola 14/01-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2,249
OT Angola 14/08-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2,244
OT Angola 14/22-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2,227

(Thousand Euros)

Issue	Issue date	Maturity date	Interest rate	Book value
OT Angola 14/29-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2,220
OT Angola 14/26-11-2018	November, 2014	November, 2018	Fixed rate of 7.50%	3,102
OT Angola 14/26-11-2019	November, 2014	November, 2019	Fixed rate of 7.75%	3,103
OT Angola 15/19-02-2019	February, 2015	February, 2019	Fixed rate of 7.5%	5,385
OT Angola 15/07-04-2019	April, 2015	April, 2019	Fixed rate of 7.5%	1,392
OT Angola 15/14-04-2019	April, 2015	April, 2019	Fixed rate of 7.5%	1,377
OT Angola 15/21-04-2019	April, 2015	April, 2019	Fixed rate of 7.5%	1,929
OT Angola 15/28-04-2019	April, 2015	April, 2019	Fixed rate of 7.5%	1,562
OT Angola 15/14-04-2020	April, 2015	April, 2020	Fixed rate of 7.5%	1,392
OT Angola 15/14-04-2020	April, 2015	April, 2020	Fixed rate of 7.5%	688
OT Angola 15/21-04-2020	April, 2015	April, 2020	Fixed rate of 7.5%	1,929
OT Angola 15/28-04-2020	April, 2015	April, 2020	Fixed rate of 7.5%	1,562
OT Angola 15/16-06-2020	June, 2015	June, 2020	Fixed rate of 7.77%	3,878
OT Angola 15/23-06-2020	June, 2015	June, 2020	Fixed rate of 7.77%	3,060
OT Angola 15/07-07-2020	July, 2015	July, 2020	Fixed rate of 7.77%	1,931
OT Angola 15/14-07-2020	July, 2015	July, 2020	Fixed rate of 7.77%	1,525
OT Angola 15/21-07-2020	July, 2015	July, 2020	Fixed rate of 7.77%	1,508
OT Angola 15/21-07-2020	July, 2015	July, 2020	Fixed rate of 7.77%	752
OT Angola 15/04-08-2020	August, 2015	August, 2020	Fixed rate of 7.77%	752
OT Angola 15/11-08-2020	August, 2015	August, 2020	Fixed rate of 7.77%	756
OT Angola 15/25-08-2020	August, 2015	August, 2020	Fixed rate of 7.77%	749
OT Angola 15/01-09-2020	September, 2015	September, 2020	Fixed rate of 7.77%	753
OT Angola 15/08-09-2020	September, 2015	September, 2020	Fixed rate of 7.77%	729
OT Angola 15/24-11-2020	November, 2015	November, 2020	Fixed rate of 7.77%	1,705
OT Angola 15/01-12-2020	December, 2015	December, 2020	Fixed rate of 7.77%	1,702
OT Angola 15/08-12-2020	December, 2015	December, 2020	Fixed rate of 7.77%	3,400
OT Angola 15/15-12-2020	December, 2015	December, 2020	Fixed rate of 7.77%	1,697
OT Angola 15/10-12-2022	December, 2015	December, 2022	Fixed rate of 5%	14,412
				161,540

The held-to-maturity investments, as at 31 December 2014 are analysed as follows:

(Thousand Euros)

Issue	Issue date	Maturity date	Interest rate	Book value
OT - October 05/15-10-2015	June, 2005	October, 2015	Fixed rate of 3.35%	6,209
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3.25%	5,061
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3.50%	2,029
Belgium Kingdom 05/28-09-2015	March, 2005	September, 2015	Fixed rate of 3.75%	2,011
Buoni Poliennali del Tes. 05/2015	May, 2005	August, 2015	Fixed rate of 3.75%	2,022
OT Cabo Verde 13/28-04-2016	April, 2013	April, 2016	Fixed rate of 5.50%	50
OT Angola 13/15-11-2015	November, 2013	November, 2015	Fixed rate of 5.00%	27,735
OT Angola 13/15-11-2016	November, 2013	November, 2016	Fixed rate of 5.00%	21,088
OT Angola 13/15-11-2017	November, 2013	November, 2017	Fixed rate of 5.00%	5,046
OT Angola 13/04-12-2015	December, 2013	December, 2015	Fixed rate of 7.00%	4,205
OT Angola 13/04-12-2016	December, 2013	December, 2016	Fixed rate of 7.25%	4,206
OT Angola 14/09-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	1,123
OT Angola 14/16-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	1,123
OT Angola 14/23-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	1,126
OT Angola 14/30-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	562
OT Angola 14/16-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	844

(Thousand Euros)

Issue	Issue date	Maturity date	Interest rate	Book value
OT Angola 14/23-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	845
OT Angola 14/30-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	844
OT Angola 14/23-07-2018	July, 2014	July, 2018	Fixed rate of 7.50%	423
OT Angola 14/30-07-2018	July, 2014	July, 2018	Fixed rate of 7.50%	422
OT Angola 14/23-07-2019	July, 2014	July, 2019	Fixed rate of 7.75%	423
OT Angola 14/30-07-2019	July, 2014	July, 2019	Fixed rate of 7.75%	423
OT Angola 14/06-08-2017	August, 2014	August, 2017	Fixed rate of 7.25%	526
OT Angola 14/13-08-2017	August, 2014	August, 2017	Fixed rate of 7.25%	2,887
OT Angola 14/06-08-2018	August, 2014	August, 2018	Fixed rate of 7.50%	1,054
OT Angola 14/13-08-2018	August, 2014	August, 2018	Fixed rate of 7.50%	1,444
OT Angola 14/06-08-2019	August, 2014	August, 2019	Fixed rate of 7.75%	527
OT Angola 14/13-08-2019	August, 2014	August, 2019	Fixed rate of 7.75%	1,446
OT Angola 14/16-09-2018	September, 2014	September, 2018	Fixed rate of 7.50%	1,436
OT Angola 14/16-09-2019	September, 2014	September, 2019	Fixed rate of 7.75%	1,437
OT Angola 14/01-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2,008
OT Angola 14/08-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2,005
OT Angola 14/22-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	1,990
OT Angola 14/29-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	1,984
OT Angola 14/01-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2,010
OT Angola 14/08-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2,006
OT Angola 14/22-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	1,991
OT Angola 14/29-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	1,985
OT Angola 14/26-11-2018	November, 2014	November, 2018	Fixed rate of 7.50%	2,772
OT Angola 14/26-11-2019	November, 2014	November, 2019	Fixed rate of 7.75%	2,773
				120,101

The held-to-maturity investments are valued in accordance with the established in note 1 d) of the accounting policy.

During 2015 and 2014, the Group did not transfer to or from this assets category.

As at 31 December 2015 the analysis of held-to-maturity investments by maturity is as follows:

(Thousand Euros)

	2015				
	Due within 3 months	3 months to 1 year	1 year to 5 years	Over 5 year	Total
Bonds issued by portuguese public issuers	-	-	26,130	-	26,130
Bonds issued by foreign public issuers	-	32,674	102,736	-	135,410
	-	32,674	128,866	-	161,540

As at 31 December 2014 the analysis of held-to-maturity investments by maturity is as follows:

(Thousand Euros)

	2014				
	Due within 3 months	3 months to 1 year	1 year to 5 years	Over 5 year	Total
Bonds issued by portuguese public issuers	-	6,209	-	-	6,209
Bonds issued by foreign public issuers	-	43,064	70,828	-	113,892
	-	49,273	70,828	-	120,101

27 Investments in associated companies

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Investments in associated companies and others		
Montepio Seguros, S.G.P.S., S.A.	-	19,553
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3,210	3,330
Iberpartners Cafés S.G.P.S., S.A.	1,107	1,069
Montepio - Gestão de Ativos Imobiliários, ACE	698	698
Pinto & Bulhosa, S.A.	191	191
Naviser – Transportes Marítimos Internacionais, S.A.	150	150
	5,356	24,991
Impairment for investments in associated companies	(1,448)	(341)
	3,908	24,650

The Group's companies included in the consolidation perimeter are presented in note 62.

On 30 December 2015, CEMG sold its shareholding in Montepio Seguros, S.G.P.S., SA, for Euro 46,350 thousand and also received the supplementary capital contributions in the amount of Euro 18,750 thousand. At 31 December 2015 there is an outstanding amount of Euro 45,100 thousand, which will be settled in the first semester of 2016, as referred in note 33. This sale generated a capital gain of Euro 17,217 thousand, as referred in note 9.

Additionally, after this transaction, the existent fair value reserve was recycled in the amount of Euro 31,979 thousand.

As at 9 May, 2014, Montepio – Gestão de Activos Imobiliários, ACE was incorporated. The Group has a 28.5% quote on this ACE.

The financial information concerning associated companies is presented in the following tables:

(Thousand Euros)

	Assets	Liabilities	Equity	Income	Profit/(Loss) for the period	Acquisition cost
31 December 2015						
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	40,685	24,635	16,050	7,934	327	3,200
Iberpartners Cafés S.G.P.S., S.A.	5,571	1,807	3,764	194	127	1,000
Montepio - Gestão de Ativos Imobiliários, ACE	3 762	1,312	2,450	4,489	-	698
31 December 2014						
Montepio Seguros, S.G.P.S., S.A.	1,069,177	986,290	82,887	226,801	(15,688)	65,100
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	42,019	25,370	16,649	7,598	(188)	3,200
Iberpartners Cafés S.G.P.S., S.A.	5,376	1,741	3,635	410	315	1,000
Montepio - Gestão de Ativos Imobiliários, ACE	3,817	1,367	2,450	2,086	-	698

(Thousand Euros)

	Percentage held		Book value		Associated companies net profit	
	2015 %	2014 %	2015	2014	2015	2014
Montepio Seguros, S.G.P.S., S.A.	-	33.65%	-	19,553	(4,013)	(5,278)
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	20%	20%	3,210	3,330	66	(38)
Iberpartners Cafés S.G.P.S., S.A.	29.41%	29.41%	-	1,069	37	93
Montepio - Gestão de Ativos Imobiliários, ACE	28.50%	28.50%	698	698	-	-
Pinto & Bulhosa, S.A.	16%	16%	-	-	-	-
Naviser - Transportes Marítimos Internacionais, S.A.	20%	20%	-	-	-	-

The movement for this balance is analysed as follows:

(Thousand Euros)

	2015	2014
Balance on 1 January	24,991	42,740
Acquisitions	-	698
Disposals	(15,725)	-
Share of profit of associates	(3,910)	(5,223)
Fair value reserve from associates	-	(13,224)
Balance on 31 December	5,356	24,991

The movements of impairment in investments in associated companies and others are analysed as follows:

(Thousand Euros)

	2015	2014
Balance on 1 January	341	341
Charge for the year	1,107	-
Balance on 31 December	1,448	341

The Group proceeded to the analysis of impairment related to in investments in associated companies.

28 Non-current assets held for sale

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Investments arising from recovered loans	892,163	934,230
Impairment for non-current assets held for sale	(137,265)	(134,491)
	754,898	799,739

The assets included in this balance are accounted for in accordance with the note 1 j).

The balance Investments arising from recovered loans includes the amount of Euro 1,552 thousand (2014: Euro 2,712 thousand) related with other non-current assets held for sale resulting from the foreclosure of loans to customers' contracts.

The foreclosure of loans to customers contracts, is originated by (i) delivery of the assets, with option to repurchase or leasing, accounted with the celebration of the contract or the promise to deliver the asset and the respective irrevocable power of attorney issued by the customer in the name of the Group; or (ii) the adjudication of the assets as a result of a judicial process of guarantees execution, accounted with the title of adjudication or following the adjudication request after the record of the first (payment prosolvency).

The Group has implemented a plan to sale immediately the non-current assets held for sale. According to Group's expectation, these assets are available for sale in a period less than 1 year and the Group has a strategy for its sale. Nevertheless, given the current market conditions, in some situations it is not possible to conclude these sales before the expected deadline. This balance includes buildings and other assets for which the Group has already established contracts for the sale in the amount of Euro 18,980 thousand (2014: Euro 9,271 thousand).

The movements, in 2015 and 2014, for non-current assets held for sale are analysed as follows:

(Thousand Euros)

	2015	2014
Balance on 1 January	934,230	773,540
Acquisitions	212,976	291,921
Disposals	(255,071)	(131,554)
Exchange differences	(26)	40
Other movements	54	283
Balance on 31 December	892,163	934,230

The movements in impairment for non-current assets held for sale are analysed as follows:

(Thousand Euros)

	2015	2014
Balance on 1 January	134,491	92,152
Charge for the year	100,222	62,189
Write-back for the year	(29,927)	(19,847)
Charge-off	(67,521)	(3)
Balance on 31 December	137,265	134,491

In addition to the impairment losses, the Group recognised in profit or loss for these assets, losses on real estate arising from its disposal in the amount of Euro 14,334 thousand (2014: Euro 22,595 thousand), as mentioned in note 9.

29 Investment properties

The balance Investment properties considers the real estate properties owned by "Finipredial - Fundo de Investimento Aberto", "Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional", "Montepio Arrendamento II – Fundo de Investimento Fechado para Arrendamento Habitacional", "Montepio Arrendamento III – Fundo de Investimento Fechado para Arrendamento Habitacional", "Polaris – Fundo de Investimento Imobiliário Fechado de Subscrição Particular", "Portugal Estates Fund – Fundos de Investimento Imobiliário Fechado de Subscrição Particular e Carteira Imobiliária" and "Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto" which are fully consolidated, according to the accounting policy described in note 1 b).

The real estate properties are measured in accordance with the accounting policy described in note 1 q), based on independent evaluations and in compliance with legal requirements.

The amount of income received related to properties amounts to Euro 15,183 thousand (2014: Euro 17,676 thousand) and maintenance costs of leased and not leased properties amounts to Euro 7,570 thousand (2014: Euro 6,092 thousand).

The movements in this balance are analysed as follows:

(Thousand Euros)

	2015	2014
Balance on 1 January	715,737	543,534
Changes in the consolidation perimeter	-	149,816
Acquisitions	28,709	-
Revaluations	(30,206)	(13,821)
Disposals	(58,488)	(23,145)
Transfers	36,733	59,353
Balance on 31 December	692,485	715,737

The balance Transfers refers to transfers from Non-current assets held for sale.

30 Property and equipment

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Costs		
Real estate		
For own use	39,266	40,006
Leasehold improvements in rented buildings	54,170	54,699
Construction in progress	17,671	19,989
Equipment		
Security equipment	8,086	8,155
Transport equipment	5,302	5,517
IT equipment	90,053	87,389
Interior installations	22,303	21,953
Office equipment	3,396	3,682
Furniture and materials	22,239	22,103
Other equipment	34	42
Assets in finance lease	38	38
Assets in operational lease	656	975
Works of art	2,870	2,869
Other tangible assets	2,405	2,452
Work in progress	4,114	4,647
	272,603	274,516
Accumulated depreciation		
Charge for the year	(12,693)	(13,678)
Accumulated charge in previous years	(170,795)	(161,907)
	(183,488)	(175,585)
	89,115	98,931

The movements in Property and equipment, during 2015, are analysed as follows:

(Thousand Euros)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustments/ Transfers	Exchange differences	Balance on 31 December
Cost						
Real state						
For own use	40,006	38	(288)	1,511	(2,001)	39,266
Leasehold improvements in rented buildings	54,699	99	(183)	349	(794)	54,170
Construction in progress	19,989	728	-	(187)	(2,859)	17,671
Equipment						
Security equipment	8,155	166	(101)	9	(143)	8,086
Transport equipment	5,517	1,233	(1,054)	(7)	(387)	5,302
IT equipment	87,389	3,631	(560)	228	(635)	90,053
Interior installations	21,953	355	(23)	276	(258)	22,303
Office equipment	3,682	89	(273)	(2)	(100)	3,396
Furniture and material	22,103	188	(177)	491	(366)	22,239
Other equipment	42	-	-	-	(8)	34
Assets in finance lease	38	-	-	-	-	38
Assets in operational lease	975	-	(319)	-	-	656
Works of art	2,869	1	-	-	-	2,870
Other tangible assets	2,452	-	(9)	-	(38)	2,405
Work in progress	4,647	1,859	-	(777)	(1,615)	4,114
	274,516	8,387	(2,987)	1,891	(9,204)	272,603
Accumulated depreciation						
Real estate						
For own use	(9,593)	(1,529)	98	-	926	(10,098)
Leasehold improvements in rented buildings	(37,021)	(2,785)	167	-	192	(39,447)
Equipment						
Security equipment	(7,291)	(381)	100	-	85	(7,487)
Transport equipment	(3,796)	(666)	802	(1)	394	(3,267)
IT equipment	(78,547)	(4,573)	559	-	473	(82,088)
Interior installations	(15,228)	(1,579)	23	-	76	(16,708)
Office equipment	(3,168)	(81)	272	-	38	(2,939)
Furniture and materials	(18,293)	(880)	176	-	158	(18,839)
Other equipment	17	(7)	-	-	16	26
Assets in finance lease	(38)			-	-	(38)
Assets in operational lease	(522)	(122)	220	-	-	(424)
Other tangible assets	(2,105)	(90)	10	-	6	(2,179)
	(175,585)	(12,693)	2,427	(1)	2,364	(183,488)
	98,931					89,115

The movements in Property and equipment, during 2014, are analysed as follows:

(Thousand Euros)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustments/ Transfers	Exchange differences	Balance on 31 December
Cost						
Real estate						
For own use	34,577	1,589	(310)	3,901	249	40,006
Leasehold improvements in rented buildings	52,695	258	(2)	1,654	94	54,699
Construction in progress	21,968	559	-	(3,883)	1,345	19,989
Equipment						
Security equipment	7,678	154	(15)	316	22	8,155
Transport equipment	4,803	1,044	(1,054)	477	247	5,517
IT equipment	84,367	3,157	(1,533)	1,297	101	87,389
Interior installations	21,359	280	(59)	233	140	21,953
Office equipment	3,354	192	(31)	151	16	3,682
Furniture and materials	21,796	1,092	(152)	(841)	208	22,103
Other equipment	5	-	-	37	-	42
Assets in finance lease	38	-	-	-	-	38
Assets in operational lease	25,653	164	(859)	(23,983)	-	975
Works of art	2,869	-	-	-	-	2,869
Other tangible assets	2,439	5	(8)	-	16	2,452
Work in progress	2,038	1,752	-	771	86	4,647
	285,639	10,246	(4,023)	(19,870)	2,524	274,516
Accumulated depreciation						
Land and buildings						
For own service	(9,019)	(1,398)	128	(40)	736	(9,593)
Leasehold improvements in rented buildings	(32,947)	(2,893)	-	(1,061)	(120)	(37,021)
Equipment						
Security equipment	(6,603)	(553)	13	(113)	(35)	(7,291)
Transport equipment	(3,652)	(529)	984	(409)	(190)	(3,796)
IT equipment	(73,567)	(5,212)	1,530	(1,078)	(220)	(78,547)
Interior installations	(13,365)	(1,653)	57	(226)	(41)	(15,228)
Office equipment	(2,978)	(92)	30	(106)	(22)	(3,168)
Furniture and material	(17,249)	(1,010)	149	(122)	(61)	(18,293)
Other equipment	(5)	-	59	(37)	-	17
Assets in finance lease	(38)	-	-	-	-	(38)
Assets in operational lease	(3,739)	(212)	567	2,862	-	(522)
Other tangible assets	(1,985)	(126)	9	-	(3)	(2,105)
	(165,147)	(13,678)	3,526	(330)	44	(175,585)
	120,492					98,931

31 Intangible assets

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Cost		
Software	88,856	77,206
Revaluation and consolidation differences (Goodwill)	56,304	56,304
Other intangible assets	409	1,490
Work in progress	8,073	5,629
	153,642	140,629
Accumulated depreciation		
Charge for the year	(13,902)	(13,399)
Accumulated charge in previous years	(47,306)	(34,664)
	(61,208)	(48,063)
Impairment for intangible assets	(26,572)	(26,512)
	65,862	66,054

The balance Revaluation and consolidation differences (Goodwill), corresponds to the difference between the acquisition cost and the total fair value of assets and liabilities and contingent liabilities: (i) of Finibanco Group acquired by the Group on March 31, 2011 to Montepio Geral – Associação Mutualista, as described in note 1 a), in the amount of Euro 53,024 thousand with an associated impairment of Euro 26,512 thousand and; (ii) of Banco Terra, acquired in December 2014 in the amount of Euro 3,280 thousand.

These intangible assets do not have finite useful life, and as referred in the accounting policies, notes 1 b) and 1 aa), its recoverable amount is annually reviewed, regardless of the existence of impairment signs. Any impairment losses are recognised in income statement.

In accordance with IAS 36 the recoverable amount of goodwill should be the highest between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on this criteria, the Group made valuations of their investments for which there is goodwill recognised, considering among other factors:

(i) an estimate of future cash flows generated;

(ii) an expectation of potential changes in the amounts and timing of cash flows;

(iii) the time value of money;

(iv) a risk premium associated with the uncertainty by holding the asset; and

(v) other factors associated with the current situation of financial markets.

The valuations were based on reasonable and sustainable assumptions, representing the best estimate of the Executive Board of Directors on the economic conditions that affect each entity, the budgets and the latest projections approved by the Executive Board of Directors for those entities and their extrapolation to future periods. The assumptions made for these valuations may vary with the change in economic conditions and in the market.

The movements in Intangible assets, during 2015, are analysed as follows:

(Thousand Euros)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Regularizations/ Transfers and changes in the consolidation perimeter	Exchange differences	Balance on 31 December
Cost						
Software	77,206	699	-	11,912	(961)	88,856
Revaluation and consolidation differences (Goodwill)	56,304	-	-	-	-	56,304
Other intangible assets	1,490	-	-	(627)	(454)	409
Work in progress	5,629	16,813	-	(14,017)	(352)	8,073
	140,629	17,512	-	(2,732)	(1,767)	153,642
Accumulated depreciation						
Software	(48,063)	(13,902)	-	(171)	928	(61,208)
	(48,063)	(13,902)	-	(171)	928	(61,208)
Impairment	(26,512)	(60)	-	-	-	(26,572)
	66,054					65,862

The movements in Intangible assets, during 2014, are analysed as follows:

(Thousand Euros)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Regularizations/ Transfers and changes in the consolidation perimeter	Exchange differences	Balance on 31 December
Custo						
Software	59,307	186	(25)	17,639	99	77,206
Revaluation and consolidation differences (Goodwill)	53,024	-	-	3,280	-	56,304
Other intangible assets	5,609	-	(41)	(4,344)	266	1,490
Work in progress	216	21,100	14	(15,682)	(19)	5,629
	118,156	21,286	(52)	893	346	140,629
Accumulated depreciation						
Software	(32,365)	(13,399)	20	(2,196)	(123)	(48,063)
	(32,365)	(13,399)	20	(2,196)	(123)	(48,063)
Impairment	(26,512)	-	-	-	-	(26,512)
	59,279					66,054

32 Taxes

Deferred tax assets and liabilities as at 31 December 2015 and 2014 are analysed as follows:

(Thousand Euros)

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Financial instruments	24,284	13,129	(24,392)	(35,434)	(108)	(22,305)
Other tangible assets	433	10	-	-	433	10
Provisions / Impairment			-	-	-	-
Impairment on loans granted	92,153	253,870	-	-	92,153	253,870
Other risks and charges	77,188	5,800	-	-	77,188	5,800
Impairment on securities, non-financial assets	10,423	991	-	-	10,423	991
Benefits to employees	41,201	35,900	-	-	41,201	35,900
Others	1,286	4,585	(117)	(111)	1,169	4,474
Tax losses carried forward	181,047	77,141	-	-	181,047	77,141
Net deferred tax assets/(liabilities)	428,015	391,426	(24,509)	(35,545)	403,506	355,881

Deferred taxes are calculated using the tax rates expected to be in force when the temporary differences are reversed, which correspond to the rates enacted or substantively enacted at the balance sheet date.

The balance Benefits to employees includes the amount of Euro 15,919 thousand (2014: Euro 18,573 thousand) related to deferred taxes of actuarial losses recognised against reserves as a result of the change in the accounting policy. This balance also includes the amount of Euro 3,633 thousand (2014: Euro 3,861 thousand) related to deferred taxes associated with the expense generated with the transfer of liabilities with pensioners to the general social security scheme.

The negative equity variation due to the change in the accounting policy is deductible for tax purposes in equal parts, for a 10 year period starting on 1 January 2012. The expense generated with the transfer of liabilities with pensioners to the general social security scheme is deductible for tax purposes in equal parts, starting on 1 January 2012, according to the number of years of life expectancy of pensioners whose responsibilities were transferred (20 years in the case of the Group).

As at 31 December 2015, deferred taxes associated with Employee benefits includes the amount of Euro 10,194 thousand related with employee benefits in excess when compared with the existing limits.

The deferred tax rate is analysed as follows:

	2015 %	2014 %
Income tax (a)	21.0%	21.0%
Municipal surcharge rate	1.5%	1.5%
State surcharge rate	7.0%	7.0%
Total (b)	29.5%	29.5%

(a) - Applicable to deferred taxes related to tax losses;

(b) - Applicable to deferred taxes related to temporary differences.

Deferred taxes related to the losses carried forward are recognised only if the existence of future taxable profits is probable. The uncertainty of the recoverability of the tax losses carried forward is considered in the deferred tax assets calculation.

As referred in the accounting policy described in note 1 w) and in accordance with the requirements set in IAS 12, the deferred tax assets were recognised based on the recoverability expectations of the Group. The evaluation of the recoverability of deferred tax assets was made based on the strategic guidelines for 2016-2018, approved by the General Meeting of Shareholders of CEMG.

Assess recoverability of deferred tax assets, in particular related to tax losses carried forward was conducted through the Group's estimated financial statements, prepared under the budget procedure for 2016, which took into account the macroeconomic and competitive environment as well as the strategic priorities of the Group.

The expectation of generating future taxable income is fundamentally based in a favourable evolution of:

(i) net interest income;

(ii) resizing of operating costs; and

(iii) sale of assets.

Based on this evaluation, there are no unrecognised deferred taxes at 31 December 2015 (2014: Euro 4,544 thousand).

The expiry date of recognised tax losses carried forward is presented as follows:

(Thousand Euros)

Expire date	2015	2014
2015	-	1,409
2016	821	28,248
2017	33,315	47,484
2018	47,805	-
2019 and following	99,106	-
	181,047	77,141

Tax recognised in the income statement and reserves for the years ended at 31 December 2015 and 2014 is analysed as follows:

(Thousand Euros)

	2015		2014	
	Charged to net (loss) / income	Charged to reserves and retained earnings	Charged to net (loss) / income	Charged to reserves and retained earnings
Financial instruments	-	22,197	-	(14,241)
Other tangible assets	423	-	455	-
Provisions / Impairment	(80,897)	-	64,877	-
Employees benefits	4,977	324	2,983	(7,146)
Exchange differences	-	214	-	-
Others	(3,519)	-	7,273	-
Tax losses carried forward	103,906	-	(34,584)	-
Deferred tax charged to profit / (loss)	24,890	22,735	41,004	(21,387)
Current taxes	1,490	-	(18,190)	-
	26,380	22,735	22,814	(21,387)

The reconciliation of the effective tax rate is analysed as follows:

(Thousand Euros)

	Dec 2015		Dec 2014	
	%	Value	%	Value
Profit before taxes		(268,550)		(208,191)
Income tax based on the current nominal tax rate	21.0	(56,396)	23.0	(47,884)
Impact of municipal and state surcharge	(0.4)	1,107	(3.8)	7,916
Extraordinary contribution for the banking sector	(0.8)	2,240	(0.9)	1,789
Charge/reversal of taxable provisions/impairment	(0.0)	23	-	-
Tax benefits	0.2	(659)	(0.0)	39
Autonomous taxation	(0.8)	2,102	(0.5)	1,075
Others	(6.8)	18,288	(13.8)	28,768
Deferred taxes not previously recorded	5.7	(15,366)	-	-
Previous periods adjustments	3.8	(10,109)	0.3	(711)
Deferred tax losses carried forward	(0.6)	1,594	(7.9)	16,477
Impact on tax rate differences	(11.5)	30,796	14.5	(30,283)
Income tax for the year	9.8	(26,380)	11.0	(22,814)

The Tax Authority may review the Group's taxable income during a period of four years, except in the case of tax losses carried forward, as well as any other deduction or tax credit, in which the period is the period of exercise of that right.

CEMG was object of a Tax Authority's inspection until 2013. As a result of 2013 inspection, CEMG was object of an additional payment, related with corporate tax base, of income tax related to autonomous taxation and other adjustments to the calculated tax loss in that period. CEMG paid the settled amounts, without prejudice of appeal regarding some corrections made by the tax authorities.

On this basis, CEMG did not recognise any asset regarding any potential tax recovery.

33 Other assets

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Recoverable subsidies from Portuguese Government	5,241	6,460
Other accrued income	30,213	7,354
Prepayments and deferred costs	2,639	2,695
Other debtors	271,233	203,384
Sundry debtors	49,870	135,471
	359,196	355,364
Impairment for other assets	(29,536)	(16,240)
	329,660	339,124

As at 31 December 2015, the balance Other accrued income includes the amount of Euro 26,000 thousand regarding the estimated cost with services rendered by CEMG to Montepio Geral - Associação Mutualista, as described in note 10.

The balance Recoverable subsidies from Portuguese Government corresponds to mortgage credit interest subsidies, in accordance with the regulations applicable to mortgage loans benefits. The referred amounts do not bear interest and are claimed monthly.

As at 31 December 2015 and 2014, the balance Recoverable subsidies from the Portuguese Government is analysed as follows:

(Thousand Euros)

	2015	2014
Overdue subsidies unclaimed	3,283	3,880
Recoverable subsidies from the Portuguese Government unliquidated	1,768	2,265
Subsidies unclaimed	190	315
	5,241	6,460

As at 31 December 2015 and 2014, the balance Other debtors is analysed as follows:

(Thousand Euros)

	2015	2014
SilverEquation	161,420	139,176
Montepio Geral - Associação Mutualista	45,100	-
Supplementary capital contributions	14,910	-
Public entities	14,198	3,833
Real estate	7,115	6,734
Others	28,490	53,641
	271,233	203,384

As at 31 December 2015, the balance SilverEquation includes the receivable amounts under the operation of sale of credits and property to SilverEquation, as referred in note 22.

As at 31 December 2015, Montepio Geral - Associação Mutualista includes the receivable amounts under the sale of the shareholding in Montepio Seguros, S.G.P.S., S.A., in the amount of Euro 45,100 thousand, as referred in note 27.

The balance Supplementary capital contributions includes the value of supplementary capital contributions subscribed within a sale of credits operation in the amount of Euro 14,910 thousand, as referred in note 60. These supplementary capital contributions are fully provided, as referred in note 16.

As at 31 December 2015, the balance Public Entities includes the amount of Euro 14,198 thousand (2014: Euro 3,833 thousand) related to the receivable amounts from public entities, mostly courts in the context of insolvency proceedings and lodge claims.

As at 31 December 2015, the balance Real Estate includes the amount of Euro 7,115 thousand (2014: Euro 6,734 thousand) related with the receivable amounts from the sale of properties classified as non-current assets held for sale.

The movements in Impairment for other assets are analysed as follows:

(Thousand Euros)

	2015	2014
Balance on 1 January	16,240	11,732
Charge for the year	18,672	7,493
Write-back for the year	(1,596)	(3,554)
Charge-off	(3,780)	559
Balance on 31 December	29,536	16,240

As at 31 December 2015, the balance Charge for the year includes the impairment recorded for the supplementary capital contributions subscribed within a sale of credits operation, as described in note 16.

34 Deposits from central banks

As at 31 December 2015 and 2014, this balance is related to deposits obtained in the European System of Central Banks, which are pledged by securities from the available for sale portfolio.

The analysis of deposits from Central Banks by maturity, as at 31 December 2015 and 2014, is as follows:

(Thousand Euros)

	2015	2014
Up to 3 months	550,027	2,020,772
More than 6 months	1,727,231	476,114
	2,277,258	2,496,886

35 Deposits from other financial institutions

This balance is analysed as follows:

(Thousand Euros)

	2015			2014		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions in Portugal						
Money Markets	-	17,856	17,856	-	-	-
Deposits repayable on demand	129	3,770	3,899	920	9,901	10,821
Term deposits	-	25,042	25,042	-	35,548	35,548
	129	46,668	46,797	920	45,449	46,369
Deposits from credit institutions abroad						
BEI loan	-	560,644	560,644	-	350,715	350,715
Loans	-	1,668	1,668	2,604	90,926	93,530
Money Markets	-	2,264	2,264	-	-	-
Deposits repayable on demand	9,535	-	9,535	9,150	-	9,150
Term deposits	-	3,670	3,670	11,780	1,608	13,388
Sales operations with repurchase agreement	-	860,210	860,210	-	536,948	536,948
CSA's	10,530	-	10,530	16,560	-	16,560
Repos	-	48	48	-	1,654	1,654
Other deposits	4,965	72,278	77,243	-	-	-
	25,030	1,500,782	1,525,812	40,094	981,851	1,021,945
Adjustments to hedge operations value	522	-	522	1,842	-	1,842
	25,681	1,547,450	1,573,131	42,856	1,027,300	1,070,156

The balance Deposits from other financial institutions, analysed by maturity, is as follows::

		(Thousand Euros)
	2015	2014
Up to 3 months	155,381	81,372
3 to 6 months	200,181	98,656
6 months to 1 year	151,230	262,397
1 year to 5 years	629,004	379,530
More than 5 years	436,813	246,359
	1,572,609	1,068,314
Adjustments arising from hedging operations	522	1 842
	1,573,131	1,070,156

As part of derivative financial instruments operations with institutional counterparties, according to the signed contracts, CSA has, on 31 December 2015, the amount of Euro 10,530 thousand (2014: Euro 16,560 thousand) deposits from other credit institutions received as collateral for these operations.

The balance Deposits from other financial institutions includes emissions at fair value according to internal valuation methodologies, considering mainly market's observed data, with amount of Euro 71,065 thousand (2014: Euro 61,009 thousand). So, in accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are categorized in Level 2. Financial liabilities included in this balance are revaluated against results, according with the accounting policy described in note 1 d).

The amount of the EIB loan is collateralised by Italian, Spanish, Portuguese and Greek states securities in the amount of Euro 706,638 thousand (2014: Euro 420,000 thousand), registered in the balance Financial assets available for sale.

The balance Deposits from other financial institutions also includes issues subject to hedging operations, whose impact on the book value amounts to Euro 522 thousand (2014: a negative amount of Euro 1,842 thousand). Financial liabilities included in this balance are revaluated against results, according with the accounting policy described in note 1 d), having recognised, at 31 December 2015, a gain fit in the amount of Euro 1,321 thousand (2014: Euro 2,061 thousand) related with changes in the hedge amount, as referred in notes 6, 23 and 26.

The funds obtained under the CSA with international financial institutions, are remunerated at EONIA rate. However, because these rates have shown negative values, and with the application of a 0% floor, there have been no payments/receipts of interest.

The balance Resources Repos refers to the Margin Maintenance of the Repos made in accordance with the Global Master Repurchase Agreement.

36 Deposits from customers

This balance is analysed as follows:

(Thousand Euros)

	2015			2014		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	2,650,825	181,105	2,831,930	2,575,057	217,597	2,792,654
Term deposits	-	10,021,093	10,021,093	-	11,398,222	11,398,222
Saving accounts	-	106,359	106,359	-	110,992	110,992
Other resources	10,041	-	10,041	12,771	-	12,771
Adjustments arising from hedging operations	8	-	8	20	-	20
	2,660,874	10,308,557	12,969,431	2,587,848	11,726,811	14,314,659

The terms of Ordinance no. 180/94, of 15 December, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in credit institutions. The criteria to calculate the annual contributions to the referred fund are defined by Regulation no. 11/94 of Bank of Portugal, of 29 December.

The caption Time deposits includes deposits at fair value, measured in accordance with internal evaluation techniques considering, mainly, observable market inputs, in the amount of Euro 54,654 thousand (2014: Euro 95,657 thousand). According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d), having recognised as at 31 December 2015, a gain in an amount of Euro 12 thousand (2014: Euro 5,343 thousand), regarding the fair value variations resulting from the Group's credit risk, as referred in notes 6 and 23.

The balance Deposits from customers, analysed by maturity, is as follows:

(Thousand Euros)

	2015	2014
Deposits repayable on demand	2,831,930	2,792,654
Term deposits and saving accounts		
Due within 3 months	1,533 022	1,750,684
3 months to 6 months	3,633,831	3,617,759
6 months to 1 year	2,129,825	2,660,610
1 year to 5 years	2,775,847	3,412,371
Over 5 years	54,927	67,790
	12,959,382	14,301,868
Adjustments arising from hedging operations	8	20
	12,959,390	14,301,888
Other items		
Due within 3 months	10,041	12,771
	12,969,431	14,314,659

37 Debt securities issued

This balance Debt securities issue is analysed as follows:

(Thousand Euros)

	2015	2014
Bonds	1,340,138	1,786,327
Covered bonds	520,113	-
Securitizations	107,256	188,477
Euro Medium Term Notes (EMTN)	61,138	150,145
Commercial paper	2,520	21,576
	2,031,165	2,146,525

The fair value of the debt securities issued is presented in note 51.

The balance Debt securities issued includes issues at fair value in the amount of Euro 82,499 thousand (2014: Euro 196,809 thousand), according with internal valuation techniques and considering, mainly, observable market data. According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d). As at 31 December 2015 a loss of Euro 1,131 thousand (2014: a loss of Euro 4,148 thousand) was recognised regarding the fair value variations resulting from the Group's credit risk, as referred in notes 6 and 23.

As at 31 December 2015 and 2014, the analysis of debt securities issued outstanding by maturity is as follows:

(Thousand Euros)

	2015	2014
Due within 6 months	95,466	364,647
6 months to 1 year	347,216	19,220
1 year to 5 years	1,478,681	1,565,505
Over 5 years	111,470	199,952
	2,032,833	2,149,324
Adjustments arising from hedging operations	(1,668)	(2,799)
	2,031,165	2,146,525

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousand, the Group presents live emissions amounting to Euro 2,000,000 thousand.

As at 31 December 2015, the main characteristics of these issues are as follows:

Description	Nominal value	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody´s/Fitch/Dbrs)
Covered bonds - 2S	1,000,000	1,000,259	December 2009	December 2016	Quarterly	Euribor 3M + 0.75%	Baa1/BB+/A
Covered bonds - 4S	500,000	500,077	May 2013	May 2017	Monthly	Euribor 1M + 0.75%	Baa1/BB+/A
Covered bonds - 5S	500,000	500,210	December 2015	December 2020	Quarterly	Euribor 1M + 0.80%	Baa1/BB+/A
	2,000,000	2,000,546					

As at 31 December 2014, the main characteristics of these issues are as follows::

Description	Nominal value	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody´s/Fitch/Dbrs)
Covered bonds - 2S	1,000,000	1,000,259	December 2009	December 2016	Quarterly	Euribor 3M + 0.75%	Ba1/BBB/A
Covered bonds - 3S	500,000	502,011	November 2010	November 2015	Quarterly	Euribor 3M + 2-5%	Ba1/BBB/A
Covered bonds - 4S	500,000	500,096	May 2013	May 2017	Monthly	Euribor 1M + 0-75%	Ba1/BBB/A
	2,000,000	2,002,366					

The operations carried out by the Group under the Issuance of Covered Bonds CEMG Programme are presented as follows:

- December 2015: Euro 500,000 thousand Issue, within 5 years, at an interest rate of Euribor 3M plus 0.80%;
- November 2015: Euro 500,000 thousand reimbursement;
- May 2013: Euro 500,000 thousand Issue, within 4 years, at an interest rate of Euribor 3M plus 0.75%;
- June 2012: Euro 655,000 thousand reimbursement;
- June 2012: Euro 53,300 thousand cancelation, with a result of Euro 1,857 thousand;
- November 2011: 300,000 thousand Issue, within 5 years, at an interest rate of Euribor 3M plus 0.75%;
- October 2011: Euro 291,700 thousand cancellation, with a result of Euro 17,750 thousand;
- September 2011: Euro 550,000 thousand issue, within 5 years, at an interest rate of Euribor 3M plus 0.75%;
- November 2010: Euro 500,000 thousand Issue, within 4 years, at an interest rate of Euribor 3M plus 2.5%;
- December 2009: Euro 150,000 thousand issue, within 7 years, at an interest rate of Euribor 3M plus 0.75%; and
- July 2009: Euro 1,000,000 thousand issue, within 3 years, at an interest rate of 3.25%.

The covered bonds are guaranteed by a cover assets pool, comprised of mortgage credit assets and limited classes of other assets, that the issuer of mortgage covered bonds shall maintain segregated and over which the holders of the relevant covered bonds have a statutory special creditor privilege. These conditions are set up in Decree-Law no. 59/2006, Regulations no. 5/2006 of 20 March, no. 6/2006 of 11 October, no. 7/2006 of 11 October, no. 8/2006 of 11 October of the Bank of Portugal and Instruction no. 13/2006 of 15 November, of the Bank of Portugal.

At 31 December 2015, the amount of credits that collateralise these issues amounts to Euro 2,727,400 thousand (2014: Euro 2,711,971 thousand), as referred in note 22.

At 31 December 2015, CEMG Group holds in its portfolio mortgage bonds with a nominal value of Euro 1,480,000 thousand (2014: Euro 2,000,000 thousand).

The movements in debt securities issued during the year of 2015 is analysed as follows:

(Thousand Euros)

	Balance on 1 January	Issues	Repayments	Net purchases	Other movements (a)	Balance on 31 December
Bonds	1,786,327	28,100	(274,327)	(191,830)	(8,132)	1,340,138
Covered bonds	-	500,000	(500,000)	520,000	113	520,113
Securitizations	188,477	-	-	(81,221)	-	107,256
Euro Midum Term Notes (EMTN)	150,145	-	(125,000)	36,950	(957)	61,138
Commercial paper	21,576	2,500	(21,350)	-	(206)	2 520
	2,146,525	530,600	(920,677)	283,899	(9,182)	2,031,165

(a) "Other movements" includes the accrued interest in the balance sheet, adjustments arising from hedging operations, fair value adjustments, currency change.

During the year of 2015, CEMG issued Euro 530,600 thousand (2014: Euro 358,120 thousand) of debt securities and performed the refund of Euro 920,677 thousand (2014: Euro 781,540 thousand).

During the year of 2015, CEMG sold Euro 320,000 thousand of covered bonds – 2nd series and Euro 200,000 thousand of covered bonds – 4th series.

As at November 2015, the 3rd series of covered bonds was refunded in the nominal amount of Euro 500,000 thousand. Additionally, it was issued the 5th series in the nominal amount of Euro 500,000 thousand.

In accordance with the note 1 c), debt issued repurchased by the Group is derecognised from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement. As a result of the purchases made during the year of 2015, the Group recognized a loss of Euro 3,916 thousand (2014: profit of Euro 654 thousand), as referred in note 10.

The movements in debt securities issued during the year of 2014, is analysed as follows:

(Thousand Euros)

	Balance on 1 January	Issues	Repayments	Net purchases	Other movements (a)	Balance on 31 December
Euro Medium Term Notes (EMTN)	216,393	-	(105,000)	37,350	1,402	150,145
Securitizations	141,410	-	-	44,270	2,797	188,477
Bonds	1,712,872	339,770	(416,950)	-	145,635	1,786,327
Covered bonds	80	-	-	-	(80)	-
Commercial paper	243,673	45,350	(259,590)	-	(7,857)	21,576
	2,319,428	385,120	(781,540)	81,620	141,897	2,146,525

(a) "Other movements" includes the accrued interest in the balance sheet, adjustments arising from hedging operations, fair value adjustments, currency change.

As at 31 December 2015, the balance Debt securities issued is comprised of the following issues:

(Thousand Euros)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGS CAIXA-MONTEPIO INFLACCAO-2008-2016-1 SER	25-06-2008	16-06-2016	Annual remunerat ion - Fixed rate of 3.2% + European annual inflat ion rate	3,770
OBRIGS CAIXA-CRPC-SETEMBRO-2009-2017	03-09-2009	04-09-2017	Annual fixed rate of 3.75% (7th year Rate 3.75% and 8th year 6.75%)	1,050
OBRIGS CAIXA-MG CAPITAL CERTO-2010-2018-2.-SERIE	21-07-2010	22-07-2018	Annual fixed rate of 2.5% (6th year Rate 3%, 7th year Rate 3.5% and 8th year 5%)	600
OBRIGS CAIXA-MG TAXA FIXA SETEMBRRO 2010-2020	09-09-2010	09-09-2020	Annual fixed rate of 4%	200
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-1. SERIE	27-01-2011	28-01-2016	Annual fixed rate of 4.03% (5th year Rate 5.28%)	16,800
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-2.SERIE	24-02-2011	25-02-2016	Annual fixed rate of 4.2% (5th year Rate 5.6%)	15,800
OBRIGS CAIXA-MG TAXA CRESCENTE FEVEREIRO 2016	02-03-2011	25-02-2016	Annual fixed rate of 4.2% (5th year Rate 5.6%)	9,050
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-3.SERIE	31-03-2011	01-04-2016	Annual fixed rate of 4.25% (5th year Rate 5.5%)	15,600
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019-1.SERIE	31-03-2011	01-04-2019	Annual fixed rate of 4.65% (5th and 6th, Rate 5%, 7th and 8th year Rate 6.5%)	1,800
OBRIGS CAIXA-MG TAXA CRESCENTE ABRIL 2016	06-04-2011	01-04-2016	Annual fixed rate of 4.5% (5th year Rate 5.75%)	3,450
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-4.SERIE	28-04-2011	29-04-2016	Annual fixed rate of 4.25% (5th year Rate 5.5%)	10,850
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-5.SERIE	26-05-2011	27-05-2016	Annual fixed rate of 4.6% (5th year Rate 5.75%)	11,350
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019-2.SERIE	26-05-2011	27-05-2019	Annual fixed rate of 5.15% (5th and 6th, Rate 5.5%, 7th year Rate 6% and 8th year Rate 7%)	2,450
OBRIGS CAIXA-MG TAXA CRESCENTE JUN2011-ABR2016	08-06-2011	29-04-2016	Annual fixed rate of 4.5% (5th year Rate 5%)	500
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-6.SERIE	30-06-2011	01-07-2016	Annual fixed rate of 4.6% (5th year Rate 5.75%)	8,800
OBRIGS CAIXA-MG CAPITAL CERTO 1795 DIAS 2011/2016	04-08-2011	29-07-2016	Annual fixed rate of 4.6% (5th year Rate 5.75%)	6,450
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019-3 SERIE	07-09-2011	01-07-2016	Annual fixed rate of 5.15% (5th and 6th, Rate 5.5%, 7th year Rate 6.00% and 8th year Rate 7.00%)	1,100
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-7 SERIE	07-09-2011	01-09-2016	Annual fixed rate of 4.6% (5th year Rate 5.75%)	4,500
OBRIGS CAIXA-FNB DEZEMBRO 07/17	20-12-2010	19-12-2017	1st year: Fixed rate of 5%; from the 2nd year the remunerat ion is calculated according to the formula: Minimum [15 * (30 Yr Swap Rat e – 10 Yr Swap Rat e) + 0.75%;15 * (10 Yr swap Rat e – 2 Yr Swap Rat e) + 1.25%], with a minimum of 0% and a maximum of 6.5% per year	23,735
OBRIGS CAIXA-MG CAPITAL CERTO 2016-11 SERIE	20-01-2012	01-12-2016	Biannually Fixed Rate of 6.36% (8th Biannual Rate 6.68% and 9th and 10th Biannual Rate 5.75%))	2,500
OBRIGS CAIXA-MG CAPITAL CERTO 2016-12 SERIE	20-01-2012	29-12-2016	Biannual Fixed Rate of 6.026% (7th and 8th Biannual Rate 7.6515% and 9th and 10th Biannual Rate 11.714%)	4,000
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-1.SERIE	31-01-2012	01-02-2017	Biannual Fixed Rate of 6.035% (7th and 8th Biannual Rate 7.686% and 9th and 10th Biannual Rate 10.162%)	5,650
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-2.SERIE	28-02-2012	01-03-2017	Annual fixed rate of 5.6667% (4th year Rate 7.3333% and 5th year Rate 9.8333%)	9,750
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-3.SERIE	30-03-2012	31-03-2017	Annual fixed rate of 4.9539% (4th year Rate 5.6122% and 5th year Rate 6.5997%)	30,000
OBRIGS CAIXA-CRPC-2012-2020-1.SERIE	30-03-2012	31-03-2020	Annual fixed rate of 5.25% (4th year: 6% and 5th year: 6.75%; 6th, 7th and 8th coupon Max[6.25% and Min (IPC+2%;9.15%)]	4,400
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-4.SERIE	30-04-2012	01-05-2017	Annual fixed rate of 4.80% (4th year: 5.40% and 5th year: 6.35%)	62,150
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-5.SERIE	31-05-2012	01-06-2017	Annual fixed rate of 6.8874%(4th year: 9.6247% and 5th year: 13.6063%)	8,700
OBRIGS CAIXA-MONTEPIO CAPITAL CERTO 2012-2020-2ªSERIE	31-05-2012	01-06-2020	Annual fixed rate of 8.2583% (4th year: 9.7083%; 5th year: 10.7250%; 6th year: 7.4750%; 7th year: 8.3% and 8th year: 11.1583%)	600
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-6.SERIE	29-06-2012	30-06-2017	Annual fixed rate of 7.27% (4th year: 9.27% and 5th year: 12.77%)	5,000
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-7.SERIE	31-07-2012	01-08-2017	Annual rate of 8.40% (4th year: 10.40%; 5th year: 11.90%)	6,000
OBRIGS CAIXA-MONTEPIO CAPITAL CERTO 2012-2020-3ªSERIE	31-08-2012	01-09-2020	Annual fixed rate of 5.25% (4th year Rate of 6%, 5th year Rate 6.75% and 6th,7th and 8th year Rate Max(6.25% ; Min(IPC+2% ; 9.15%))	1,345
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-8.SERIE	31-08-2012	01-09-2017	Annual fixed rate of 9.7667% (4th year: 12.1% and 5th year: 10.7%)	9,000
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-9.SERIE	28-09-2012	29-09-2017	Annual rate of 11.9179% (4th year Rate: 13.3857% and 5th year Rate: 12.3286%)	14,000

(Thousand Euros)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-10.SERIE	31-10-2012	31-10-2017	Annual rate of 5.15% (4th year Rate: 5.60% and 5th year Rate: 6.15%)	55,650
OBRIGS CAIXA-MG POUPANÇA FAMILIAR 1.SERIE	28-11-2012	29-11-2017	Annual fixed rate of 5.15% (4th year Rate: 5.25%; 5th year Rate: 6.70%)	3,450
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-11.SERIE	28-11-2012	29-11-2017	Annual fixed rate of 5.15% (4th year Rate: 5.25%; 5th year Rate: 5.70%)	46,750
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-12.SERIE	15-01-2013	29-12-2017	Annual fixed rate of 5% (3rd year Rate: 5.25%; 4th year Rate: 5.40% and 5th year Rate: 5.75%)	27,750
OBRIGS CAIXA-MG POUPANÇA FAMILIAR 2.SERIE	15-01-2013	29-12-2017	Annual fixed rate of 5% (3rd year Rate: 5.40%; 4th year Rate: 5.60%; 5th year Rate: 6.25%)	2,250
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-23012016	23-01-2013	23-01-2016	Annual fixed rate of 4.5% (3rd year Annual fixed rate of 5.25%)	-
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-29012016	29-01-2013	29-01-2016	Annual fixed rate of 4.5% (3rd year Rate: 5%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-1.SERIE	31-01-2013	01-02-2018	Annual fixed rate of 5.00% (3rd year Rate: 5.15%; 4th year Rate: 5.25%; 5th year Rate: 5.50%)	56,800
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-13022016	13-02-2013	13-02-2016	Annual fixed rate of 4.25% (3rd year Rate: 4.5%)	250
OBRIGACOES CAIXA-MONTEPIO PARTIC-USD-FEV/13	13-02-2013	13-02-2018	Fixed rate of 3.90%	248
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-2.SERIE	28-02-2013	01-03-2018	Annual fixed rate of 4.85% (3rd year and 4th year Rate: 5.00%; 5th year Rate: 5.40%)	42,650
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2021-1.SERIE	28-02-2013	01-03-2021	Annual Fixed Rate: 5.15% (3rd year Rate: 5.30%; 4th year Rate: 5.30%; 5th year Rate: 5.90%; 6th coupon Max[5.95%; Min (IPC+2%;8.25%)];7.th coupon Max[6.15%; Min (IPC+2%;8.50%)]; 8.th coupon Max[6.45%; Min (IPC+2%;8.50%)])	2,515
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-05032015	05-03-2013	05-03-2018	Annual Fixed Rate of 4.25% (3rd year Rate: 4.50%; 4th year Rate: 4.70%; 5th year Rate: 4.90%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-3.SERIE	28-03-2013	29-03-2018	Annual Fixed Rate of 4.40% (3rd year Rate: 4.75%; 4th year Rate: 4.90%; 5th year Rate: 5.65%)	30,225
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-28032016	28-03-2013	28-03-2016	Annual Fixed Rate of 4.075% (3rd year Rate: 4.275%)	425
OBRIGS CAIXA-MONTEPIO POUPANÇA FAMILIAR 2013-2018-1. SERIE	30-04-2013	01-05-2018	Annual Fixed Rate of 4.40% (3rd year Rate: 4.75%; 4th year Rate: 4.90%; 5th year Rate: 6.70%)	3,000
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-4.SERIE	30-01-2013	01-05-2018	Annual Fixed Rate of 4.40% (3rd year Rate: 4.75%; 4th year Rate: 4.90%; 5th year Rate: 6.70%)	39,900
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-5.SERIE	31-05-2013	01-06-2018	Annual Fixed Rate of 4.4% (3rd year Rate: 4.75%, 4th year Rate: 4.9% and 5th year Rate: 5.65%)	47,200
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-6.SERIE	28-06-2013	29-06-2018	Annual Fixed Rate of 4.4% (3rd year Rate: 4.6%, 4th year Rate: 4.75% and 5th year Rate: 4.9%)	32,650
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2021-2.SERIE	28-03-2013	29-06-2021	Annual Fixed Rate of 4.9% (3rd year Rate: 5.1%, 4th year Rate: 5.1%, 5th year Rate: 5.65% and from 6th to 8th year Rate: Max(5.95%;Min(IPC+2%;8.15%))	1,545
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-7.SERIE	31-07-2013	01-08-2018	Annual Fixed Rate of 3.85% (3thyear Rate: 4.35%. 4th year Rate: 4.55% e 5th year Rate: 4.9%)	34,400
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-8.SERIE	30-08-2013	31-08-2018	Annual Fixed Rate of 3.65% (3rd year Rate: 4.35%, 4th year Rate: 4.55% and 5th year Rate: 4.90%)	33,050
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-9.SERIE	30-09-2013	01-10-2018	Annual Fixed Rate of 3.65% (3rd year Rate: 4%, 4th year Rate: 4.2% and 5th year Rate: 4.4%)	39,450
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-10.SERIE	31-10-2013	01-11-2018	Annual Fixed Rate of 3.75% (3rd year: 4%, 4th year Rate: 4.1% and 5th year Rate: 4.4%)	32,200
CEMG CAP CERTO 2013/2018 11 SERIE	29-11-2013	30-11-2018	Annual Fixed Rate of 3.65% (3rd year Rate: 3.7%, 4th year Rate: 3.75% and 5th year Rate: 4%)	32,700
MONTEPIO CAP CERTO 2013/2018 12ª SERIE	30-12-2013	31-12-2018	Annual Fixed Rate of 3.65% (3rd year Rate: 3.7%, 4th year Rate: 3.75% and 5th year Rate: 4%)	22,450
MONTEPIO CAPITAL CERTO 2014/2019 1S	31-01-2014	01-02-2019	Annual Fixed Rate of 3.4% (3rd year Rate: 3.45%, 4th year Rate: 3.5%, 5th year Rate: 3.75%)	28,200
MONTEPIO CAPITAL CERTO 2014/2019 2S	28-02-2014	01-03-2019	Annual Fixed Rate of 3.4% (3rd year Rate: 3.45%, 4th year Rate: 3.5%, 5th year Rate: 3.75%)	33,950
CEMG CX PART 2014/06.03.2017	06-03-2014	06-03-2017	Fixed rate of 2.675%	400
CEMG CX PART 2014/17.03.2016	17-03-2014	17-03-2016	Fixed rate of 2.5%	253
CEMG CAP CERTO 2014/2019 3 SERIE	28-03-2014	29-03-2019	Annual Fixed Rate of 3.4% (3rd year Rate: 3.45%, 4th year Rate: 3.5%, 5th year Rate: 3.75%)	34,700
CEMG CAP CERTO 2014/2019 4 SERIE	30-04-2014	01-05-2019	Annual Fixed Rate of 3.4% (3rd year Rate: 3.45%, 4th year Rate: 3.5%, 5th year Rate: 3.75%)	37,750
CEMG CAP CERTO 2014/2019 5 SERIE	30-05-2014	31-05-2019	Annual Fixed Rate of 3.4% (3rd year Rate: 3.45%, 4th year Rate: 3.5%, 5th year Rate: 3.75%)	34,400

(Thousand Euros)

Issue	Issue date	Maturity date	Interest rate	Book value
MONTEPIO PART 2014/23.06.2016	23-06-2014	23-06-2016	Fixed rate of 2%	300
CEMG CAP CERTO 2014/2019 6 SERIE	30-06-2014	01-07-2019	Annual Fixed Rate of 3.4% (3rd year Rate: 3.45%, 4th year Rate: 3.5%, 5th year Rate: 3.75%)	32,450
CEMG CAP CERTO 2014/2019 7 SERIE	31-07-2014	01-08-2019	Annual Fixed Rate of 3.15% (3rd year Rate: 3.20%, 4th year Rate: 3.25%, 5th year Rate: 3.50%)	57,850
CEMG CAP CERTO 2014/2019 8 SERIE	29-08-2014	30-08-2019	Annual Fixed Rate of 3.15% (3rd year Rate: 3.20%, 4th year Rate: 3.25%, 5th year Rate: 3.50%)	38,700
CEMG CAP CERTO 2014/2019 9S	30-09-2014	01-10-2019	Annual Fixed Rate of 2.75% (3rd year Rate: 3.00%, 4th year Rate: 3.10%, 5th year Rate: 3.35%)	22,100
CEMG CAP CERTO 2014/2019 10 SERIE	31-10-2014	01-11-2019	Annual Fixed Rate of 2.90% (3rd year Rate: 2.95%, 4th year Rate: 2.95%, 5th year Rate: 3.25%)	31,300
CEMG CAP CERTO 2014/2019 11 SERIE	28-11-2014	29-11-2019	Annual Fixed Rate of 2.90% (3rd year Rate: 2.95%, 4th year Rate: 2.95%, 5th year Rate: 3.25%)	33,800
MONTEPIO CAP CERTO 2014/2029 12S	02-01-2015	31-12-2019	Annual Fixed Rate of 2.90% (2nd to 4th year Rate: 2.95%, 5th year Rate: 3.25%)	23,100
MONTEPIO CAP CERTO 2015/2020 1S	02-02-2015	03-02-2020	Annual Fixed Rate of 2.65% (2nd to 4th year Rate: 2.79%, 5th year Rate: 3%)	5,000
Emp.Obrigaccionista - CEMG 07	30-01-2007	30-01-2017	1st year: 4.2%; 2nd year: 1 x 10yr CMS rate	62,750
Obrigações hipotecárias - 2S	06-12-2009	02-12-2016	Euribor 3M + 0.75%	320,000
Obrigações hipotecárias - 4S	21-05-2013	21-05-2017	Euribor 1M + 0.75%	200,000
Pelican Mortgages nº1	19-12-2013	19-12-2037	W.A.I - 1.33%	43,234
Pelican Mortgages nº2	29-09-2036	29-09-2036	W.A.I - 1.33%	64,022
			Debt securit ies issued	1,993,217
			Adjustments arising from hedging operat ions	(1,668)
			Accruals, deferred gains and losses	39,616
				2,031,165

As at 31 December 2015, bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 0.55% and 13.39% (2014: 1.06% and 12.16%).

38 Financial liabilities related to transferred assets

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Pelican Mortgages No. 3	134,130	163,650
Pelican Mortgages No. 6	4,352	-
Pelican SME No. 2	184,555	-
	323,037	163,650

39 Provisions

This balance is analysed as follows:

(Thousand Euros)

	2015	2014

Provisions for other liabilities and charges	16,587	20,329

The movements of the provisions for other liabilities and charges are analysed as follows:

(Thousand Euros)

	2015	2014
Balance on 1 January	20,329	8,014
Charge for the year	13,814	17,061
Write-back for the year	(16,294)	(3,836)
Transfers	(1,262)	(910)
Balance on 31 December	16,587	20,329

These provisions are accounted in accordance with the probability of occurrence of certain contingencies related with the Group's activity, and are revised in each reporting date in order to reflect the best estimate of the amount and probability of payment.

40 Other subordinated debt

As at 31 December 2015, the main characteristics of Other subordinated debt, are analysed as follows:

(Thousand Euros)

Issue	Issue date	Maturity date	Issue amount	Interest rate	Book value
CEMG/06	Apr. 2006	Apr. 2016	50,000	Euribor 3 months+0.95%	26,148
CEMG/08 1.ª série	Feb.2008	Feb.2018	150,000	Euribor 6 months+1.5%	121,232
CEMG/08 2.ª série	Jun.2008	Jun.2018	28,000	Euribor 12 months+1.5%	18,177
CEMG/08 3.ª série	Jul.2008	Jul.2018	150,000	Euribor 6 months+1.5%	120,894
FNB 08/18 1ª/2ª Série	Dec.2008	Dec.2018	10,363	Euribor 6 months+0.15% (iv)	9,589
FNB Grandes empresas 07/16 2ª/3ª série	Jun.2011	Jun.2016	22,602	Max.(0;6.0%*(1-n/5)) (i)	18,922
FNB Grandes empresas 07/16_ 1ª série	May 2007	May.2016	6,450	Max.(0;6.0%*(1-n/5)) (i)	4,753
Ob. Cx Subordinadas Finicrédito	Nov.2007	Nov.2017	16,550	Base rate+0,90% (barrier level)	15,684
					335,399

Adjustments arising from hedging operations	(2,360)
	333,039

As at 31 December 2014, the main characteristics of Other subordinated debt, are analysed as follows:

(Thousand Euros)

Issue	Issue date	Maturity date	Issue amount	Interest rate	Book value
CEMG/06	Apr. 2006	Apr. 2016	50,000	Euribor 3 months+0.95%	26,154
CEMG/08 1.ª série	Feb.2008	Feb.2018	150,000	Euribor 6 months+1.5%	121,330
CEMG/08 2.ª série	Jun.2008	Jun.2018	28,000	Euribor 12 months+1.5%	18,179
CEMG/08 3.ª série	Jul.2008	Jul.2018	150,000	Euribor 6 months+1.5%	121,031
FNB 08/18 1ª/2ª Série	Dec.2008	Dec.2018	10,363	Euribor 6 months+0.15% (iv)	9,681
FNB Grandes empresas 07/16 2ª/3ª série	Jun.2011	Jun.2016	22,602	Máx.(0;6.0%*(1-n/5)) (i)	19,397
FNB Grandes empresas 07/16_ 1ª série	May.2007	May.2016	1,745	Máx.(0;6.0%*(1-n/5)) (i)	4,863
FNB Indices estratégicos 07/17 1ª série	Mai.2007	Jun.2015	13,207	6.25%*VN Min.(quote) (ii)	10,257
FNB Indices estratégicos 07/17 2ª/3ª série	Jun.2011	Jun.2015	26,629	6.25%*VN Min.(quote) (ii)	31,107
FNB Rendimento Seguro 05/15	Jun.2005	Jun.2015	238	6.25%*VN Min.(quote) (iii)	236
Ob. Cx Subordinadas Finicrédito	Nov.2007	Nov.2017	16,550	Base rate+0.90% (barrier level)	16,190
					378,425
				Adjustments arising from hedging operations	(5,146)
					373,279

References:

(i) - The following coupons will be paid, on the end of each year (May 9, to the 1st series and June 20, to the 2nd and 3rd series):

Coupon	Interest rate/range
1st Coupon	5,50%
2nd Coupon	5,50%
3rd Coupon	Max [0; 6.0% * (1-n/3)]
4th Coupon	Max [0; 6.0% * (1-n/4)]
5th Coupon	Max [0; 6.0% * (1-n/5)]
6th Coupon	Max [0; 6.0% * (1-n/6)]
7th Coupon	Max [0; 6.0% * (1-n/7)]
8th Coupon	Max [0; 6.0% * (1-n/8)]
9th Coupon	Max [0; 6.0% * (1-n/9)]

Notes:
where, *n* is the accumulated number of reference entities in which a credit event has occurred.

If a merge between two or more reference entities has occur and if a credit event occurs in the merged entity, it will be accounted many credit events as the number of merged companies.

(ii) - The payment will be annually and it will be equal to:

Coupon	Interest rate/range
1st year	5,5% * nominal value
2nd year	5,5% * nominal value
3rd year and following	6,25% * nominal value if Min (SDk/SD0-SXk/SX0; HSk/HS0- SXk/SX0) > Barrier k ***

*** if not = 0%, where:

Barrier 3 = Barrier to be applied on 3rd coupon = 0%;
Barrier 4 = Barrier to be applied on 4th coupon = 1%;
Barrier 5 = Barrier to be applied on 5th coupon = 2%;
Barrier 6 = Barrier to be applied on 6th coupon = 3%;
Barrier 7 = Barrier to be applied on 7th coupon = 4%;
Barrier 8 = Barrier to be applied on 8th coupon = 5%;
Barrier k = Barrier to be applied on k th coupon;
SDk – Closing of Eurostoxx Select Dividend (Bloomberg: SD3E) on observation date K (K=1 to 6)
SD0 – Closing of Eurostoxx Select Dividend (Bloomberg: SD3E) at beginning date
SXk – Closing of Eurostoxx 50 Total Return (Bloomberg: SX5T) on observation date K (K=1 to 6)
SX0 – Closing of Eurostoxx 50 Total Return (Bloomberg: SX5T) at beginning date
HSk – Closing of HS60 Europe (Bloomberg: HS60EU) on observation date K (K=1 to 6)
HS0 – Closing of HS60 Europe (Bloomberg: HS60EU) at beginning date

(iii) -The payment will be semiannual with a minimum of 1% and a maximum of 5%, and it will be calculated according with the following formula (annual rate):

n/N * 5% + m/N * 1%

where:

n is the number of working days of the respective period in which Euribor 6 months will be in the fixed range;

m is the number of working days of the respective period in which Euribor 6 months will be outside of the fixed range;

N is the number of working days of the respective period;

Note:

Range is defined on the following table for each coupon:

Period	Coupon date	Range
1st semester	09-Dec-05	[1.60; 2.75%]
2nd semester	09-Jun-06	[1.60; 3.00%]
3rd semester	09-Dec-06	[1.60; 3.25%]
4th semester	09-Jun-07	[1.60; 3.50%]
5th semester	09-Dec-07	[1.60; 3.50%]
6th semester	09-Jun-08	[1.70; 3.75%]
7th semester	09-Dec-08	[1.70; 3.75%]
8th semester	09-Jun-09	[1.80; 4.00%]
9th semester	09-Dec-09	[1.80; 4.00%]
10th semester	09-Jun-10	[1.80; 4.25%]
11th semester	09-Dec-10	[1.80; 4.25%]
12th semester	09-Jun-11	[1.80; 4.50%]
13th semester	09-Dec-11	[1.90; 4.50%]
14th semester	09-Jun-12	[1.90; 4.50%]
15th semester	09-Dec-12	[1.90; 4.50%]
16th semester	09-Jun-13	[1.90; 4.50%]
17th semester	09-Dec-13	[2.00; 4.50%]
18th semester	09-Jun-14	[2.00; 4.50%]
19th semester	09-Dec-14	[2.00; 4.50%]
20th semester	09-Jun-15	[2.00; 4.50%]

(iv) - The payment will be semiannual and the first coupon will be fixed:

Coupon	Interest rate/Range
1st coupon	6.50% (annual rate)
between 2nd and 10th	Euribor 6M + 1.50% (annual rate)
11th and following	Euribor 6M + 1.75% (annual rate)

During 2015 and 2014, the movement occurred in the balance Other subordinated debt was as follows::

(Thousand Euros)

	2015					
	Balance on 1 January	Issues	Reimbursements	Net purchases	Other movements [(a)]	Balance on 31 December
CEMG/06	26,154	-	-	-	(6)	26,148
CEMG/08 1.ª série	121,330	-	-	-	(98)	121,232
CEMG/08 2.ª série	18,179	-	-	-	(2)	18,177
CEMG/08 3.ª série	121,031	-	-	-	(137)	120,894
FNB 08/18 1ª/2ª Série	9,681	-	-	-	(92)	9,589
FNB Grandes empresas 07/16 2ª/3ª série	19,397	-	-	-	(475)	18,922
FNB Grandes empresas 07/16_ 1ª série	4,863	-	-	-	(110)	4,753
FNB Indices estratégicos 07/17 1ª série	10,257	-	(10,257)	-	-	-
FNB Indices estratégicos 07/17 2ª/3ª série	31,107	-	(31,107)	-	-	-
FNB Rendimento Seguro 05/15	236	-	(236)	-	-	-
Ob. Cx. Subordinadas Finicrédito	16,190	-	-	-	(506)	15,684
	378,425	-	(41,600)	-	(1,426)	335,399

(a) "Other movements" includes the accrued interest in the balance sheet, adjustments arising from hedging operations, fair value adjustments, currency change and disposal of subordinated debt.

(Thousand Euros)

	2014					
	Balance on 1 January	Issues	Reimbursements	Net purchases	Other movements [(a)]	Balance on 31 December
CEMG/06	26,139	-	-	-	15	26,154
CEMG/08 1.ª série	121,368	-	-	-	(38)	121,330
CEMG/08 2.ª série	18,179	-	-	-	-	18,179
CEMG/08 3.ª série	121,053	-	-	-	(22)	121,031
FNB 08/18 1ª/2ª Série	10,375	-	-	-	(694)	9,681
FNB Grandes empresas 07/16 2ª/3ª série	22,740	-	-	-	(3,343)	19,397
FNB Grandes empresas 07/16_ 1ª série	1,780	-	-	-	3,083	4,863
FNB Indices estratégicos 07/17 1ª série	13,207	-	-	-	(2,950)	10,257
FNB Indices estratégicos 07/17 2ª/3ª série	26,629	-	-	-	4,478	31,107
FNB Rendimento Seguro 05/15	238	-	-	-	(2)	236
Ob. Cx. Subordinadas Finicrédito	16,530	-	-	-	(340)	16,190
	378,238	-	-	-	187	378,425

(a) "Other movements" includes the accrued interest in the balance sheet, adjustments arising from hedging operations, fair value adjustments, currency change and disposal of subordinated debt..

As at 31 December 2015, the balance Other subordinated debt includes issues in the amount of Euro 15,684 thousand (2014: Euro 69,632 thousand) at fair value in accordance with internal valuation techniques considering, mainly, observable market data. According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2.

The financial assets included in this balance were revaluated through the income in accordance with the accounting policy described in note 1 d). As at 31 December 2015 was recognised a negative amount of Euro 2,786 thousand (2014: negative amount of Euro 3,014 thousand) related with the variations in fair value associated with the Group's credit risk, as referred in notes 6 and 23.

As at 31 December 2015 and 2014, the subordinated debt bears postponed interest every three and six months and its effective interest rate range is set between 0.8% and 2.03% (2014: 0.8% and 2.03%).

The fair value of the debts securities issued is presented in note 51.

41 Other liabilities

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Creditors		
Suppliers	12,510	23,481
Other creditors	96,765	81,419
Administrative public sector	15,213	20,907
Holiday pay and subsidies	36,039	36,541
Other administrative costs payable	8,517	2,876
Deferred income	4,245	5,025
Other sundry liabilities	30,336	199,469
	203,625	369,718

As at 31 December 2015, the balance Other sundry liabilities includes the amount of Euro 14,765 thousand (2014: Euro 89,053 thousand), related with net liabilities recognised in the balance sheet, which represent the difference between the costs with pensions, health benefits and death subsidy and the assets, as referred in note 52. As at 31 December 2014, this amount includes the contribution to the pension fund referring to the year 2014, in the amount of Euro 64,739 thousand, settled in the first semester of 2015.

As at 31 December 2015, the balance Holiday pay and subsidies includes the amount of Euro 14,549 thousand (2014: Euro 15,052 thousand), related with the seniority premium.

Additionally, as at 31 December 2015, this balance includes the amount of 21,490 thousand (2014: Euro 21,489 thousand) related to the specialization of holidays and holidays and Christmas allowance.

42 Institutional capital

CEMG's institutional capital, which is fully paid, amounts to Euro 1.500.000 thousand, fully belonging to Montepio Geral – Associação Mutualista.

43 Participation fund

The Group's participation fund has a total nominal value of Euro 400,000 thousand (2014: Euro 200,000 thousand), with the nominal unitary value of Euro 1 and which are, regarding the form of representation, registered and issued exclusively in nominative form.

As a consequence of the Executive Board of Directors decision on 29 April 2015, the resolution of the General Assembly on 30 April 2015 and the resolution of the Assembly of the Participation Units holders of CEMG Participation Funds, where was considered the withdrawal of the preference right attributed to the participation units holders of the CEMG Participation Fund held in 5 June 2015, at 26 June 2015 the entity issued representative units of CEMG Participation Fund, with a total nominative value of Euro 200.000 thousand, in cash, through a private offer, fully subscribed by Montepio Geral Associação Mutualista.

These securities are tradable instruments, according to paragraph g) of article no. 1 of Código dos Valores Mobiliários, as they are other representative documents of homogeneous jurisdictional facts (namely the right of dividends and the right to receive the liquidation result of Caixa Económica Montepio Geral, after all debt holders are reimbursed, including the other subordinated debtors), with the possibility of being traded on the market.

Under the statutory rules of Caixa Económica Montepio Geral, theses securities do not grant the right to attend the General Shareholders Meeting or the management and the economic rights associated to the ownership of the securities includes: (i) the right to receive an annual payment when, existing sufficient results to distribute, the General Shareholders Meeting decided in that way, under a proposal of the Executive Board of Directors, (ii) the right to the reimbursement of the nominal amount only on liquidation of Caixa Económica Montepio Geral and after all debt holders are reimbursed, including the other subordinated debtors, and (iii) in case of partial reimbursement of these securities, subject to the approval of Bank of Portugal. The right to information to the owners of these securities is made through a common representative elected in General Shareholders Meeting of owner of these securities, where the owners of these securities will not have direct access to the economic and financial information of Caixa Económica Montepio Geral.

These securities are eligible for solvency purposes as Common Equity Tier 1. Under IAS 32 – Financial Instruments: Presentation, for accounting purposes, these securities are classified as share capital, considering its specific characteristics, namely the non-obligation of payment of the nominal amount and interests.

The units in CEMG's participation fund held by related parties are presented as follows:

	2015		2014	
	Number of Investment Fund Units held	Percentage	Number of Investment Fund Units held	Percentage
Related parties				
Montepio Geral - Associação Mutualista	207,260,984	51.81%	-	0.00%
Montepio Investimento S.A.	31,580,918	7.90%	3,280,322	1.64%
	238,841,902	59.71%	3,280,322	1.64%

44 Other equity instruments

This caption includes the issuance of Euro 15,000 thousand occurred in the first quarter of 2010 of Perpetual Subordinated Securities Interest conditioners made by Montepio Investimento, S.A. (previously designated as Finibanco, S.A.), and in connection with the acquisition of Montepio Holding, S.G.P.S., S.A. (previously designated as Finibanco Holding, S.G.P.S., S.A.), and its subsidiaries, was integrated in CEMG equity, as described in note 1 a).

In case of purchase of subordinated perpetual securities, they are canceled from equity and the difference between the purchase value and its book value is recognised in equity.

During 2013, the Group repurchased perpetual subordinated instruments in the amount of Euro 6,727 thousand. After this operation, the balance Other equity instruments amounts to Euro 8,273 thousand.

Payment

The Issuer is also prevented from proceeding to the interest payment if, in the Executive Board of Directors or Bank of Portugal opinion, this payment endanger comply of Regulatory capital requirements regulation.

During the year of 2015, the Group proceeded to the interest payment for this emission in the amount of Euro 758 thousand.

In 2014, the amount of interest to pay exceeds the "Distributable Funds of the Issuer", so the Group did not pay interest for this issue.

Reimbursement

These values are perpetual securities and are only refundable under the terms of early repayment provided below.

By agreement of Bank of Portugal, the issuer may reimburse, in whole or in part, from the 10th date of payment of interest, including (5th year).

In case of continued occurrence of an Event of Disqualification as Core Capital, even before the expiration of five years from its issuance, and in agreement with Bank of Portugal, these Securities are redeemable at the option of the Issuer, at any time.

In the disqualification event as Core Capital is defined as a change in any legal document or its official interpretation implies these securities values may no longer be classified as Core Capital of the Issuer.

On this basis, at 31 December 2015, these obligations are not seen as a positive element of the Group's Equity.

45 Treasury stock

This balance records units representatives of CEMG's Participation Fund, which are owned by entities that are included on the consolidation perimeter.

As at 31 December 2015, the Group owned 31,580,918 units (2014: 3,280,322 units), with an average unit cost of Euro 0.809 (2014: Euro 0.895) and a nominal value of Euro 31,581 thousand (2014: Euro 3,280 thousand).

These units are owned by Montepio Investimento, S.A., an entity included in the consolidation perimeter under the established limits in CEMG Articles of Association and by the Commercial Companies Code.

46 General and special reserve

The general and special reserves are charged under the scope of Decree-Law no. 136/79, of 18 May. The general reserve is charged to cover any risk and extraordinary losses or depreciation.

Under the Portuguese regulations and under the CEMG Articles of Association, the general reserve should be charged, annually, at least, in a minimum of 20% of the profit for the year. The limit of general reserve is 25% of total deposits. This reserve is not available for distribution and it can be used to improve future income performances or to increase capital.

The special reserve is charged to cover losses from current operations. Under the Portuguese regulations and the CEMG Articles of Association, the special reserve should be charged, at least, in a minimum of 5% of the profit for the year. This reserve is not available for distribution and it can be used to improve income performances or to increase capital.

The variation of the general and special reserves balance is analysed in note 47.

47 Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Fair value reserves		
Fair value reserves		
Available-for-sale financial assets	(3,101)	69,609
Loans and advances to customers	3 858	-
Associates	-	(32,343)
	757	37,266
Taxes		
Available-for-sale financial assets	1,027	(22,308)
Loans and advances to customers	(1,138)	-
	(111)	(22,308)
Fair value reserve net of taxes	646	14,958
Other reserve and retained earnings		
General reserve	187,532	187,532
Special reserve	68,273	68,273
Deferred tax reserve	42,502	41,964
Consolidation exchange reserves	(19,452)	2,019
Other reserves and retained earnings	(597,309)	(444,702)
	(318,454)	(144,914)

The balance Fair value reserve - Financial assets available for sale includes the valuation of the shareholding held by the Group in Visa Europe Limited in the amount of Euro 7,900 thousand as a result of their valuation under the current transaction with Visa International, as referred in notes 24 and 64.

The fair value reserves represent the potential gains and losses on financial assets available for sale net of impairment losses recognised in the income statement and / or in prior years in accordance with accounting policy described in note 1 d).

The balance Loans to customers refers to the amount not accrued of the fair value reserve on the reclassification date.

The movements in the fair value reserve on financial assets available for sale during 2015 in this balance are analysed as follows:

(Thousand Euros)

	Balance on 1 January	Revaluation	Acquisitions	Disposals	Impairment change of the period	Balance on 31 December
Fixed income securities						
Bonds issued by public Portuguese entities	56,612	2,190	(20,435)	(55,334)	-	(16,967)
Bonds issued by public foreign entities	3,699	(1,472)	4,692	(557)	1,491	7,853
Bonds issued by other entities:						
Domestic	(12,291)	7,576	(15)	12,670	(7,754)	186
Foreign	13,206	(21,080)	(2,378)	(11,073)	(431)	(21,756)
Commercial paper	409	-	-	(409)	-	-
	61,635	(12,786)	(18,136)	(54,703)	(6,694)	(30,684)
Variable income securities						
Shares						
Domestic	92	(745)	7,708	54	791	7,900
Foreign	1,332	(251)	1,710	(10)	916	3,697
Investment fund units	6,550	15,655	123	217	(6,559)	15,986
	7,974	14,659	9,541	261	(4,852)	27,583
	69,609	1,873	(8,595)	(54,442)	(11,546)	(3,101)

The movements in the fair value reserve on financial assets available for sale during 2014 in this balance are analysed as follows:

(Thousand Euros)

	Balance on 1 January	Revaluation	Acquisitions	Disposals	Impairment change of the period	Balance on 31 December
Fixed income securities						
Bonds issued by public Portuguese entities	33,404	15,242	10,816	(2,850)	-	56,612
Bonds issued by public foreign entities	294	3,176	645	3	(419)	3,699
Bonds issued by other entities:						
Domestic	(20,396)	20,372	4,920	2,503	(19,690)	(12,291)
Foreign	(1,377)	15,813	5,303	(114)	(6,419)	13,206
Commercial paper	-	409	-	-	-	409
	11,925	55,012	21,684	(458)	(26,528)	61,635
Variable income securities						
Shares						
Domestic	243	98	57	7	(313)	92
Foreign	1,947	(400)	(370)	(67)	222	1,332
Investment fund units	(2,763)	(2,198)	495	894	10,122	6,550
	(573)	(2,500)	182	834	10,031	7,974
	11,352	52,512	21,866	376	(16,497)	69,609

The fair value reserves can be analysed as follows:

(Thousand Euros)

	2015	2014
Amortized cost of available-for-sale financial assets	3,138,911	3,575,865
Accumulated impairment recognized	(67,309)	(55,763)
Amortized cost of available-for-sale financial assets, net of impairment	3,071,602	3,520,102
Market value of available-for-sale financial assets	3,068,501	3,589,711
Unrealized gains/(losses) recognized in the fair value reserve	(3,101)	69,609

48 Distribution of profit

In 2015 and 2014, CEMG did not distributed profits.

49 Non-controlling interests

This balance is analysed as follows:

(Thousand Euros)

	Statement of Financial Position		Income Statement	
	2015	2014	2015	2014
Finibanco Angola S.A.	12,853	13,610	1,679	2,351
Banco Terra, S.A.	15,816	12,830	(442)	(775)
	28,669	26,440	1,237	1,576

The movements of this balance are analysed as follows:

(Thousand Euros)

	2015	2014
Opening balance	26,440	11,035
Exchange differences	992	862
Dividends	-	(558)
Changes in the consolidation perimeter	-	12,830
Others	-	695
	27,432	24,864
Net income attributable to non-controlling interests	1,237	1,576
Final balance	28,669	26,440

			Percentage held by non-controlling interests	
Name	Headquarters	Segment	2015	2014
Finibanco Angola, S.A.	Luanda	Banking	18.43%	18.43%
Banco Terra, S.A.	Maputo	Banking	54.22%	55.46%

The following table presents a resume of financial information for the institutions described above, prepared in accordance with IFRS. The information is prepared before intercompany eliminations:

(Thousand Euros)

	Finibanco Angola, S.A.		Banco Terra	
	2015	2014	2015	2014
Income	69,028	65,519	7,110	6,709
Net profit/(loss)	9,112	12,420	(816)	(6,842)
Net profit/(loss) attributable to the shareholders	7,433	10,069	(374)	(3,047)
Net profit/(loss) attributable to non-controlling interests	1,679	2,351	(442)	(775)
Other comprehensive income attributable to the shareholders	-	-	2,167	-
Other comprehensive income attributable to non-controlling interests	-	-	2,566	-
Total other comprehensive income	9,112	12,420	3,917	(3,822)
Financial assets	135,520	102,906	4,695	16,235
Non-financial assets	427,242	498,851	56,376	41,002
Financial liabilities	27,947	25,710	-	-
Non-financial liabilities	465,068	500,431	31,898	34,104
Equity	69,747	75,616	29,173	23,133
Equity attributable to the shareholders	56,894	62,006	13,357	10,303
Equity attributable to non-controlling interests	12,853	13,610	15,816	12,830
Cash flows arising from:				
Operating activities	23,938	23,037	(6,784)	23,657
Investing activities	(44,648)	(208,229)	(553)	(569)
Financing activities	42,464	169,797	11,512	15,597
Net increase/(decrease) of cash and cash equivalents	21,754	(15,395)	4,175	38,685
Dividends distributed during the year:				
Attributable to the shareholders	-	2,469	-	-
Attributable to non-controlling interests	-	558	-	-
	-	3,027	-	-

50 Obligations and other commitments

Obligations and future commitments are analysed as follows:

(Thousand Euros)

	2015	2014
Guarantees granted	500,573	534,775
Commitments to third parties	1,398,196	1,256,209
Assets transferred in securitized operations	170,819	191,970
Securities and other items held for safekeeping on behalf of cutomers	7,449,316	8,456,178
	9,518,904	10,439,132

The amounts of Guarantees granted and Commitments to third parties are analysed as follows:

(Thousand Euros)

	2015	2014
Guarantees granted		
Guarantees	444,669	487,896
Open documentary credits	55,475	46,451
Guarantees and indemnities (counter)	429	428
	500,573	534,775
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	628,956	653,777
Annual contribution to the Guarantee Deposit Fund	22,768	25,314
Potential obligation with the Investor's Indemnity System	1,689	3,217
Revocable commitments		
Revocable credit lines	744,783	573,901
	1,398,196	1,256,209

Bank guarantees granted are financial operations that are not consisted by mobilization on Funds by the Group.

Documentary credits correspond to irrevocable commitments with the Group's client, which ensure the payment of a determined amount to client's suppliers, within a fixed term, against the presentation of the documentation confirming the shipment of goods or the rendering of services. The irrevocable condition arises from the fact that the commitment is not cancelable without the agreement of all parties involved.

Revocable and irrevocable commitments represent contractual agreements to extend credit to the Group's customers (for example unused credit lines). These agreements are generally, contracted for fixed periods of time or with other expiring requirements, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time the credit was granted.

Notwithstanding the particular characteristics of these contingent liabilities and commitments, the analysis of these operations follows the same basic principles of any commercial operation, namely the solvency of the underlying client and business, being that the Group requires these operations to be adequately covered by collaterals when needed. Considering that is expected that the majority of these contingent liabilities and commitments expire without having being used, the indicated amounts do not represent necessarily future cash-flow needs.

As at 31 December 2015 and 2014, the balance Annual contribution to the obligations of Guarantee Deposits Fund is related with the irrevocable commitment assumed by the Group and required by law, to deliver the unrealised amounts of annual contributions required by the Fund.

As at 31 December 2015, under the Deposit Guarantee Fund, the Group granted as pledge treasury bonds (OT 4.35% 07/2017), recorded as financial assets available for trading, with a nominal value of Euro 25 million (2014: Euro 28 million), as referred in note 24.

As at 31 December 2015 and 2014, the balance Potential obligation with the Investors' Indemnity System refers to the irrevocable obligation that the Group assumed, under the applicable law, to deliver to that system, in case needed, the required amount to pay its share of the indemnities to be paid to investors.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in note 1 c). The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Group in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

The Group provides custody services, asset management, investment management and advisory services that involves making purchasing and sales decisions of several types of financial instruments. For certain services are set objectives and profitability levels for the assets under management. These assets under management are not included in the financial statements.

Assets under management and custody are analysed as follows :

(Thousand Euros)

	2015	2014
Deposit and custody of securities	7,449,316	8,456,178
	7,449,316	8,456,178

51 Fair Value

Fair value is based on market prices, whenever these are available. If market prices are not available, as it happens regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the interest rate curve and the current conditions of the pricing policy in the Group.

Therefore, the fair value obtained is influenced by the parameters used in the evaluation model that, necessarily have some degree of judgement and reflect exclusively the value attributed to different financial instruments. However, it does not consider prospective factors, like the future business evolution. Under these conditions, the values presented cannot be understood as an estimate of the economic value of the Group.

The main methods and assumptions used in estimating the fair value for the assets and liabilities of the Group are presented as follows:

- ***Cash and deposits at central banks, Loans and advances to credit institutions***

Considering the short maturity of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

- ***Other loans and advances to credit institutions, Deposits from Central Banks, Deposits from other financial institutions and Assets with repurchase agreements***

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates.

For Deposits from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is 0.07% (2014: 0.32%).

Regarding loans and advances not measured at fair value, the discount rate used reflects the current conditions applied by CEMG on identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the period). For 31 December 2015, the average discount rate was -0.205% for applications 0.02%

for Repos and 4.02% for the remaining resources. As at December 2014 they were of 0.018%, 0.36% and 1.13%, respectively

- ***Financial assets held for trading (except derivatives), Financial liabilities held for trading (except derivatives), Available for sale financial assets and other Financial Assets at the fair value through profit and loss***

These financial instruments are accounted at fair value. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Interest rates are determined based on information disseminated by the suppliers of content financial - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) considering the volatility areas applicable are used. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, it is applied specific quotations supplied by an external entity, typically a counterparty of the business.

- ***Financial assets held to maturity***

These financial instruments are accounted at amortized cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

- ***Hedging and trading derivatives***

All derivatives are recorded at fair value.

In the case of those who are quoted in organized markets their market price is used. As for derivatives traded “over the counter”, apply the numerical methods based on techniques of discounted cash flow valuation models and considering options including changing market interest rates applicable to the instruments concerned, and where necessary, their volatility.

Interest rates are determined based on information disseminated by the suppliers of content financial - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

- ***Loans and advances to customers with defined maturity date***

The fair value of these instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments for each of the homogeneous classes of this type of instrument and with similar maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year) and the spread used at the date of the report, which was calculated from the average production of the last three months of 2015. The average discount rate was 3.43% for housing loans (2014: 3.32%), 5.90% to individual credit (2014: 6.37%) to treasury loans is 4.49% (2014: 5.36%) and 4.48% to remaining loans (2014: 4.33%), assuming the projection of variable rates according to the evolution of the forward rates implicit in the interest rate curves. The calculations also include the credit risk spread.

- ***Loans and advances to customers without defined maturity date***

Considering the short maturity of these financial instruments, the conditions of the existing portfolio are similar to current conditions used by the Group. Therefore, the amount in the balance sheet is a reasonable estimate of its fair value.

- ***Deposits from customers***

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in identical instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the year) and the spread of the Group at the date of the report, which was calculated from the average production of the last three months of the year 2015. The average discount rate was of 1.04% (2014: 1.37%).

- ***Debt securities issued and Subordinated debt***

For these financial instruments, fair value was calculated for the components that are not yet reflected on the Group's balance sheet. For the fixed interest rate instruments for which the Group applies a hedge-note, the fair value regarding the interest rate risk is already accounted for.

In fair value calculation, the other risk components were also considered, apart from the interest rate risk. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted by associated factors, predominantly the credit risk and trading margin, the latter only in the case of issues placed for non-institutional customers of the Group.

As original reference, the Group applies the curves resulting from the interest rate swaps markets for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

In the case of issues of covered bonds, the fair value is determined based on quotations disseminated by financial content provider Bloomberg.

In respect of subordinated issues the discount rate was of 5.80% (2014: 2.22%). The average discount rate calculated for senior issues placed on the retail market was 1.28% (2014: 2.34%). The senior issue placed on the institutional market is valued at fair value through profit or loss.

As at 31 December 2015, the following table presents the values of the interest rate used in the calculation of the interest rate curve of the major currencies, including Euro, United States Dollar, Sterling Pound, Swiss Franc and Japanese Yen used to determine the fair value of financial assets and liabilities of the Group:

	Currencies				
	Euro	United States Dollar	Sterling Pound	Swiss Franc	Japanese Yen
1 day	-0.2490%	0.5500%	0.3200%	-0.8700%	0.0364%
7 days	-0.2490%	0.3920%	0.4800%	-0.8100%	0.0393%
1 month	-0.2050%	0.6100%	0.5750%	-0.8700%	-0.1200%
2 months	-0.1650%	0.6700%	0.6200%	-0.8250%	-0.1600%
3 months	-0.1310%	0.7550%	0.6900%	-0.8200%	-0.0500%
6 months	-0.0400%	0.9400%	0.8450%	-0.7450%	-0.2100%
9 months	0.0040%	1.1200%	0.9700%	-0.7200%	-0.1500%
1 year	0.0600%	1.1150%	1.1250%	-0.6100%	-0.1200%
2 years	-0.0325%	1.1870%	1.0930%	-0.6430%	0.0775%
3 years	0.0590%	1.4340%	1.3020%	-0.5600%	0.0825%
5 years	0.3280%	1.7720%	1.5880%	-0.3050%	0.1375%
7 years	0.6210%	2.0040%	1.7920%	-0.0430%	0.2275%
10 years	1.0000%	2.2360%	1.9940%	0.2500%	0.3925%
15 years	1.3990%	2.4640%	2.1600%	0.5570%	0.7025%
20 years	1.5670%	2.5180%	2.1600%	0.5570%	0.7025%
30 years	1.6100%	2.6070%	2.1600%	0.5570%	0.7025%

As at 31 December 2014, the following table presents the values of the interest rates used in the clearance of the interest rate curves of major currencies, including Euro, United States Dollar, Sterling Pound, Swiss Franc and Japanese Yen used to determine the fair value of the financial assets and liabilities of the Group:

	Currencies				
	Euro	United States Dollar	Sterling Pound	Swiss Franc	Japanese Yen
1 day	-0.0150%	0.1700%	0.5300%	-0.0500%	-0.0200%
7 days	-0.0150%	0.1980%	0.5300%	-0.0500%	-0.0200%
1 month	0.0180%	0.3100%	0.5250%	-0.2000%	-0.0200%
2 months	0.0440%	0.3750%	0.5600%	-0.2200%	-0.0200%
3 months	0.0780%	0.1900%	0.6000%	-0.2400%	0.0450%
6 months	0.1710%	0.5000%	0.6750%	-0.0200%	0.0650%
9 months	0.2450%	0.6000%	0.8700%	-0.0200%	0.1100%
1 year	0.3250%	0.8200%	0.9250%	-0.0300%	0.1450%
2 years	0.1770%	0.8930%	0.9280%	-0.0960%	0.1449%
3 years	0.2240%	1.2930%	1.1340%	-0.0590%	0.1449%
5 years	0.3600%	1.7880%	1.4410%	0.0720%	0.1449%
7 years	0.5320%	2.0640%	1.6390%	0.2470%	0.1449%
10 years	0.8195%	2.3060%	1.8360%	0.5140%	0.1449%
15 years	1.1528%	2.5280%	2.0630%	0.7720%	0.1449%
20 years	1.3268%	2.6070%	2.0630%	0.7720%	0.1449%
30 years	1.4718%	2.6830%	2.0630%	0.7720%	0.1449%

Exchange rates and volatility

We present below the exchange rates (European Central bank) at the balance sheet date and the implied volatilities (at the money) for the main currencies used on the derivatives valuation:

			Volatility (%)				
Exchange rates	**2015**	**2014**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1.0887	1.2141	9.700	10.050	10.063	10.025	10.125
EUR/GBP	0.7340	0.7789	8.975	9.425	10.000	10.475	10.625
EUR/CHF	1.0835	1.2024	6.700	7.225	7.775	8.050	8.100
EUR/JPY	131.07	145.23	8.613	9.100	9.725	10.175	10.625

Concerning the exchange rates, the Group uses in the valuation models the spot rate observed in the market at the time of the valuation.

The fair value for each group of assets and liabilities at 31 December 2015 and 2014 is presented as follows:

(Thousand Euros)

	2015				
	At fair value through profit and loss	**At fair value through reserves**	**Amortized cost**	**Book value**	**Fair value**
Financial assets					
Cash and deposits at central banks	-	-	424,450	424,450	424,450
Loans and advances to credit institutions repayable on demand	-	-	238,007	238,007	238,007
Loans and advances to credit institutions	-	-	172,044	172,044	172,073
Loans and advances to customers	44,825	-	14,617,452	14,662,277	13,942,127
Financial assets held-for-trading	51,093		-	51,093	51,093
Available-for-sale financial assets	-	3,068,501	-	3,068,501	3,068,501
Hedging derivatives	9	-	-	9	9
Held-to-maturity investments	-	-	161,540	161,540	157,245
	95,927	3,068,501	15,613,493	18,777,921	18,053,505
Financial liabilities					
Deposits from central banks	-	-	2,277,258	2,277,258	2,277,258
Deposits from other credit institutions	71,065	-	1,502,066	1,573,131	1,573,072
Deposits from customers	54,654	-	12,914,777	12,969,431	13,017,763
Debt securities issued	98,167	-	1,932,998	2,031,165	2,144,239
Financial liabilities relating to transferred assets	-	-	323,037	323,037	288,950
Financial liabilities held-for-trading	70,289	-	-	70,289	70,289
Hedging derivatives	439	-	-	439	439
Other subordinated debt	15,684	-	317,355	333,039	308,057
	310,298	-	19,267,491	19,577,789	19,680,067

(Thousand Euros)

	2014				
	At fair value through profit and loss	At fair value through reserves	Amortized cost	Book value	Fair value
Financial assets					
Cash and deposits at central banks	-	-	284,813	284,813	284,813
Loans and advances to credit institutions repayable on demand	-	-	217,043	217,043	217,043
Loans and advances to credit institutions	-	-	546,162	546,162	546,154
Loans and advances to customers	44,110	-	15,182,113	15,226,223	14,528,632
Financial assets held-for-trading	86,581	-	-	86,581	86,581
Available for sale financial assets	-	3,589,711	-	3,589,711	3,589,711
Hedging derivatives	60	-	-	60	60
Held-to-maturity investments	-	-	120,101	120,101	120,549
	130,751	3,589,711	16,350,232	20,070,694	19,373,543
Financial liabilities					
Deposits from central banks	-	-	2,496,886	2,496,886	2,496,886
Deposits from other credit institutions	89,301	-	980,855	1,070,156	1,067,335
Deposits from customers	95,657	-	14,219,002	14,314,659	14,426,952
Debt securities issued	196,809	-	1,949,716	2,146,525	2,238,129
Financial liabilities relating to transferred assets	-	-	163,650	163,650	132,422
Financial liabilities held-for-trading	85,292	-	-	85,292	85,292
Hedging derivatives	1,494	-	-	1,494	1,494
Other subordinated debt	69,632	-	303,647	373,279	319,138
	538,185	-	20,113,756	20,651,941	20,767,648

The following table summarizes, by valuation levels, the fair value of the Group's financial assets and liabilities, as at 31 December 2015:

(Thousand Euros)

	2015				
	Level 1	Leve 2	Level 3	Financial instruments at cost	Fair value
Financial assets					
Cash and deposits at central banks	424,450	-	-	-	424,450
Loans and advances to credit institutions repayable on demand	238,007	-	-	-	238,007
Loans and advances to credit institutions	-	-	172,073	-	172,073
Loans and advances to customers	-	44,825	13,890,111	-	13,934,936
Financial assets held-for-trading	19,798	31,295	-	-	51,093
Available-for-sale financial assets	2,512,138	146,886	404,066	5,411	3,068,501
Hedging derivatives	-	9	-	-	9
Held-to-maturity investments	157,245	-	-	-	157,245
	3,351,638	223,015	14,466,250	5,411	18,046,314
Financial liabilities					
Deposits at central banks	2,277,258	-	-	-	2,277,258
Deposits from other credit institutions		71,065	1,502,007	-	1,573,072
Deposits from customers	-	54,654	12,963,109	-	13,017,763
Debt securities issued	-	98,167	2,046,072	-	2,144,239
Financial liabilities relating to transferred assets	-	-	288,950	-	288,950
Financial liabilities held for trading	1,896	68,393	-	-	70,289
Hedging derivatives	-	439	-	-	439
Other subordinated debt	-	15,684	292,373	-	308,057
	2,279,154	308,402	17,092,511	-	19,680,067

The following table summarizes, by valuation levels, the fair value of the Group's financial assets and liabilities, as at 31 December 2014:

(Thousand Euros)

	2014				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial assets					
Cash and deposits at central banks	284,813	-	-	-	284,813
Loans and advances to credit institutions repayable on demand	217,043	-	-	-	217,043
Loans and advances to credit institutions	-	-	546,154	-	546,154
Loans and advances to customers	-	44,110	14,484,522	-	14,528,632
Financial assets held-for-trading	6,763	74,509	5,309	-	86,581
Available-for-sale financial assets	2,593,461	153,967	821,132	21,151	3,589,711
Hedging derivatives	-	60	-	-	60
Held-to-maturity investments	120,549	-	-	-	120,549
	3,222,629	272,646	15,857,117	21,151	19,373,543
Financial liabilities					
Deposits at central banks	2,496,886	-	-	-	2,496,886
Deposits from other credit institutions	-	89,301	978,034	-	1,067,335
Deposits from customers	-	95,657	14,331,295	-	14,426,952
Debt securities issued	-	196,809	2,041,320	-	2,238,129
Financial liabilities relating to transferred assets	-	-	132,422	-	132,422
Financial liabilities held for trading	561	84,731	-	-	85,292
Hedging derivatives	-	1,494	-	-	1,494
Other subordinated debt	-	69,632	249,506	-	319,138
	2,497,447	537,624	17,732,577	-	20,767,648

The Group uses the following hierarchy for fair value with 3 levels in the evaluation of financial instruments (assets and liabilities), which reflects the level of judgment, the observability of the data used and the importance of the parameters used in determining the fair value measurement of the instrument, as referred in IRFS 13:

- **Level 1:** Fair value is determined based on unadjusted quoted prices, captured in transactions in active markets involving identical instruments to the ones being valued. If there is more than one active market for the same financial instrument, the relevant price is what prevails in the main market of the instrument, or most advantageous market for which there is access;

- **Level 2:** Fair value is determined based on valuation techniques supported by observable inputs in active markets, being direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and evaluation assumptions similar to what an unrelated party would use in estimating the fair value of that financial instrument; and

- **Level 3:** Fair value is determined based on unobservable inputs in active markets, using techniques and assumptions that market participants would use do evaluate the same instruments, including assumptions about the inherent risks, the valuation technique used and inputs used and review processes to test the accuracy of the values obtained.

The Group considers an active market for particular financial instruments at the measurement date, depending on business volumes and liquidity of the transactions made, the relative volatility of the prices quoted and the readiness and availability of information, the following minimum conditions should verify:

- Existence of frequent daily prices trading in the last year;
- The above quotations are exchanged regularly;
- There are executable quotes from more than one entity.

A parameter used in an evaluation technique is considered observable in the market, if the following conditions are met:

- If its value is determined in an active market;
- Or, if there is an OTC market and it is reasonable to assume that the conditions of an active market are met, with the exception of the condition of trading volumes; and
- Or, the parameter value can be obtained by the inverse calculation of prices of financial instruments or derivatives where the remaining parameters required for initial assessment are observable in a liquid market or an OTC market that comply with the preceding paragraphs.

52 Employee benefits

The Group assumed the responsibility to pay to their employees, seniority retirement and disability pensions and other benefits, in accordance with the accounting policy described in note 1 v).

The key actuarial assumptions used to calculate pension liabilities are as follows:

	Assumptions		Checked	
	2015	2014	2015	2014
Financial assumptions				
Salaries increase rate	0.75%	0.75%	1.30%	1.40%
Pensions increase rate	0.25%	0.05%	0.05%	0.07%
Projected rate of return of Fund assets	2.75%	2.50%	2.30%	7.90%
Discount rate	2.75%	2.50%	-	-
Demographic assumptions and valuation methods				
Mortality table				
Men	TV 88/90	TV88/90		
Women	TV 88/90	TV 88/90		
Actuarial method	UCP	UCP		

The assumptions used in the present value calculation of the liabilities are in accordance with the requirements of IAS 19. The determination of the discount rate took into account: (i) developments in the major indexes, for high quality corporate brands and (ii) duration of liabilities.

As at 31 December 2015, duration of liabilities amounts to 23.20 years (2014: 22.30 years).

The existing pension plan corresponds to a defined benefit plan, since it defines the criteria for determining the amount of pension that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and retribution.

The general pension plan for Group employees refers to liabilities for retirement benefits provided for in the Collective Labour Agreement for the banking sector and is a complementary plan of the public social security scheme.

Under the Collective Labour Agreement ("ACT") for the banking sector, the employees hired after 1 January 1995 contribute with 5% of their monthly remuneration to the Pension Fund.

The benefits provided by this pension plan are as follows:

- Reform by presumed disability (old age);
- Reform by disability;
- Survivor's pension.

All social benefits are granted to beneficiaries, according to the terms, conditions and values included in the pension plan, as employees of the Group at their retirement date, as well as those who have belonged to their effective board and on retirement meet all the requirements defined in the pension plan.

The pension provided by the Fund corresponds to the employee level in reform and seniority, according to the salary scale applicable. In the case of employees entitled to a pension under the General Pension Fund or the National Pensions Centre, the latter will be reduced to the pension guaranteed by this plan.

In case of death of an active employee or a pensioner, the pension plan guarantees a survivor's pension of 40% of the remuneration to which the employee would be entitled if achieved the situation of retirement or the pension he would receive, respectively.

The Group's former employees, when placed in the old-age pension or disability status, are entitled to payment by the fund of a pension calculated in the previous terms, in proportion to the time of service provided to CEMG.

Additionally, the pension plan guarantees the costs of *Serviço de Assistência Médico-Social* (SAMS) and the death grant under the ACT.

The Group has no other mechanisms to ensure the coverage of liabilities assumed towards old-age pensions, disability, survivors, health benefits and death benefits of its employees.

Risks

Considering the provisions of Montepio Geral Pension Fund's investment policy regarding exposure to different risks and different legal provisions, the control of these limits is daily monitored through a detailed analysis of the "legal limits and exceeded investments". There is also a set of procedures that are carried out if the limits are exceeded.

Subsequently, the Risk Management controls the effect of the measures and their impact on investment policy. At the same time, the levels of exposure to legal and prudential limits governing the Montepio Pension Fund are also controlled.

In addition to the verification of compliance with the investment policy and the legal and prudential limits, the management company (Futuro) decided to reinforce the control and monitoring using different risk measures and a set of internal procedures to maintain the prudent management of risk. On this basis, it is used a reasoned risk management model in the technical perspective of the studies "QIS Pension Funds" of EIOPA. The development of tolerance indicators for this model allows monitoring the variations of these indicators, according to the defined investment policy for the pension fund.

The monitoring of market risk is based on the calculation of VaR, with a 99.5% confidence interval for one year. The VaR does not constitute a full guarantee that the risks do not exceed the probability used, therefore Stress Tests are also conducted, in order to calculate the impact of various extreme scenarios on the value of the portfolio.

The assessment of the level of liquidity of the stock and bond component of the fund is made through a liquidity test. For actions, this analysis is done in number of days to settle, considering the assets in the portfolio. This test consists in verify the degree of equity segment liquidity, assessing how many days are required for its settlement in the market, taking into account the costs associated with these transactions and the historical average volume of transactions in the various markets. In addition, the bond segment is made the calculation of receipts (positive cash flows) arising from coupon payments (interest) bonds and amortization or any Call exercises for the period of one month. These tests allow to assess the degree of short-term liquidity and monitor or act against the possible shortage of liquidity in a timely basis.

The number of persons covered by the plan is as follows:

	2015	2014
Actives	3,845	3,870
Retirees and survivors	1,027	1,033
	4,872	4,903

Based on the accounting policy described in note 1 v), the application of IAS 19 – Employees benefits, translates into the responsibilities and coverage levels reportable as at 31 December 2015 and 2014, as follows:

(Thousand Euros)

	2015	2014
Assets/(Liabilities) recognized in the balance sheet		
Responsabilities with retirement benefits		
Pensioners	(138,388)	(136,214)
Employees	(472,879)	(479,591)
	(611,267)	(615,805)
Resposnabilities with healthcare benefits		
Pensioners	(19,211)	(19,880)
Employees	(36,380)	(35,474)
	(55,591)	(55,354)
Resposnabilities with death subsidy		
Pensioners	(700)	(697)
Employees	(911)	(867)
	(1,611)	(1,564)
Total	(668,469)	(672,723)
Coverages		
Value of the fund	653,704	583,670
Net assets in the balance sheet (see note 41)	(14,765)	(89,053)
Accumulated actuarial differences recognized in other comprehensive income	130,613	153,105

The evolution of responsibilities with retirement pensions, healthcare and death benefits can be analysed as follows:

(Thousand Euros)

	2015				2014			
	Retirement pensions	Healthcare benefits	Death subsidy	Total	Retirement pensions	Healthcare benefits	Death subsidy	Total
Responsabilities in the beginning of the year	615,805	55,354	1,564	672,723	499,917	44,757	1,161	545,835
Current service cost	10,606	1,723	44	12,373	9,073	1,320	30	10,423
Interest cost	15,403	1,384	39	16,826	19,997	1,790	46	21,833
Actuarial gains/(losses)								
- Changes in the assumptions	(14,063)	(1,289)	(52)	(15,404)	96,329	8,797	352	105,478
- Not related to change assumptions	(8,192)	(348)	36	(8,504)	(606)	(1,310)	(25)	(1,941)
Pensions paid by the fund	(8,972)	(1,233)	(20)	(10,225)	(9,981)	-	-	(9,981)
Early retirement	680	-	-	680	1,076	-	-	1,076
Responsabilities in the end of the year	611,267	55,591	1,611	668,469	615,805	55,354	1,564	672,723

The pension funds are managed by “Futuro Sociedade Gestora de Fundos de Pensões, S.A.”.

The evolution on the pensions fund value, in the years ended 31 December 2015 and 2014, is analysed as follows:

(Thousand Euros)

	2015	2014
Balance of the fund in the beginning of the year	583,670	547,407
Return on plan assets	13,176	43,377
Group contributions	64,739	-
Participant contributions	2,344	2,867
Pensions paid by the fund	(10,225)	(9,981)
Balance of the fund in the end of the year	653,704	583,670

The balance Group’s Contributions relates to the contribution made by CEMG in 2015, regarding the year of 2014. On 31 December 2014, this contribution is recorded, in the balance Other liabilities, as referred in the note 41.

The elements of Pensions Funds’ assets are analysed as follows:

(Thousand Euros)

	2015	2014
Bonds	427,438	403,113
Other variable income securities	133,830	75,338
Investment in banks and other	35,596	59,541
Shares	46,944	37,760
Real estate	7,846	7,918
	653,704	583,670

The assets of pension funds used by the Group or representative of securities issued by other Group entities are analysed as follows:

(Thousand Euros)

	2015	2014
Investments in banks and others	30,063	30,881
Real Estate	7,846	8,022
Others	1,937	2,648
Bonds	86	3,409
	39,932	44,960

As at 31 December 2015, the assets of the pension fund, divided between assets with and assets without market price, can be analysed as follows:

(Thousand Euros)

	2015		
	Assets of the Fund	**With market price**	**Without market price**
Variable income security			
Shares	46,994	46,994	-
Shares investment funds	96,460	3,244	93,216
Equity shares	1,937	1,937	-
Bonds	427,438	427,438	-
Real estate	7,846	-	7,846
Real estate investment funds	26,885	522	26,363
Venture capital funds	10,523	-	10,523
Hedge funds - Uncorrelated Investments	25	-	25
Investment in banks and others	35,596	-	35,596
Total	653,704	480,135	173,569

As at 31 December 2014, the assets of the pension fund, divided between assets with and assets without market price, can be analysed as follows:

(Thousand Euros)

	2014		
	Assets of the Fund	**With market price**	**Without market price**
Variable income security			
Shares	37,760	37,760	-
Shares investment funds	34,758	1,820	32,938
Equity shares	2,648	2,648	-
Bonds	403,113	403,113	-
Real estate	7,918	-	7,918
Real estate investment funds	20,019	523	19,496
Investment funds	11,395	-	11,395
Venture capital funds	6,489	-	6,489
Hedge funds - Uncorrelated Investments	29	-	29
Investment in banks and others	59,541	-	59,541
Total	583,670	445,864	137,086

The movements in the accumulated actuarial gains and losses are analysed as follows:

(Thousand Euros)

	2015	**2014**
Actuarial changes in the beginning of the year	153,105	71,051
Actuarial (gains) and losses in the year		
- Changes in the assumptions	(15,404)	105,478
- Experience adjustments	(7,088)	(23,424)
Actuarial changes recognized in other comprehensive income	130,613	153,105

The costs with reform pensions, healthcare benefits and death subsidies are analysed as follows:

(Thousand Euros)

	2015	2014
Current service cost	12,373	10,423
Net interest costs/(Income) in the responsabilities hedging balance	2,234	(61)
Early retirement cost	680	1,076
Participant contributions	(2,344)	(2,867)
Staff costs	12,943	8,571

The evolution of net assets / (liabilities) in the balance sheet is analysed as follows, in the years ended on 31 December 2015 and 2014:

(Thousand Euros)

	2015	2014
In the beginning of the year	(89,053)	1,572
Group contribution	64,739	-
Participants contributions	2,344	2,867
Current service cost	(12,373)	(10,423)
Net interest costs/(income) in the reponsabilities hedging balance	(2,234)	61
Actuarial (gains) / losses	23,908	(103,505)
Financial (gains) / losses	(1,416)	21,451
Early retirement	(680)	(1,076)
In the end of the year	(14,765)	(89,053)

The actuarial assumptions have a significant impact in the pension and other benefits liabilities. Considering, this impact, the Group proceeded to a sensitivity analysis to a positive and negative change of 25 basis points in the value of pension liabilities, whose impact is analysed as follows:

(Thousand Euros)

	2015		2014	
	Liabilities		Liabilities	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% change)	(34,557)	35,111	(34,030)	34,958
Wage growth rate (0.25% change)	21,961	(20,017)	21,628	(19,931)
Pension growth rate (0.25% change)	21,529	(20,192)	21,198	(20,100)
SAMS contribution (0.25% change)	3,048	(2,982)	3,001	(2,968)
Future death (1 year change)	(17,370)	17,195	(17,845)	17,303

53 Assets under management

In accordance with the legislation in force, the fund management companies and the depositary bank are jointly liable before the participants of the funds for the non-fulfilment of the obligations assumed under the terms of the Law and the management regulations of the funds.

As at 31 December 2015 and 2014, the amount of the investment funds managed by Group companies is analysed as follows:

(Thousand Euros)

	2015	2014
Securities investment fund	219,207	351,832
Real estate investment fund	333,773	342,743
Pensions fund	196,786	197,283
Bank and ensurance	60,178	117,932
	809,944	1,009,790

The amounts recognised in these accounts are measured at fair value determined at the balance sheet date.

54 Related parties transactions

As defined in IAS 24, are considered related parties of the Group the companies detailed in note 62, the Pension Fund, the member of the Executive Board of Directors and the key management elements. The key management elements are the first line directors. In addition to the members of the Executive Board of Directors and key management elements, are also considered related parties their family and entities controlled by them or those whose management have significant influence.

According to Portuguese law, in particular under articles 85 and 109 of the General Law for Credit Institutions and Financial Companies (“RGICSF”), are also considered related parties the members of the General and Supervisory Board and holders of institutional equity of CEMG, which holds 100% of the voting rights, as well as individuals related to these categories and entities controlled by them or whose management have significant influence.

The Group first-line managers with relevant roles are included in Other key management personnel.

On this basis, the list of related parties considered by the Group is presented as follows:

Executive Board of Directors (after 7 August 2015):

José Manuel Félix Morgado
João Carlos Martins da Cunha Neves
Luís Gabriel Moreira Maia Almeida
Fernando Ferreira Santo
João Belard da Fonseca Lopes Raimundo
Jorge Manuel Viana de Azevedo Pinto Bravo
Luís Miguel Resende de Jesus

Executive Board of Directors (until 7 August 2015):

António Tomás Correia
João Carlos Martins da Cunha Neves
Jorge Humberto da Cruz Barros de Jesus Luís
Fernando Paulo Pereira Magalhães
Pedro Miguel de Almeida Alves Ribeiro

General and Supervisory Board (after 7 August 2015):

Álvaro João Duarte Pinto Correia
Fernando Lopes Ribeiro Mendes (1)
António Fernando Menezes Rodrigues
José António de Arez Romão
Vírgilio Manuel Boavista Lima (1)
Vitor Manuel do Carmo Martins
Francisco José Fonseca da Silva
Acácio Jaime Liberado Mota Piloto
Luís Eduardo Henriques Guimarães
Rui Pedro Brás de Matos Heitor (2)
Eugénio Óscar Garcia Rosa

General and Supervisory Board (until 7 August 2015):

José de Almeida Serra
Vitor José Milícias Lopes
Eduardo José da Silva Farinha
Carlos Vicente Morais Beato
Álvaro João Duarte Pinto Correia
Gabriel José dos Santos Fernandes
Luisa Maria Xavier Machado
Maria Manuela da Silva
António Gonçalves Ribeiro
Eugénio Óscar Garcia Rosa

Key management elements

(1) -Resignation as at 6 January 2016
(2) - Replaces Luísa Maria Xavier Machado after December 2015

Other related parties:

Bem Comum, Sociedade de Capital de Risco, S.A.
Bolsimo - Gestão Ativos S.A.
Clínica CUF de Belém, S.A.
Clínica de Serviços Médicos Computorizados de Belém, S.A.
Empresa Gestora de Imóveis da Rua do Prior, S.A.
Finibanco Vida - Companhia de Seguros de Vida, S.A.
Fundação Montepio Geral
Fundo de Pensões Montepio Geral
Futuro - Sociedade Gestora de Fundos de Pensões S.A.
Germont - Empreendimentos Imobiliários, S.A.
HTA - Hotéis, Turismo e Animação dos Açores, S.A.
Iberpartners Cafés, SGPS, S.A.
Leacock Prestação de Serviços Limitada
Lestinvest, SGPS, S.A.
Lusitania Companhia Seguros, S.A.
Lusitania Vida Companhia Seguros, S.A.
Moçambique Companhia de Seguros, S.A.R.L.
Montepio Geral - Associação Mutualista
Montepio Gestão de Ativos - S.G.F.I., S.A.
Montepio Gestão de Ativos Imobiliarios, ACE
Montepio Imóveis - Sociedade Imobiliaria de Serviços Auxiliares, S.A.
Montepio Seguros SGPS, S.A.
N Seguros, S.A.
Naviser - Transportes Marítimos Internacionais, S.A.
Nebra Energias Renovables, S.L.
Novacambios - Instituição de Pagamento, S.A.
Pinto & Bulhosa, S.A.
Residências Montepio - Serviços de Saúde, S.A.
SAGIES - Segurança E Higiene No Trabalho, S.A.
SILVIP - Soc. Gestora Fundos Investimento Imobiliários, S.A.
Sociedade Portuguesa de Administrações, S.A.

As at 31 December 2015, the assets held by the Group regarding related parties, represented or not by securities, included in balances Loans and advances to customers, Other assets and Guarantees and commitments provided to third parties are analysed as follows:

(Thousand Euros)

	2015			
Companies	Loans and advances to customers	Other assets	Guarantees and commitments provided to third parties	Total
Clínica de Serviços Médicos Computorizados de Belém, S.A.	22	-	-	22
Executive Board of Directors (after 7 August 2015)	155	-	-	155
Executive Board of Directors (until 7 August 2015)	228	-	-	228
General and Supervisory Board (after 7 August 2015)	844	-	-	844
General and Supervisory Board (until 7 August 2015)	361	-	-	361
Members of the Board of Directors from other related parties	366	-	-	366
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1	-	-	1
Germont – Empreendimentos Imobiliários, S.A.	16,118	-	8,768	24,886
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	4,412	-	547	4,959
Iberpartners Cafés, SGPS, S.A.	1,496	-	-	1,496
Lestinvest, SGPS, S.A.	36,635	-	-	36,635
Lusitania Vida, Companhia de Seguros, S.A.	1	-	-	1
Lusitania, Companhia de Seguros, S.A.	2	620	6,324	6,946
Montepio Geral - Associação Mutualista	4	75,066	1,124	76,194
Montepio Gestão de Ativos Imobiliários, ACE	-	678	-	678
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	13,069	-	-	13,069
Novacâmbios, Instituição de Pagamento, S.A.	979	-	1,535	2,514
Key management elements	3,814	-	8	3 822
Residências Montepio, Serviços de Saúde, S.A.	980	-	-	980
	79,487	76,364	18,306	174,157

As at 31 December 2014, the assets held by the Group regarding related parties, represented or not by securities, included in balances Loans and advances to customers, Other assets and Guarantees and commitments provided to third parties are analysed as follows:

(Thousand Euros)

	2014			
Companies	Loans and advances to customers	Other assets	Guarantees and commitments provided to third parties	Total
Bolsimo - Gestão de Ativos, S.A.	-	-	-	-
Clínica de Serviços Médicos Computorizados de Belém, S.A.	30	-	-	30
Executive Board of Directors	242	-	-	242
General and Supervisory Board	386	-	-	386
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1	-	-	1
Germont – Empreendimentos Imobiliários, S.A.	20,649	-	14,303	34,952
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	1,147	-	3,836	4,983
Iberpartners Cafés, SGPS, S.A.	1,541	-	-	1,541
Lestinvest, SGPS, S.A.	53,467	-	-	53,467
Lusitania Vida, Companhia de Seguros, S.A.	1	-	-	1
Lusitania, Companhia de Seguros, S.A.	-	-	13,574	13,574
Montepio Geral - Associação Mutualista	3	-	1,176	1,179
Montepio Gestão de Ativos Imobiliários, ACE	-	1,162	-	1,162
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	13,498	-	-	13,498
Nebra Energias Renovables, S.L.	-	-	-	-
Novacâmbios, Instituição de Pagamento, S.A.	2,070	-	551	2,621
Key management elements	4,778	-	-	4,778
Residências Montepio, Serviços de Saúde, S.A.	751	-	499	1,250
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	-	-	-
	98,564	1,162	33,939	133,665

As at 31 December 2015, the liabilities regarding related parties included in balances Deposits from customers, Other subordinated debt and Other liabilities, are analysed as follows:

(Thousand Euros)

	2015				
Companies	**Participation Fund**	**Deposits from customers**	**Other subordinated debt**	**Other liabilities**	**Total**
Bolsimo – Gestão de Ativos, S.A.	-	3,696	-	-	3,696
Clínica CUF Belém, S.A.	-	17	-	-	17
Clínica de Serviços Médicos Computorizados de Belém, S.A.	-	6	-	-	6
Executive Board of Directors (after 7 August 2015)	-	2,320	45	-	2,365
Executive Board of Directors (until 7 August 2015)	-	155	-	-	155
General and Supervisory Board (after 7 August 2015)	-	1,749	-	-	1,749
General and Supervisory Board (until 7 August 2015)	-	2,018	5	-	2,023
Members of the Board of Directors from other related parties	-	741	139	-	880
Empresa Gestora de Imóveis da Rua do Prior S.A	-	2	-	-	2
Finibanco Vida – Companhia de Seguros de Vida, S.A.	-	4,463	1,000	-	5,463
Fundação Montepio Geral	-	913	-	-	913
Fundo de Pensões Montepio Geral	-	30,063	86	1,937	32,086
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	1,770	-	-	1,770
Germont – Empreendimentos Imobiliários, S.A.	-	537	-	-	537
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	-	19	-	-	19
Lestinvest, SGPS, S.A.	-	1,433	-	-	1,433
Lusitania Vida, Companhia de Seguros, S.A.	-	19,159	21,250	-	40,409
Lusitania, Companhia de Seguros, S.A.	-	15,944	13,749	-	29,693
Montepio Geral - Associação Mutualista	207,261	168,054	1,529,148	-	1,904,463
Montepio Gestão de Ativos – S.G.F.I., S.A.	-	2,042	-	-	2,042
Montepio Gestão de Ativos Imobiliários, ACE	-	2,189	-	-	2,189
Montepio Seguros, SGPS, S.A.	-	868	-	-	868
N Seguros, S.A.	-	1,251	220	-	1,471
Novacâmbios, Instituição de Pagamento, S.A.	-	1,801	-	-	1,801
Key management elements	-	2,168	66	-	2,234
Residências Montepio, Serviços de Saúde, S.A.	-	113	-	-	113
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	294	-	-	294
SILVIP - Soc. Gestora Fundos Investimento Imobiliários, S.A.	-	1,634	-	-	1,634
Sociedade Portuguesa de Administrações, S.A.	-	282	-	-	282
	207,261	265,701	1,565,708	1,937	2,040,607

As at 31 December 2014, the liabilities regarding related parties included in balances Deposits from customers, Other subordinated debt and Other liabilities, are analysed as follows:

(Thousand Euros)

	2014			
Companies	**Deposits from customers**	**Other subordinated debt**	**Other liabilities**	**Total**
Bolsimo – Gestão de Ativos, S.A.	3,265	-	-	3,265
Clínica CUF Belém, S.A.	41	-	-	41
Clínica de Serviços Médicos Computorizados de Belém, S.A.	4	-	-	4
Executive Board of Directors (after 7 August 2015)	524	-	-	524
General and Supervisory Board (after 7 August 2015)	1,323	-	-	1,323
Key management elements	3,107	94	-	3,201
Empresa Gestora de Imóveis da Rua do Prior S.A	140	-	-	140
Finibanco Vida – Companhia de Seguros de Vida, S.A.	2,881	1,000	-	3,881
Fundação Montepio Geral	1,092	18	-	1,110
Fundo de Pensões Montepio Geral	30,881	3,409	67,387	101,677
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	3,087	-	-	3,087
Germont – Empreendimentos Imobiliários, S.A.	642	-	-	642
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	9	-	-	9
Lestinvest, SGPS, S.A.	21	-	-	21
Lusitania Vida, Companhia de Seguros, S.A.	62,564	48,050	-	110,614
Lusitania, Companhia de Seguros, S.A.	23,328	13,749	-	37,077
Montepio Geral - Associação Mutualista	635,396	1,521,807	-	2,157,203
Montepio Geral Investimentos Imobiliários, S.A	8	-	-	8
Montepio Gestão de Ativos – S.G.F.I., S.A.	1,788	-	-	1,788
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxiliares, S.A.	393	-	-	393
Montepio Seguros, S.G.P.S., S.A.	4,919	-	-	4,919
N Seguros, S.A.	336	4,720	-	5,056
Novacâmbios, Instituição de Pagamento, S.A.	1,069	302	-	1,371
Residências Montepio, Serviços de Saúde, S.A.	198	-	-	198
SAGIES - Segurança e Higiene no Trabalho, S.A.	51	-	-	51
SILVIP - Soc. Gestora Fundos Investimento Imobiliários, S.A.	2,006	-	-	2,006
Sociedade Portuguesa de Administrações, S.A.	131	-	-	131
	779,204	1,593,149	67,387	2,439,740

As at 31 December 2015, income and expenses of the Group with related parties, included in balances Interest and similar income, Interest and similar expenses, Net commission and other income, Other operating income and General and administrative expenses, are analysed as follows:

(Thousand Euros)

	2015				
Companies	Interest and similar income	Interest and similar expenses	Net commission and other income	Other operating income	General and administrative expenses
Clínica CUF de Belém, S.A.	-	-	2	-	-
Clínica de Serviços Médicos Computorizados de Belém, S.A.	1	-	-	-	-
Executive Board of Directors (after 7 August 2015)	-	19	-	-	-
Executive Board of Directors (until 7 August 2015)	-	4	-	-	-
General and Supervisory Board (after 7 August 2015)	13	46	1	-	-
General and Supervisory Board (until 7 August 2015)	4	13	-	-	-
Members of the Board of Directors from other related parties	2	11	2	-	-
Empresa Gestora de Imóveis da Rua do Prior S.A	-	2	2	-	-
Finibanco Vida – Companhia de Seguros de Vida, S.A.	-	74	29	-	-
Fundação Montepio Geral	-	1	-	-	-
Fundo de Pensões Montepio Geral	-	288	1	-	369
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	36	9	1	-
Germont – Empreendimentos Imobiliários, S.A.	410	-	-	-	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	55	-	-	-	-
Lestinvest, SGPS, S.A.	1,797	-	12	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	2,121	4,917	-	-
Lusitania, Companhia de Seguros, S.A.	14	440	3,391	621	-
Montepio Geral - Associação Mutualista	-	73,907	5	33,312	16,535
Montepio Gestão de Ativos – S.G.F.I., S.A.	-	25	5	-	-
Montepio Gestão de Ativos Imobiliários, ACE	-	-	-	2,482	-
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	156	-	-	-	-
Montepio Seguros, SGPS, S.A.	-	-	48	-	-
N Seguros, S.A.	-	91	9	-	-
Novacâmbios, Instituição de Pagamento, S.A.	74	-	111	1	-
Key management elements	14	34	2	-	-
Residências Montepio, Serviços de Saúde, S.A.	21	-	37	30	-
SILVIP - Soc. Gestora Fundos Investimento Imobiliários, S.A.	-	16	-	-	-
	2, 561	77,128	8,583	36,447	16,904

As at 31 December 2014, income and expenses of the Group with related parties, included in balances Interest and similar income, Interest and similar expenses, Net commission and other income, Other operating income and General and administrative expenses, are analysed as follows:

(Thousand Euros)

	2014				
Companies	Interest and similar income	Interest and similar expenses	Net commission and other income	Other operating income	General and administrative expenses
Clínica de Serviços Médicos Computorizados de Belém, S.A.	3	-	-	-	-
Executive Board of Directors	2	9	1	-	-
General and Supervisory Board	8	25	1	-	-
Empresa Gestora de Imóveis da Rua do Prior S.A	-	5	-	-	-
Finibanco Vida – Companhia de Seguros de Vida, S.A.	-	69	54	-	-
Fundação Montepio Geral	-	3	-	-	-
Fundo de Pensões Montepio Geral	-	849	4	-	579
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	30	17	1	-
Germont – Empreendimentos Imobiliários, S.A.	223	-	-	-	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	19	1	-	-	-
Iberpartners Cafés SGPS, S.A.	56	-	29	-	-
Lestinvest, SGPS, S.A.	2,037	1	-	(253)	-
Lusitania Vida, Companhia de Seguros, S.A.	-	2,591	8,527	-	-
Lusitania, Companhia de Seguros, S.A.	347	396	3,408	16	-
Montepio Geral - Associação Mutualista	1	75,744	5	9,011	25,227
Montepio Gestão de Ativos – S.G.F.I., S.A.	2	6	10	-	-
Montepio Gestão de Ativos Imobiliários, ACE	-	-	-	1,162	-
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	445	13	2	-	-
Montepio Seguros, SGPS, S.A.	-	-	196	-	-
N Seguros, S.A.	-	90	35	1	-
Nebra Energias Renovables, S.L.	9	-	1	-	-
Novacâmbios, Instituição de Pagamento, S.A.	93	-	70	(44)	-
Key management elements	34	70	6	-	-
Residências Montepio, Serviços de Saúde, S.A.	69	1	55	45	-
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	-	1	-	-
SILVIP - Soc. Gestora Fundos Investimento Imobiliários, S.A.	-	34	-	-	-
	3,348	79,937	12,422	9,939	25,806

Salaries and other costs with the Executive Board of Directors, with the General and Supervisory Board and Other key management personnel are detailed in note 11.

During 2015 and 2014, there were no transactions with the pension's fund of the Group.

55 Securitisation transactions

As at 31 December 2015, there are nine securitisation transactions, eight of which originated in the Group and one in Montepio Investimento, S.A., currently integrated into the Group following the success of General and Voluntary Initial Public Offering on the equity representative shares of Montepio Holding, S.G.P.S., S.A (previously named Finibanco – Holding, SGPS, S.A.) and transmission of almost all assets and liabilities for the Group, as described in note 1 a).

The following paragraphs present some additional details of these securitisation transactions.

As at 19 December, 2002, Caixa Económica Montepio Geral had settled a securitisation operation with a Special Purpose Vehicle («SPV») – Pelican Mortgages no. 1 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 35 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 650,000 thousand. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.016% of the referred nominal value.

As at 29 September, 2003, Caixa Económica Montepio Geral had settled a securitisation operation with a Special Purpose Vehicle («SPV») – Pelican Mortgages no. 2 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 33 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 700,000 thousand. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0286% of the referred nominal value.

As at 30 March, 2007, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 3. The referred agreement consists in a mortgage credit transfer for a period of 47 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 750,000 thousand. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0165% of the referred nominal value.

As at 20 May, 2008, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 4. The referred agreement consists in a mortgage credit transfer for a period of 48 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,000,000 thousand. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.083% of the referred nominal value.

As at 9 December, 2008, Montepio Investimento S.A. had settled a mortgage credit portfolio to «Tagus – Sociedade de Titularização de Créditos, S.A.» in the amount of Euro 233,000 thousand (Aqua Mortgage No. 1). The total period of this operation is 55 years, with a revolving period of 2 years.

As at 25 March, 2009, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 5. The referred agreement consists in a mortgage credit transfer for a period of 52 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,000,000 thousand. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0564% of the referred nominal value.

As at 5 March, 2012, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage No. 6. The referred agreement consists in a mortgage credit transfer for a period of 51 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,040,200 thousand. The sale was made at their nominal value with the cost of initial sale process represented 0.1083% of Assets Backed Note.

As at 7 May, 2014, Caixa Económica Montepio Geral and Montepio Crédito settled with Tagus – Sociedade de Titularização de Créditos, S.A.a contract for consumer credit transfer originated by itself for an operation of credit securitisation (Pelican Finance No. 1). The total period of this operation is 14 years, with an initial 18 months revolving period, amended to 42 months on November 2015 and an Aggregate Principal Amount Outstanding (APAO) of Euro 294,000 thousand. The sale was made at their nominal value, and the cost for the initial selling process represented 0.1871% of the Asset Backed Notes.

As at 5 March 2015, Caixa Económica Montepio Geral signed with Sagres - Sociedade de Titularização de Créditos, S.A a securitisation contract for small and medium size companies, Pelican SME No. 2. The total period of operation is 28 years with revolving period of 24 months and with a limit (Aggregate Principal Amount Outstanding) of Euro 1,124,300 thousand. The sale was made at their nominal value with the cost of the initial sales process represented 0.0889% of the Asset Backed Notes.

The entity that guarantees the debt service (servicer) of this operations is Caixa Económica Montepio Geral assuming the collection of credits sold and assigned amounts received by deposits, to Sociedades Gestoras de Fundos de Titularização de Créditos (Pelican Mortgages No. 1 PLC, Pelican Mortgages No. 2 PLC) and to Sociedades de Titularização de Créditos (Pelican Mortgages No. 3, Pelican Mortgages No. 4, Pelican Mortgages No. 5, Pelican Mortgages No. 6 and Aqua Mortgages No. 1, Pelican Finance No. 1 and Pelican SME no.2). Montepio Crédito – Instituição Financeira de Crédito, S.A. provides the same functions for operation Pelican Finance No. 1.

At 31 December 2015, the transactions made by the Group are as follows:

(Thousand Euros)

				Credit		Liabilities	
Issue	Settlement date	Currency	Asset transferred	Initial amount	Current amount	Initial amount	Current amount
Pelican Mortgages No. 1	December 2002	Euro	Mortgage credit	653,250	55,538	653,250	43,234
Pelican Mortgages No. 2	September 2003	Euro	Mortgage credit	705,600	111,281	705,600	64,022
Pelican Mortgages No. 3	March 2007	Euro	Mortgage credit	762,375	275,641	762,375	134,130
Pelican Mortgages No. 4	May 2008	Euro	Mortgage credit	1,028,600	714,376	1,028,600	-
Aqua Mortgage No. 1	December 2008	Euro	Mortgage credit	236,500	153,294	236,500	-
Pelican Mortgages No. 5	March 2009	Euro	Mortgage credit	1,027,500	717,038	1,027,500	-
Pelican Mortgages No. 6	February 2012	Euro	Mortgage credit	1,107,000	914,815	1,107,000	4,352
Pelican Finance No. 1	May 2014	Euro	Consumer credit	308,700	291,298	308,700	-
Pelican SME No. 2	March 2015	Euro	Small companies	1,124,300	1,020,353	1,124,300	184,555
				6,953,825	4,253,634	6,953,825	430,293

Additionally, the detail of securitized loans not derecognised, by securitisation operation and nature of the contracts at 31 December 2015 is presented as follows:

(Thousand Euros)

	Not derecognised securitisation operations							
	Pelican Mortage n.º 3	*Pelican Mortage n.º 4*	*Pelican Mortage n.º 5*	*Pelican Mortage n.º 6*	*Pelican Finance n.º 1*	*Aqua Mortgage n.º 1*	*Pelican SME n.º 2*	Total
Domestic credit								
Corporate								
Loans and advances	-	-	-	-	-	-	664,074	664,074
Pledged current account	-	-	-	-	-	-	158,078	158,078
Other credits	-	-	-	-	8	-	108,218	108,226
Private								
Mortgage	274,602	711,137	714,842	908,047	-	149, 604	-	2,758,232
Consumer and other credit	-	-	-	-	289,340	-	83,350	372,690
	274,602	711,137	714,842	908,047	289,348	149,604	1,013,720	4,061,300
Credit and overdue interest								
Less than 90 days	28	368	256	1,248	356	381	1,335	3,972
More than 90 days	1,011	2,871	1,940	5,520	1,594	3,309	5,298	21,543
	1,039	3,239	2,196	6,768	1,950	3,690	6,633	25,515
	275,641	714,376	717,038	914,815	291,298	153,294	1,020,353	4,086,815

As at 31 December 2014, the securitisation operations performed by the Group are presented as follows:

(Thousand Euros)

				Credit		Liabilities	
Issue	Settlement date	Currency	Asset transferred	Initial amount	Current amount	Initial amount	Current amount
Pelican Mortgages No. 1	December 2002	Euro	Mortgage credit	653,250	63,656	653,250	61,272
Pelican Mortgages No. 2	September 2003	Euro	Mortgage credit	705,600	128,314	705,600	127,205
Pelican Mortgages No. 3	March 2007	Euro	Mortgage credit	762,375	275,641	762,375	163,650
Pelican Mortgages No. 4	May 2008	Euro	Mortgage credit	1,028,600	714,376	1,028,600	-
Aqua Mortgage No. 1	December 2008	Euro	Mortgage credit	236,500	153,294	236,500	-
Pelican Mortgages No. 5	March 2009	Euro	Mortgage credit	1,027,500	717,038	1,027,500	-
Pelican Mortgages No. 6	February 2012	Euro	Mortgage credit	1,107,000	914,815	1,107,000	-
Pelican Finance No. 1	May 2014	Euro	Consumer credit	308,700	291,298	308,700	-
				5,829,525	3,258,432	5,829,525	352,127

Additionally, the detail of securitized loans not derecognised by securitisation operation and nature of the contracts at 31 December 2014 is presented as follows:

(Thousand Euros)

	Not derecognised securitisation operations						
	Pelican Mortage n.º 3	*Pelican Mortage n.º 4*	*Pelican Mortage n.º 5*	*Pelican Mortage n.º 6*	*Pelican Finance n.º 1*	*Aqua Mortgage n.º 1*	Total
Domestic credit							
Corporate							
Other credit	-	-	-	-	7	-	7
Private							
Mortgage	298,483	749,106	758,830	948,754	-	163,162	2,918,335
Consumer and other credit	-	-	-	-	287,689	457	288,146
	298,483	749,106	758,830	948,754	287,696	163,619	3,206,488
Credit and overdue interest							
Less tha 90 days	1	317	188	1,151	386	64	2,107
More than 90 days	1,147	2,302	1,191	2,960	429	2,475	10,504
	1,148	2,619	1,379	4,111	815	2,539	12,611
	299,631	751,725	760,209	952,865	288,511	166,158	3,219,099

As at 31 December 2015, the notes issued by the special purpose vehicles, are analysed as follows:

Issue	Bond	Initial nominal value Euros	Current nominal value Euros	CEMG's interest retention (nominal value) Euros	Maturity date	*Rating (initial)*				*Rating (current)*			
						Fitch	Moodys	S&P	DBRS	*Fitch*	Moodys	S&P	DBRS
Pelican Mortgages No 1	Class A	611,000,000	12,352,295	4,699,735	2037	AAA	Aaa	n.a.	n.a.	A+	A1	n.a	n.a
	Class B	16,250,000	16,250,000	-	2037	AAA	A2	n.a.	n.a.	A+	A1	n.a.	n.a.
	Class C	22,750,000	22,750,000	5,750,000	2037	BBB+	Baa2	n.a.	n.a.	A	A1	n.a.	n.a.
	Class D	3,250,000	3,250,000	3,250,000	2037	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 2	Class A	659,750,000	73,499,090	30,799,864	2036	AAA	Aaa	AAA	n.a.	A+	A1	A+	n.a.
	Class B	17,500,000	17,500,000	10,360,000	2036	AA+	A1	AA-	n.a.	A+	A1	A-	n.a.
	Class C	22,750,000	22,750,000	8,600,000	2036	A-	Baa2	BBB	n.a.	BBB+	Ba2	BB+	n.a.
	Class D	5,600,000	5,600,000	5,600,000	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 3	Class A	717,375,000	260,265,950	126,212,701	2054	AAA	Aaa	AAA	n.a.	BBB+	Baa3	BB+	n.a.
	Class B	14,250,000	6,719,698	6,719,698	2054	AA-	Aa2	AA-	n.a.	BBB-	B2	B-	n.a.
	Class C	12,000,000	5,658,693	5,658,693	2054	A	A3	A	n.a.	BB	Caa1	B-	n.a.
	Class D	6,375,000	3,006,181	3,006,181	2054	BBB	Baa3	BBB	n.a.	B	Caa3	B-	n.a.
	Class E	8,250,000	-	-	2054	BBB-	n.a.	BBB-	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	4,125,000	4,125,000	4,125,000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832,000,000	561,384,441	561,384,441	2056	AAA	n.a.	n.a.	AAA	A	n.a.	n.a.	A
	Class B	55,500,000	49,695,853	49,695,853	2056	AA	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	60,000,000	53,725,247	53,725,247	2056	A-	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class D	25,000,000	22,385,519	22,385,519	2056	BBB	n.a.	n.a.	n.a.	B+	n.a.	n.a.	n.a.
	Class E	27,500,000	24,624,071	24,624,071	2056	BB	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Class F	28,600,000	28,600,000	28,600,000	2056	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203,176,000	111,973,138	111,973,138	2063	n.a.	n.a.	AAA	n.a.	n.a.	n.a.	A+	AAH
	Class B	29,824,000	28,980 484	28,980,484	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3,500,000	3,500,000	3,500,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 5	Class A	750,000,000	494,125,730	494,125,730	2061	AAA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	AAH
	Class B	195,000,000	173,061,188	173,061,188	2061	BBB-	n.a.	n.a.	n.a.	BBB+	n.a.	n.a.	n.a.
	Class C	27,500,000	24,406,065	24,406,065	2061	B	n.a.	n.a.	n.a.	BB+	n.a.	n.a.	n.a.
	Class D	27,500,000	24,406,065	24,406,065	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4,500,000	-	-	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	23,000,000	23,000,000	23,000,000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 6	Class A	750,000,000	620,579,757	620,579,757	2063	A	n.a.	A-	AA	A+	n.a.	A-	AA
	Class B	250,000,000	250,000,000	250,000,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	1,800,000	-	-	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class D	65,000,000	65,000,000	65,000,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class S	40,200,000	40,200,000	40,200,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Finance No 1	Class A	202,900,000	202,900,000	202,900 000	2028	A	n.a.	n.a.	A	A	n.a.	n.a.	A
	Class B	91,100,000	91,100,000	91,100,000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	14,700,000	14,700,000	14,700,000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican SME No 2	Class A	545,900,000	545,900,000	545,900,000	2043	A+	n.a.	n.a.	A L	A+	n.a.	n.a.	A L
	Class B	76,400,000	76,400,000	76,400,000	2043	A	n.a.	n.a.	n.a.	A	n.a.	n.a.	n.a.
	Class C	87,300,000	87,300,000	87,300,000	2043	BBB	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Class D	398,500,000	398,500,000	398,500 000	2043	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class S	16,200,000	21,100,000	21,100,000	2043	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

As at 31 December 2014, the notes issued by the special purpose vehicles, are analysed as follows:

Issue	Bond	Initial nominal value Euros	Current nominal value Euros	CEMG's interest retention (nominal value) Euros	Maturity date	Rating (initial)				Rating (current)			
						Fitch	Moodys	S&P	DBRS	Fitch	Moodys	S&P	DBRS
Pelican Mortgages No 1	Class A	611,000,000	16,972,075	6,035,882	2037	AAA	Aaa	n.a.	n.a.	A+	A3	n.a.	n.a.
	Class B	16,250,000	16,250,000	-	2037	AAA	A2	n.a.	n.a.	A+	A3	n.a.	n.a.
	Class C	22,750,000	22,750,000	-	2037	BBB+	Baa2	n.a.	n.a.	A	n.a.	n.a.	n.a.
	Class D	3,250,000	3,250,000	3,250,000	2037	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 2	Class A	659,750,000	88,740,933	36,348,893	2036	AAA	Aaa	AAA	n.a.	A+	A3	A-	n.a.
	Class B	17,500,000	17,500,000	10,060,000	2036	AA+	A1	AA-	n.a.	A+	Baa1	A-	n.a.
	Class C	22,750,000	22,750,000	8,600,000	2036	A-	Baa2	BBB	n.a.	BBB+	Ba3	n.a.	n.a.
	Class D	5,600,000	5,600,000	5,600,000	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 3	Class A	717,375,000	283,066,699	119,481,669	2054	AAA	Aaa	AAA	n.a.	BBB+	Baa3	A-	n.a.
	Class B	14,250,000	7,308,381	7,026,303	2054	AA-	Aa2	AA-	n.a.	BBB-	B2	BBB	n.a.
	Class C	12,000,000	6,154,426	5,932,880	2054	A	A3	A	n.a.	BB	Caa1	BBB-	n.a.
	Class D	6,375,000	3,269,539	3,269,539	2054	BBB	Baa3	BBB	n.a.	B	Caa3	BB	n.a.
	Class E	8,250,000	-	-	2054	BBB-	n.a.	BBB-	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	4,125,000	4,125,000	4,125,000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832,000,000	590,816,823	590,816,823	2056	AAA	n.a.	n.a.	AAA	A	n.a.	n.a.	A
	Class B	55,500,000	52,301,318	52,301,318	2056	AA	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	60,000,000	56,541,965	56,541,965	2056	A-	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class D	25,000,000	23 559,152	23,559,152	2056	BBB	n.a.	n.a.	n.a.	B+	n.a.	n.a.	n.a.
	Class E	27,500,000	25,915,067	25,915,067	2056	BB	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Class F	28,600,000	28,600,000	28,600,000	2056	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203,176,000	124,323,827	124,323,827	2063	n.a.	n.a.	AAA	n.a.	n.a.	n.a.	A-	AAH
	Class B	29,824,000	28,980,484	28,980,484	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3,500,000	3,500,000	3,500,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 5	Class A	750,000,000	524,322,216	524,322,216	2061	AAA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	AAH
	Class B	195,000,000	183,637,119	183,637,119	2061	BBB-	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Class C	27,500,000	25,897,542	25,897,542	2061	B	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class D	27,500,000	25,897,542	25,897,542	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4,500,000	377,349	377,349	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	23,000,000	23,000,000	23,000,000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 6	Class A	750,000,000	666,406,845	666,406,845	2063	A	n.a.	A-	AA	A+	n.a.	A-	AA
	Class B	250,000,000	250,000,000	250,000,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	1,800,000	-	-	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class D	65,000,000	65,000,000	65,000,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class S	40,200,000	40,200,000	40,200,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Finance No 1	Class A	202,900,000	202,900,000	202,900,000	2028	A	n.a.	n.a.	A	A	n.a.	n.a.	A
	Class B	91,100,000	91,100,000	91,100,000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	14,700,000	14,700,000	14,700,000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

56 Indicators of the balance sheet and income statement by operating segments

The segmental reporting is presented in accordance with IFRS 8. In compliance with Group's management model, the disclosed segments corresponds to the segments used for management purposes by the Executive Board of Directors. The Group develops banking activities and financial services in Portugal and abroad, with a special focus in Retail Banking, Corporate and Institutional Banking businesses.

The Group's consolidated activity is essentially developed in the financial sector, aiming for companies, institutions and private clients. Has its core decision centre in Portugal, which gives its privileged target market.

Products and services include the entire offer implicit to financial activity, such as deposit captation, credit concession and financial services to companies and private and also the custody, the managing investment funds and life insurances through its associates of the insurance sector. Additionally, the Group executes short and long-term investments in the capital or monetary market as a way of taking advantage of the price variations or restabilising its available financial resources.

The Group has a network of 436 branches in Portugal and with one branch in Cape Vert, one financial institution in Angola with 18 branches, one financial institution in Mozambique with 9 branches and 6 representation offices.

When evaluating the performance by business area, the Group considers the following operating segments:

1) Retail Bank, which includes the sub segments of Private, Individual Managers, Micro business and Social Charity Private Institutions;

2) Corporate and Institutional, which includes big sized companies, medium and small companies, Financial Institutions and The Public Sector; and

3) Other Segments, which includes all the entities that are not included in the other segments, namely the operations and management referring to Securities' own Portfolio and Applications in Credit Institutions. Each segment comprises the Group's structures that are directly or indirectly dedicated, as well as autonomous units of the Group which activity is connected to one of the above segments.

Despite the fact that the Group has its activity in Portugal, geographically it has some international role, developed by: (i) Finibanco Angola, S.A. and (ii) Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, SA (IFI) and (iii) Banco Terra S.A., which by geographical criteria, results can be distinguished in Portugal (Domestic Area) from Cape Vert, Angola and Mozambique (International Area).

Segments description

In a consolidated basis, each of the segments includes income and costs related to the following activities, products, clients and structures of the Group::

Retail Bank

This segment corresponds to all activity developed by the Group in Portugal with private customers and small businesses, fundamentally originated by the branches network, agent network and electronic channels. The financial information of the segment relates to, among other products and services, mortgage loans, consumer credit, financing the clients' activity, deposits repayable on demand and term deposits, retirement plans and other insurance products to private customers, commissions over account management and electronic payments, the investment funds cross-selling and brokerage and custodian services.

In Angola, Mozambique and Cape Vert the Group is represented by local financial institutions which offers a wide range of products and financial services to private customers and companies.

Corporate and Institutional

This segment includes the activity with small, medium and big companies, through offices network and commercial structure dedicated to this segment. It also includes the institutional clients business, mostly from the financial sector and public administration. Among the products, it is emphasized cash and investments loans, commercial discount, leasing, factoring, renting, foreign operations, documentaries loans, checks, deposits, received or paid services, credit and debit cards, as well as custodian services.

The Corporate and Institutional Banking business includes the Companies in Portugal segment which operates in the cross-selling Group's strategy, as a distribution channel of products and services from other companies of the Group.

Other segments

This segment includes all the activity developed supporting the main activities that are the core business of the two segments mentioned above, highlighting the Group's global financial management activity, the investments in instruments of capital markets (stocks and bonds), be them integrated in the negotiation portfolio, of fair value through profit and loss, available for sale or held to maturity. In this segment it is also included the impacts of the strategic decisions, the investments in minority strategic participations, the activity related to interest and exchange rate risk management, management of short and long positions of financial investments which favourites the changes in market prices, and the public or private preparation and availability of the issue of stocks, bonds and other debt instruments.

Allocation criteria of the activity and results to the operating segments

The consolidated financial information presented for each segment was prepared in accordance with the criteria followed for the preparation of internal information analysed by the decision makers of the Group, as required by IFRS 8 – Operating Segments.

The accounting policies applied in the preparation of the financial information related with the operating segments are consistent with the ones used in the preparation of these consolidated financial statements, which are described in note 1. The following principles were also adopted:

Measurement of profit or loss from operating segments

The Group uses net income before taxes as the measure of profit or loss for evaluating the performance of each operating segment.

Autonomous Operating Segments

As mentioned above, each operating unit (branches MG Cabo Verde and associated entities) is evaluated separately, as these units are considered investment centres. Additionally, considering the characteristics of the business developed by these units, they are included in the respective operating segments, assets, liabilities, equity, income and expenses.

Group structures dedicated to the segment

The Group activity comprises most of its operating segments and therefore its activity is disaggregated.

For the purpose of allocating the financial information, the following principles are used:

(i) The origin of the operation, i.e., the operation is allocated to the same segment as the commercial structure that originated it, even though, in a subsequent phase, the Group makes a strategic decision in order to securitize some of these originated assets;

(ii) The allocation of a commercial margin to mass-products, established in a high level when the products are launched;

(iii) The allocation of a margin directly negotiated by the commercial structures with the clients for non-mass-products;

(iv) The allocation of direct costs from commercial and central structures dedicated to the segment;

(v) The allocation of indirect cost (central support and IT services);

(vi) The allocation of credit risk determined in accordance with the Regulation no. 3/95 of the Bank of Portugal and with the impairment model.

The transactions between the independent and autonomous units of the Group are made at market prices; the price of the services between the structures of each unit, namely the price established for funding between units, is determined by the margins process referred above (which vary in accordance with the strategic relevance of the product and the balance between funding and lending); the remaining internal transactions are allocated to the segments in accordance with CBA without any margin from the supplier.

The interest rate risk, exchange risk, liquidity risk and others, except for credit risk, are included in the segment Others Segments.

Interest and similar income/expense

Since the Group activities are exclusively related to the financial sector, the major income results from the difference between interest received on assets and interest paid from liabilities. This situation and the fact that the segments evaluation is based on negotiated margins or determined previously to each product, leads to the results on the intermediation activity being presented, as permitted by IFRS 8 paragraph 23, as the net value of interest under the designation of Financial Income.

Consolidated Investments under the Equity Method

Investments in associated companies consolidated under the equity method are included in Operations between Segments.

Non-current assets

Non-current assets, according to IFRS 8, include Other Tangible Assets and Intangible Assets. The Group includes these assets on the segment in which these subsidiaries develop their business.

Post Employment Benefits

The factors that influence the amount of responsibilities and the amount of the funds' assets correspond, mainly, to external elements; it is the Group policy not to include these factors on the performance evaluation of the operating segments, which activities relate to customers.

Domestic and International Areas

In the disclosure of financial information by geographical areas, the operating units that integrate the International Area are: (i) Finibanco Angola S.A., (ii) Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI) and (iii) Banco Terra, S.A.

The patrimonial and financial elements related to the international area are presented in the financial statements of that unit with the respective consolidation and elimination adjustments.

The report by operating segments as at 31 December 2015, is presented as follows::

(Thousand Euros)

Income Statement	Retail	Corporate and Institutional	Other operating segments	Total
Interest and similar income	170,256	338,411	134,497	643,164
Interest and similar expense	176,482	51,647	187,516	415,645
Net interest income	(6,226)	286,764	(53,019)	227,519
Dividends from equity instruments	-	-	3,636	3,636
Fees and commissions income	86,144	41,180	7,530	134,854
Fees and commissions expense	(14,706)	(483)	(17,855)	(33,044)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	-	-	(13,498)	(13,498)
Net gains/(losses) arising from available-for-sale financial assets	-	-	114,451	114,451
Net gains arising from foreign exchange differences	-	-	16,510	16,510
Net gains/(losses) arising from sale of other financial assets	-	-	482	482
Other operating income	8,331	850	(4,617)	4,564
Total operating income	73,543	328,311	53,620	455,474
Staff costs	133,936	40,766	29,391	204,093
General and administrative expenses	85,050	23,657	19,983	128,690
Depreciation and amortisation	17,577	4,889	4,129	26,595
	236,563	69,312	53,503	359,378
Total provisions and impairment	51,231	207,449	102,056	360,736
Total operating profit	(214,251)	51,550	(101,939)	(264,640)
Equity accounting earnings	-	-	(3,910)	(3,910)
Income before taxes and non-controlling interests	(214,251)	51,550	(105,849)	(268,550)
Current taxes	-	-	1,490	1,490
Deferred taxes	-	-	24,890	24,890
Non-controlling interests	-	-	(1,237)	(1,237)
Consolidated net profit for the period related to the institutional capital and the participation fund attributable to the shareholders	(214,251)	51,550	(80,706)	(243,407)
Net assets	11,910,372	4,409,862	4,824,982	21,145,216
Liabilities	10,558,746	3,432,453	5,809,871	19,801,070
Investment in associates	-	-	3,908	3,908

The report by operating segments as at 31 December 2014, is presented as follows:

(Thousand Euros)

Income Statement	**Retail**	**Corporate and Institutional**	**Other operating segments**	**Total**
Interest and similar income	489,495	347,995	76,220	913,710
Interest and similar expenses	324,653	94,258	158,293	577,204
Net interest income	164,842	253,737	(82,073)	336,506
Dividends from equity instruments	-	-	610	610
Fees and commissions income	100,459	27,624	7,625	135,708
Fees and commissions expense	(18,654)	(1,762)	(5,726)	(26,142)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	-	-	4,204	4,204
Net gains/(losses) arising from available-for-sale financial assets	-	-	374,386	374,386
Net gains arising from foreign exchange differences	17,016	-	-	17,016
Net gains/(losses) arising from sale of other financial assets	-	-	(41,974)	(41,974)
Other operating income	4,717	524	(21,056)	(15,815)
Total operating income	268,380	280,123	235,996	784,499
Staff costs	152,765	30,313	11,075	194,153
General and administrative expenses	100,792	18,813	889	120,494
Depreciation and amortisation	19,747	5,927	1,403	27,077
	273,304	55,053	13,367	341,724
Total provisions and impairment	76,033	446,486	123,224	645,743
Total operating profit	(80,957)	(221,416)	99,405	(202,968)
Equity accounting earnings	-	-	(5,223)	(5,223)
Income before taxes and non-controlling interests	(80,957)	(221,416)	94,182	(208,191)
Current taxes	-	-	(18,190)	(18,190)
Deferred taxes	-	-	41,004	41,004
Non-controlling interests	-	-	(1,576)	(1,576)
Consolidated net profit for the period related to the institutional capital and the participation fund attributable to the shareholders	(80,957)	(221,416)	115,420	(186,953)
Net assets	12,778,848	4,905,423	4,789,203	22,473,474
Liabilities	13,501,047	2,954,776	4,603,127	21,058,950
Investment in associates	-	-	24,650	24,650

As at 31 December 2015, the net contribution of the main geographical areas is as follows:

(Thousand Euros)

Income Statement	Domestic	International	Adjustments	Consolidated
Interest and similar income	590,009	74,368	(21,213)	643,164
Interest and similar expense	395,644	41,214	(21,213)	415,645
Net interest income	194,365	33,154	-	227,519
Dividends from equity instruments	3,632	4	-	3,636
Fees and commissions income	128,643	6,667	(456)	134,854
Fees and commissions expense	(32,572)	(928)	456	(33,044)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	(14,161)	663	-	(13,498)
Net gains/(losses) arising from available-for-sale financial assets	114,451	-	-	114,451
Net gains arising from foreign exchange differences	2,417	14,093	-	16,510
Net gains from sale of other financial assets	444	38	-	482
Other operating income	4,641	603	(680)	4,564
Total operating income	401,860	54,294	(680)	455,474
Staff costs	191,268	12,825	-	204,093
General and administrative expenses	114,539	14,831	(680)	128,690
Depreciation and amortisation	23,506	3,089	-	26,595
	329,313	30,745	(680)	359,378
Loans impairment	241,704	16,977	-	258,681
Other assets impairment	15,997	-	-	15,997
Other financial assets impairment	88,606	(68)	-	88,538
Other provisions	(2,480)	-	-	(2,480)
Total operating profit	(271,280)	6,640	-	(264,640)
Equity accounted earnings	(3,910) -	-	-	(3,910)
Income before taxes and non-controlling interests	(275,190)	6,640	-	(268,550)
Current taxes	3,129	(1,639)	-	1,490
Deferred taxes	20,370	4,520	-	24,890
Non-controlling interests	2,092	-	(855)	(1,237)
Consolidated net profit for the period related to the institutional capital and the participation fund attributable to the shareholders	(249,599)	9,521	(855)	(243,407)

(Thousand Euros)

Statement of Financial Position	Domestic	International	Adjustments	Consolidated
Cash and deposits at central banks	358,126	66,324	-	424,450
Loans and advances to credit institutions repayable on demand	198,311	39,696	-	238,007
Other loans and advances to credit institutions	(265,538)	437,582	-	172,044
Loans and advances to customers	14,357,017	305,260	-	14,662,277
Financial assets held-for-trading	51,093	-	-	51,093
Available-for-sale financial assets	3,064,474	4,027	-	3,068,501
Hedging derivatives	9	-	-	9
Held-to-maturity investments	26,130	135,410	-	161,540
Investments in associated companies and others	63,925	-	(60,017)	3,908
Non-current assets held-for-sale	754,070	828	-	754,898
Investment properties	692,485	-	-	692,485
Other tangible assets	50,101	39,014	-	89,115
Intangible assets	58,024	4,559	3,279	65,862
Current tax assets	23,868	3,993	-	27,861
Deferred tax assets	398,773	4,733	-	403,506
Other assets	327,203	2,457	-	329,660
Total Assets	20,158,071	1,043,883	(56,738)	21,145,216
Deposits from central banks	2,277,258	-	-	2,277,258
Deposits from credit institutions	1,523,359	49,772	-	1,573,131
Deposits from customers	12,129,280	840,151	-	12,969,431
Debt securities issued	2,031,165	-	-	2,031,165
Financial liabilities associated to transferred assets	323,037	-	-	323,037
Financial liabilities held for trading	70,289	-	-	70,289
Hedging derivatives	439	-	-	439
Provisions	15,792	795	-	16,587
Current tax liabilities	32	3,037	-	3,069
Other subordinated debt	305,092	27,947	-	333,039
Other liabilities	194,828	8,797	-	203,625
Total Liabilities	18,870,571	930,499	-	19,801,070
Institutional capital	1,500,000	109,227	(109,227)	1,500,000
Participation fund	400,000	-	-	400,000
Other equity instruments	8,273	-	-	8,273
Own securities	(31,581)	-	-	(31,581)
Fair value reserves	646	-	-	646
Other reserves and retained earnings	(334,551)	(9,065)	25,162	(318,454)
Consolidated net profit for the period related to the institutional capital and the participation fund attributable to the shareholders	(253,784)	9,522	855	(243,407)
Total equity attributable to institutionl capital and participation fund shareholders	1,289,003	109,684	(83,210)	1,315,477
Non-controlling interests	2,195	-	26,474	28,669
Total Equity	1,291,198	109,684	(56,736)	1,344,146
Total Liabilities and Equity	20,161,769	1,040,183	(56,736)	21,145,216

As at 31 December 2014, the net contribution of the main geographical areas is as follows:

(Thousand Euros)

Income Statement	Domestic	International	Adjustment	Consolidated
Interest and similar income	868,431	70,388	(25,109)	913,710
Interest and similar expense	560,328	41,985	(25,109)	577 204
Net interest income	308,103	28,403	-	336,506
Dividends from equity instruments	610	-	-	610
Fees and commisions income	127,756	8,698	(746)	135,708
Fees and commisions expense	(25,848)	(1,040)	746	(26,142)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	5,208	(1,004)	-	4,204
Net gains/(losses) arising from available-for-sale financial assets	374,386	-	-	374,386
Net gains arising from foreign exchange differences	2,600	14,416	-	17,016
Net gains arising from other financial assets	(41,976)	2	-	(41,974)
Other operating income	(13,584)	(1,446)	(785)	(15,815)
Total operating income	737,255	48,029	(785)	784,499
Staff costs	186,807	7,346	-	194,153
General and administrative expenses	111,736	9,543	(785)	120,494
Depreciation and amortisations	25,561	1,516	-	27,077
	324,104	18,405	(785)	341,724
Loans impairment	508,717	15,862	-	524,579
Other assets impairment	45,941	350	-	46,291
Other financial assets impairment	61,648	-	-	61,648
Other provisions	13,078	147	-	13,225
Total operating profit	(216,233)	13,265	-	(202,968)
Equity accounted earnings	(5,223)	-	-	(5,223)
Income before taxes and non-controlling interests	(221,456)	13,265	-	(208,191)
Current taxes	(16,500)	(1,690)	-	(18,190)
Deferred taxes	41,004	-	-	41,004
Non-controlling interests	-	1,576	-	(1,576)
Consolidated net profit for the period related to the institutional capital and the participation fund attributable to the shareholders	(196,952)	13,151	-	(186,953)

(Thousand Euros)

Statement of Financial Position	Domestic	International	Adjustments	Consolidated
Cash and deposits at central banks	203,339	81,474	-	284,813
Other loans and advances to credit institutions	213,493	12,996	(9,446)	217,043
Loans and advances to credit institutions repayable on demand	509,231	636,827	(599,896)	546,162
Loans and advances to customers	14,910,081	316,142	-	15,226,223
Financial assets held for trading	86,581	-	-	86,581
Available-for-sale financial assets	3,573,610	16,101	-	3,589,711
Hedging derivatives	60	-	-	60
Held-to-maturity investments	17,333	102,768	-	120,101
Investments in associated companies and others	77,709	-	(53,059)	24,650
Non-current assets held for sale	799,416	323	-	799,739
Investment properties	715,737	-	-	715,737
Other tangible assets	56,494	42,437	-	98,931
Intangible assets	59,031	3,743	3,280	66,054
Current tax assets	2,327	337	-	2,664
Deferred tax assets	355,881	-	-	355,881
Other assets	328,154	10,970	-	339,124
Total Assets	21,908,477	1,224,118	(659,121)	22,473,474
Deposits from central banks	2,496,886	-	-	2,496,886
Deposits from other credit institutions	1,631,391	19,219	(580,454)	1,070,156
Deposits from customers	13,265,134	1,049,669	(144)	14,314,659
Debt securities issued	2,146,525	-	-	2,146,525
Financial liabilities associated to transferred assets	163,650	-	-	163,650
Financial liabilities held for trading	85,292	-	-	85,292
Hedging derivatives	656	838	-	1,494
Provisions	19,220	1,109	-	20,329
Current tax liabilities	16,865	97	-	16,962
Other subordinated liabilities	373,450	24,873	(25,044)	373,279
Other liabilities	351,830	17,888	-	369,718
Total Liabilities	20,550,899	1,113,693	(605,642)	21,058,950
Institutional capital	1,468,908	40,089	(8,997)	1,500,000
Participation fund	200,000	-	-	200,000
Other equity instruments	8,273	-	-	8,273
Own securities	(3,280)	-	-	(3,280)
Fair value reserves	15,833	(875)	-	14,958
Other reserves and retained earnings	(135,204)	31,620	(41,330)	(144,914)
Consolidated net profit for the period related to the institutional capital and the participation fund attributable to the shareholders	(196,952)	13,151	(3,152)	(186,953)
Total equity attributable to the institutional capital and the participation fund shareholders	1,357,578	83,985	(53,479)	1,388,084
Non-controlling interests	-	26,440	-	26,440
Total Equity	1,357,578	110,425	(53,479)	1,414,524
Total Liabilities and Equity	21,908,477	1,224,118	(659,121)	22,473,474

57 Risk management

The Group is subject to several risks during the course of its business. The risk management of the Group's companies is carried out centrally in coordination with the local departments and considering the specific risks of each business.

The Group's risk management policy is designed to ensure adequate relationship at all times between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line.

Thus, monitoring and control of the main types of financial risk – credit, market, liquidity and operational – to which the Group's business is subject are of particular importance.

Main types of risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and the respective volatility.

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Property – Property risk results from possible negative impacts on profit and loss, or at the CEMG's capital level, due to market prices fluctuation on real property.

Operational – Operational risk is the potential loss resulting from failures or inadequacies in internal procedures, persons or systems, and also the potential losses resulting from external events.

Internal organization

The Executive Board of Directors ("CAE") is responsible for risk management strategy and policies, including, in this context, the adoption of principles and higher-level rules to be followed in its management.

Were constituted Support Committees to the CAE, which are dependent structures of the CAE without deliberative powers unless expressly stated otherwise, being as forums for discussion and support decision-making, through the formulation of proposals and recommendations to the CAE, in its areas of intervention.

The Asset and Liability Committee ("ALCO") is responsible for monitoring and manage Equity, Balance Sheet and Income Statement. Among other functions, ALCO assures the issue of proposals or recommendations to CAE, in order to update the CEMG's risk profile, setting limits for risk-taking, management of liquidity and equity positions, the adoption of recovery measures, taking into account the activity expansion scenarios, the macroeconomic context and the indicators related with the actual and expected evolution of the different risks.

The Committee for Internal Control is responsible for support and advice the CAE on the matters relating to the internal control system, in order to ensure their adequacy and effectiveness and the compliance with the applicable provisions, as well as promote its continuous improvement and best practices in this field. Among other functions, the Committee for Internal Control elaborates proposals and recommendations to the CAE in order to optimize the internal control system and the improvement of operational risk levels and the implementation of corrective or improvement actions in accordance with the timetable set.

The Risk Committee is responsible for monitoring the evolution of exposure to different types of risk, to elaborate proposals or recommendations to the CAE in order to promote the improvement of risk management processes.

The Business Committee discusses and defines the characteristics of new products and services as well as the products and services commercialised with regard to their suitability for the risk policy in force at the time and to the regulatory framework.

The analysis and monitoring of pension fund management is the responsibility of the Monitoring Committee of the Pension Fund, where advice on possible amendments to the existing management policy are issued.

The Real Estate Risk Committee monitors the management of property risk by elaborate proposals or issuing recommendations to the CAE in order to promote an optimized management of property risk in line with the defined objectives.

The Department of Risk ("DRI") is responsible for supporting the CAE in making decisions related to the management of different types of risk inherent to the business, within the Group.

DRI ensures the analysis and management of the Market, Liquidity, Interest Rate, Credit, Real Estate and operational risks, providing advice to CAE, namely through the proposal of normative and management of different risk models, through the development of management reports that provide the basis for decision making and participation in Support Committees to CAE.

DRI equally assures the following of a set of prudential reports to the supervision authority, particularly with the own funds requisites, control of high risks and related parts funding, liquidity risk, interest rate risk, country risk, counterparty risk, self-valuation of adequacy of Own Capital, Market Discipline, Recovery Plan and Resolving Plan.

Additionally, for credit risk management, Credit Analysis Department ("*Direcção de Análise de Crédito*") ensures the assessment of credit proposals from companies and individuals.

The Internal Auditing function is ensured by Audit and Inspection Department (*Direcção de Auditoria Interna e Inspecção)* and integrates the internal control monitorisation process, through the execution of complementary independent evaluations over the performance of controls, identifying deficiencies and recommendations and submitting its conclusions to the Executive Board of Directors.

Audit and Inspection Department (*Direcção de Auditoria Interna e Inspecção)* is also responsible for performing audits to the Risk Management processes, according with the guidance provided by the supervision entities, including the independent review of risk assessment internal models (Independent Review Function) and to calculate the equity minimum requirements for risk hedging. Based in the results obtained from the audits, measures are recommended and their implementation is followed in order to ensure that necessary measures are taken and managed properly.

The compliance function is performed by the Compliance Office that reports directly to the Executive Board of Directors, and has the main goal of managing the compliance risk which is the risk of incurring in legal or regulatory sanctions, financial or reputation loss as a consequence of non-compliance with laws, regulations, conduct code and good banking practices.

The compliance risk is mitigated by encouraging a culture of compliance, fostering the respect of Group's entities and their employees by the framework applicable through an independent intervention together, with all organic units.

It is part of compliance's functions to define the procedures and mechanisms of compliance control, and their monitoring, reporting immediately to the Executive Board of Directors information about any possible violation of statutory obligations, rules of conduct and client relationship or other duties that can lead the institution or the employees in penalties.

Depending on the nature and severity of the risk, plans, programs or actions shall be drawn up, supported by information systems, and procedures shall be devised that provide a high degree or reliably as to the risk management measures defined whenever necessary.

Risk evaluation

Credit risk

Credit risk models play a significant role in credit decision process. Indeed, the decision process concerning the credit portfolio depends on a group of policies based on scoring models developed to individual and business clients and the rating for the corporate sector.

Credit decisions are dependent upon risk ratings and compliance with various rules governing financial capacity and applicants' behaviour. In order to support commercial strategies reactive scoring models are also used, namely in the main individual credit portfolios, such as mortgage and individual loans, distinguishing between customers and non-customers (or new customers).

In corporate credit internal rating models are used to medium and large companies, distinguishing construction sector and third sector from the other activity sectors, while for customers «Empresários em nome individual» and micro business is applied the scoring model business.

The Group's credit risk exposure can be analysed as follows:

(Thousand Euros)

	2015	2014
Deposits with other credit institutions	238,007	217,043
Deposits with banks	172,044	546,162
Loans and advances to customers	14,662,277	15,226,223
Financial assets held for trading	43,370	80,466
Available-for-sale financial assets	2,509,707	3,136,057
Hedging derivatives	9	60
Held-to-maturity investments	161,540	120,101
Investments in associated companies	3,908	24,650
Other assets	314,404	257,343
Guarantees granted	444,669	487,896
Documentary credits	55,475	46,451
Irrevocable commitments	628,956	653,777
Credit default swaps (notionals)	85,000	-
	19,319,366	20,796,229

Note: Gross exposure of impairment and amortization, in accordance with the prudential consolidation perimeter, including securitisation positions.

The analysis of the risk exposure by sector of activity, as at 2015, can be analysed as follows:

(Thousand Euros)

	2015						
Activity sector	Loans and advances to customers		Financial assets held for trading	Availabe-for-sale financial assets		Held-to-maturity investments	Garantees granted and documentary credits
	Gross Amount	Impairment	Book value	Gross Amount	Impairment	Book value	Book value
Agriculture	176,948	(6,610)	-	2,138	-	-	2,355
Mining	19,790	(3,608)	-	-	-	-	1,692
Food, beverage and tobacco	246,369	(15,399)		981	-	-	2,732
Textiles	91,314	(9,465)	-	-	-	-	2,327
Shoes	45,604	(4,235)	-	-	-	-	489
Wood and cork	44,978	(7,794)	-	-	-	-	1,115
Printing and publishing	106,894	(9,320)	-	-	-	-	437
Petroleum refining	398	(38)	-	14,011	-	-	-
Chemicals and rubber	136,135	(12,573)	-	-	-	-	2,533
Non-metallic minerals	132,221	(5,285)	-	-	-	-	6,144
Basis metallurgic industries and metallic products	170,454	(21,949)	-	-	-	-	9,051
Production of machinery	40,332	(3,020)	-	-	-	-	871
Production of transport material	38,198	(1,710)	-	1,083	-	-	678
Other transforming industries	82,473	(6,725)	-	-	-	-	8,752
Electricity, gas and water	135,368	(826)	-	30,544	-	-	998
Construction	1,459,798	(346,116)	-	998	(998)	-	160,373
Wholesale and retail	1,324,939	(171,521)	-	7,064	-	-	66,023
Tourism	411,508	(25,492)	-	-	-	-	8,021
Transports	461,671	(68,621)	-	-	-	-	9,762
Communication and information activities	81,205	(7,336)	-	22,675		-	3,521
Financial activities	1,055,989	(117,224)	31,295	127,473	(10,353)	-	93,003
Real estate activities	671,082	(136,188)	-	-	-	-	14,866
Services provided to companies	599,857	(43,937)	-	-	-	-	80,063
Public services	137,932	(2,732)	12,435	2,275,879	(7,343)	161,540	1,158
Other activities of collective services	476,972	(24,128)	-	-	-	-	7,790

Mortgage loans	7,548,270	(225,422)	-	39,518	(25,800)	-	4,446
Other	247,316	(4,464)	-	31,837	-	-	10,944
Total	15,944,015	(1,281,738)	43,730	2,554,201	(44,494)	161,540	500,144

The analysis of the risk exposure by sector of activity, as at 2014, can be analysed as follows:

(Thousand Euros)

Activity sector	2014							
	Loans and advances to customers		Financial assets held for trading	Other financial assets at fair value through profit or loss	Available-for-sale financial assets		Held-to-maturity investments	Granted guarantees and documentary credits
	Gross amount	Impairment	Book value	Book value	Gross amount	Impairment	Book value	Book value
Agriculture	160,171	(5,894)	-	-	-	-	-	3,187
Mining	40,079	(3,434)	-	-	8,215	-	-	1,750
Food, beverage and tobacco	232,596	(17,005)	-	-	13,014	-	-	3,601
Textiles	92,998	(13,006)	-	-	-	-	-	1,782
Shoes	38,882	(3,509)	-	-	-	-	-	485
Wood and cork	51,292	(13,127)	-	-	-	-	-	1,176
Printing and publishing	95,361	(9,839)	-	-	-	-	-	521
Petroleum refining	92	(23)	-	-	72,937	-	-	-
Chemicals and rubber	131,828	(10,784)	-	-	389	-	-	4,286
Non-metallic minerals	62,867	(3,589)	-	-	-	-	-	2,584
Basis metallurgic industries and metallic products	165,372	(18,351)	-	-	63,886	-	-	11,194
Production of machinery	46,586	(2,833)	-	-	-	-	-	3,206
Production of transport material	36,156	(1,912)	-	-	2,212	-	-	677
Other transforming industries	51,652	(5,188)	-	-	92,563	-	-	2,777
Electricity, gas and water	138,180	(3,300)	-	-	328,486	(998)	-	1,080
Construction	1,679,003	(375,890)	-	-	21,274	-	-	220,026
Wholesale and retail	1,299,483	(160,170)	115	-	5,311	-	-	80,934
Tourism	420,241	(23,942)	-	-	543	-	-	37,274
Transports	491,180	(87,676)	-	-	59,391	-	-	15,386
Communication and information activities	71,842	(7,022)	-	-	65,210	(8,778)	-	2,078
Financial activities	1,178,627	(137,943)	-	-	310,576	-	-	70,840
Real estates activities	776,869	(159,717)	74,509	-	541	-	-	19,293
Services provided to companies	640,119	(76,732)	-	-	-	(8,834)	-	11,557
Public services	142,506	(2,701)	533	-	1,950,893	-	120,101	23
Other activities of collective services	524,399	(21,596)	-	-	-	(19,190)	-	13,806
Mortgage loans	7,763,579	(219,102)	-	-	42,953	-	-	-
Others	280,135	(1,587)	-	-	135,464	-	-	24,824
Total	16,612,095	(1,385,872)	75,157	-	3,173,858	(37,800)	120,101	534,347

With regard to credit risk, the financial assets portfolio predominantly maintains its position in bonds of sovereign issuers, mainly from Portuguese Republic.

With regard to credit derivatives, the Group held, as at December 2015, a long position of credit default swaps of

Euro 80 million (nominal value) and a short position of credit default swaps of Euro 5 million (nominal value).

In terms of credit quality, there was a raise in the average level of counterparties associated to the improvement of Portuguese public debt rating.

Regarding the level of credit quality of debt securities, there was a rise in the average level of counterparties, by reducing exposure to Portugal, partly attenuated by increase the exposure of sovereigns Italy and Spain with a higher credit quality in relation to Portugal:

(Thousand Euros)

	2015		2014		Change	
Rating	Value	%	Value	%	Value	%
AAA	-	-	5,507	0.2	(5,507)	(100.0)
AA+	-	-	-	-	-	-
AA	2,629	0.1	2,080	0.1	549	26.4
AA-	4,389	0.2	3,017	0.1	1,372	45.5
A+	2,694	0.1	24,392	0.8	(21,698)	(89.0)
A	56,726	2.1	69,897	2.2	(13,171)	(18.8)
A-	44,816	1.7	40,832	1.3	3,984	9.8
BBB+	628,318	23.4	69,091	2.2	559,227	>100
BBB	649,158	24.2	155,307	4.9	493,851	>100
BBB-	30,145	1.1	80,019	2.5	(49,874)	(62.3)
BB+	1,047,907	39.1	1,987,978	62.6	(940,071)	(47.3)
BB	24,143	0.9	6,965	0.2	17,178	>100
BB-	-	-	109,355	3.4	(109,355)	(100.0)
B+	133,453	5.0	2,628	0.1	130,825	>100
B	3,887	0.1	9,901	0.3	(6,014)	(60.7)
B-	-	-	35,404	1.1	(35,404)	(100.0)
CCC+	-	-	-	-	-	-
CCC	11,196	0.4	-	-	11,196	100.0
CCC-	-	-	206	-	(206)	(100.0)
C	-	-	-	-	-	-
NR	42,162	1.6	572,431	18.0	(530,269)	(92.6)
Total	2,681,623	100.0	3,175,010	100.0	(493,387)	(15.5)

Note: excludes securities arising from own securitisations belonging to the consolidation perimeter.

In order to reduce the credit risk, real mortgage securities and financial collaterals that allow direct reduction in the value of the position are extremely relevant. Guarantees of personal protection with replacement effect on the risk position are also considered.

Regarding the direct reduction, the collateralized credit operations by financial collateral are included, namely, time deposits, bonds and shares included in a main index of a recognized stock exchange, as referred in section 4, chapter 4,title II of Part III of Capital Requirements Regulation No. 575/2013 (CRR).

The Group does not use on- and off-balance sheet compensation, as well as do not creates credit derivatives on positions in its portfolio.

Regarding mortgage collateral, evaluations of assets are carried out by independent evaluators or by own institution units, regardless of the commercial area. The revaluation of assets is carried out by conducting local assessments, by a technical evaluator, according to the conditions set in CRR. This revaluation is periodically reviewed through property variation indexes.

The Group Credit Impairment Losses Calculation Model ("*Modelo de Cálculo das Perdas por Imparidade de Crédito do Grupo*") is being produced since June 2006, with periodic updates, the last of which in 2015. It's governed by the general principles of IAS 39 and by the guidelines contained in the circular letter No. 2/2014/DSP of the Bank of Portugal, in order to harmonise the calculation process with the best international practices.

The Group impairment model begins by segment the customers of the credit portfolio in three different groups, depending on the existence of impairment indicators (which include internal and external information) and the size of the exposures of each economic group/client:

- Individually Significant: all the Clients or Economic Groups that meet at least one of the following requirements, are subject to individual analysis:
    - Exposure superior to 1M€, with signs of impairment;
    - Exposure superior to 2,5M€, without signs of impairment.
- Homogeneous populations with signs of impairment: Clients or Economic Groups that do not meet the criteria to be individually significant and that have at least one sign of impairment.
- Homogeneous populations without signs of impairment: Clients or economic groups that do not meet the criteria for individually significant and don't have any sign of impairment.

Depending on the group that clients are classified, operations are handled through the Analysis on an Individual Basis or Analysis on a Collective Basis.

For each active client / credits a group of impairment indicators are analysed, which include internal and external information that worsen the impairment values as representing an increase in the risk of default. It should be noted that restructured loans is a sign of impairment, so the loan portfolio signed as restructured is included in the loans with signs of impairment.

In the group of homogeneous populations, customer exposures are subject to review on collective basis. The calculation of the impairment value for the credits of customers belonging to homogeneous populations results from EAD exposure of the product (deducted from financial collaterals without risk) by the following risk parameters:

- PD (probability of default): corresponds to internal estimates of default, based on the risk ratings associated with operations/clients, segment and respective signs of impairment/credit conditions (if any). If the loan is in default or cross-default situation, the PD is 100%;
- LGD (loss given default): corresponds to internal estimates of loss, which may vary depending on the segment, whether it has or not collateral, LTV (Loan-to-Value) and the default seniority, based on the historical experience of recovery of loans in default.

In the individually significant clients group, the exposures of clients are subject to review on an individual basis. This analysis focuses on the credit quality of the debtor, as well as on the credit recovery expectations, especially with existing collateral and guarantees.

The amount of impairment for individually significant clients is determined through the discounted cash flows method: the impairment amount is the difference between the credit amount and the sum of the expected cash flows relating to the various customer operations, discounted in accordance with the interest rates of each operation.

Market risk

Concerning market risk information and analysis, regular reports are provided on the company's and other group entities financial assets. For the company's own portfolio, the various risk limits are also defined using the "VaR" method. There are also different exposure limits such as global "VaR" limits, by issuer, by asset type/class and quality credit rate (rating). There are also limits of Stop Loss and Trigger Loss to the positions held for negotiation and available for sale. Investment portfolio is mainly concentrated in bonds which as at December 2015 represented 88.4% (2014: 87.4%) of the total's portfolio.

CEMG calculates its own portfolios “VaR”, given a 10-day horizon and a 99% confidence interval, by the method of historical simulation. The types of risk considered in this methodology are the risk of interest rate, exchange rate risk, price risk, CDS risk, the options risk and specific credit risk.

The following table presents the main indicators of these measures for trading portfolio:

	2015	Average	Minimum	Maximum
Market VaR	454	789	453	1,734
Interest rate risk	400	670	400	2,017
Exchange risk	165	131	165	152
Price risk	302	635	302	629
Spread risk (CDS)	16	1	16	-
Diversification effect	(429)	(648)	(430)	(1,064)
Credit VaR	137	197	137	310
VaR Total	**591**	**986**	**590**	**2,044**

The assessment of interest rate risk caused by banking portfolio operations is performed by sensitivity analysis to the risk at the consolidated level for the entities that comprise the consolidated balance sheet of the Group.

Based on the financial characteristics of each contract, the respective projection of expected cash flows is made, according to the dates of rate reset and behavioural assumptions considered.

Aggregation for each analysed currency, of expected cash flows in each one of the time intervals allows to determine the gaps of interest rate by repricing period.

Following the recommendations of Basel and Instruction No. 19/2005, from 15 June of the Bank of Portugal, the Group calculates its exposure to interest rate risk based on the methodology of the Bank of International Settlements («BIS») which requires the classification of non-trading balances and off balance positions by repricing intervals.

(Thousand Euros)

	Within 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years
31 December 2015					
Assets	9,516,898	3,878,544	391,417	1,684,343	1,499,154
Off balance sheet	8,217,800	18,502	67,556	141,297	-
Total	17,734,698	3,897,046	458,973	1,825,640	1,499,154
Liabilities	5,178,793	2,232,291	2,227,600	8,334,392	307,270
Off balance sheet	8,227,811	98,735	20,000	98,429	-
Total	13,406,604	2,331,026	2,247,600	8,432,821	307,270
GAP (Assets - Liabilities)	4,328,094	1,566,020	(1,788,627)	(6,607,181)	1,191,884
31 December 2014					
Assets	11,045,039	4,347,071	351,745	1,698,022	1,212,165
Off balance sheet	8,715,156	118,047	68,916	152,487	-
Total	19,760,195	4,465,118	420,661	1,850,509	1,212,165
Liabilities	7,201,236	2,211,721	2,732,466	8,105,408	116,975
Off balance sheet	8,530,961	196,895	220,000	106,750	-
Total	15,732,197	2,408,616	2,952,466	8,212,158	116,975
GAP (Assets - Liabilities)	4,027,998	2,056,502	(2,531,805)	(6,361,649)	1,095,190

As at 31 December 2015 and 2014, the gaps of interest rate are presented as follows:

(Thousand Euros)

	2015				2014			
	December	Average	Average	Minimum	December	Average	Average	Minimum
Interest rate Gap	(1,309,808)	(1,836,514)	(1,309,808)	(2,485,967)	(1,713,766)	(1,443,074)	(1,172,382)	(1,713,766)

Sensitivity to the balance sheet's interest rate risk, by currency, is calculated by the difference between the current value of the mismatch interest rate discounted at market interest rates and the discounted value of these cash flows simulating parallel shifts of the market interest rate curve

As at December, 2015, based on the interest rate gaps observed, an instantaneous and parallel positive variation in the interest rates by 100 bp would cause an increase in the income statement in Euro 16,662 thousand (2014: Euro 64,726 thousand).

The following table presents the average interests, in relation to the Group major assets and liabilities categories for the years ended 31 December 2015 and 2014, as well as the average balances and income and expense for the year:

(Thousand Euros)

	2015			2014		
Products	Average balance for the period	Average interest rate (%)	Income / Expense	Average balance for the period	Average interest rate (%)	Income / Expense
Assets						
Loans and advances to customers	16,228,378	2.93	476,115	16,652 739	3.66	610,016
Deposits	231,540	0.01	14	186,215	0.09	167
Securities portfolio	3,508,556	2.08	73,093	3,725,183	5.13	191,248
Interbank loans and advances	289,462	0.63	1,820	426,469	1.02	4,336
Swaps	-		87,238	-		104,337
Total Assets	20,257,936		638,280	20,990,606		910,104
Liabilities						
Deposits from customers	13,359,225	1.73	231,341	14,019,468	2.26	316,299
Securities deposits	2,719,642	2.82	76,804	3,006,915	4.69	141,162
Interbank deposits	4,099,580	0.37	15,065	3,353,283	0.30	10,030
Other liabilities	1,682	0.00	-	731	0.55	4
Swaps	-		87,551	-		106,103
Total Liabilities	20,180,129		410,761	20,380,397		573,598

Regarding the currency risk, the procedure is the application of funds raised in various currencies through assets in the respective money market and for periods not exceeding those of the resources so the existing exchange gaps are mainly the result from possible mismatches between the timing of applications and resources, as well as the international business of CEMG, namely in Angola and Mozambique.

The breakdown of assets and liabilities, by currency, as at 31 December 2015 and 2014 is analysed as follows:

(Thousand Euros)

	2015							
	Euro	United States Dollar	Angolan Kwanza	Mozambican Metical	Sterling Pound	Brazilian Real	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits at central banks	403,480	9,111	-	4,250	1,246	7	6,356	424,450
Loans and advances to credit institutions repayable on demand	127,214	51,674	54,612	21	2,055	-	2,431	238,007
Loans and advance to credit institutions	36,989	94,081	-	-	6,411	-	34,563	172,044
Loans and advances to customers	14,212,179	153,666	260,410	35,405	-	-	617	14,662,277
Financial assets held for trading	47,605	2,753	-	-	-	-	735	51,093
Available-for-sale financial assets	3,010,867	268	-	3,837	105	53,216	208	3,068,501
Hedging derivatives	9	-	-	-	-	-	-	9
Held-to-maturity investments	25,364	136,176	-	-	-	-	-	161,540
Investments in associated companies and others	3,879	-	-	29	-	-	-	3,908
Non-current assets held for sale	754,069	-	-	829	-	-	-	754,898
Investment properties	692,485	-	-	-	-	-	-	692,485
Other tangible assets	45,709	-	42,556	850	-	-	-	89,115
Intangible assets	65,381	-	-	481	-	-	-	65,862
Current tax assets	27,460	-	-	401	-	-	-	27,861
Deferred tax assets	398,732	-	-	4,774	-	-	-	403,506
Other assets	322,677	741	5,542	601	3	-	96	329,660
Total Assets	20,174,099	448,470	363,120	51,478	9,820	53,223	45,006	21,145,216
Liabilities by currency								
Deposits from central banks	2,277,258	-	-	-	-	-	-	2,277,258
Deposits from other credit institutions	1,404,775	103,611	18,040	5,454	6,562	-	34,689	1,573,131
Deposits from customers	12,366,258	218,494	298,772	20,200	16,742	-	48,965	12,969,431
Debt securities issued	1,976,396	54,769	-	-	-	-	-	2,031,165
Financial liabilities associated to transferred assets	323,037	-	-	-	-	-	-	323,037
Financial assets held for trading	69,813	476	-	-	-	-	-	70,289
Hedging derivatives	439	-	-	-	-	-	-	439
Provisions	15,693	-	521	373	-	-	-	16,587
Current tax liabilities	3,069	-	-	-	-	-	-	3,069
Other subordinated debt	304,924	28,115	-	-	-	-	-	333,039
Other liabilities	182,214	5,952	9,334	1,272	2,015	-	2,838	203,625
Total Liabilities	18,923,876	411,417	326,667	27,299	25,319	-	86,492	19,801,070
Exchange forward transactions		(29,609)	-	-	16,896	-	47,070	
Exchange Gap	-	7,444	36,453	24,179	1,397	53,223	5,584	
Stress Test	-	(1,489)	(7,291)	(4,836)	(279)	(10,645)	(551)	

(Thousand Euros)

	2014							
	Euro	United States Dollar	Angolan Kwanza	Mozambican Metical	Sterling Pound	Brazillian Real	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits to central banks	265,532	13,073	-	-	1,154	516	4,538	284,813
Loans and advances to credit institutions repayable on demand	129,226	29,694	56,435	-	329	-	1,359	217,043
Loans and advances to credit institutions	229,814	192,023	80,639	-	7,414	-	36,272	546,162
Loans and advances to customers	14,835,024	138,059	252,316	-	-	-	824	15,226,223
Financial assets held for trading	52,848	33,733	-	-		-	-	86,581
Available-for-sale financial assets	3,585,709	3,175	-	-	34	-	793	3,589,711
Hedging derivatives	60	-	-	-	-	-	-	60
Held-to-maturity investments	16,090	104,011	-	-	-	-	-	120,101
Investments in associated companies and others	24,650	-	-	-	-	-	-	24,650
Non-current assets held for sale	799,739	-	-	-	-	-	-	799,739
Investment properties	715,737	-	-	-	-	-	-	715,737
Other tangible assets	52,575	-	46,356	-	-	-	-	98,931
Intangible assets	66,054	-	-	-	-	-	-	66,054
Current tax assets	2,664	-	-	-	-	-	-	2,664
Deferred tax assets	355,881	-	-	-	-	-	-	355,881
Other assets	330,464	4,366	4,285	-	8	-	1	339,124
Total Assets	21,462,067	518,134	440,031	-	8,939	516	43,787	22,473,474
Liabilities by currency								
Deposits from central banks	2,496,886	-	-	-	-	-	-	2,496,886
Deposits from other credit institutions	931,258	94,574	-	-	7,708	-	36,616	1,070,156
Deposits from customers	13,634,609	250,361	362,486	-	16,087	-	51,116	14,314,659
Debte securities issued	2,097,928	48,597	-	-	-	-	-	2,146,525
Financial liabilities associated to transferred assets	163,650	-	-	-	-	-	-	163,650
Financial liabilities held for trading	54,477	30,815	-	-	-	-	-	85,292
Hedging derivatives	1,494	-	-	-	-	-	-	1,494
Provisions	19,558	-	771	-	-	-	-	20,329
Current tax liabilities	16,962	-	-	-	-	-	-	16,962
Other subordinated debt	348,094	25,185	-	-	-	-	-	373,279
Other liabilities	273,780	85,545	36	20	2,314	8,004	19	369,718
Total Liabilities	20,038,696	535,077	363,293	20	26,109	8,004	87,751	21,058,950
Exchange forward transactions	16,444	(81,319)	-	-	15,991	-	47,212	(1,672)
Exchange Gap	-	(16,943)	76,738	(20)	(17,170)	(7,488)	(43,964)	
Stress test	-	3,389	(13,754)	-	(34)	(103)	(510)	

The result of the stress test performed corresponds to the estimate impact (before tax) in equity, including minority interests, due to a devaluation of 20% in exchange rate of each currency against Euro.

Liquidity risk

The assessment of the liquidity risk is made using regulatory indicators defined by the supervisory authorities, as well as other internal metrics for which exposure limits are also defined. This control is reinforced with stress tests executed at a monthly basis, in order to characterize the risk profile of CEMG and ensure that the Group fulfils its obligations in a liquidity crisis scenario.

The purpose of liquidity management is to maintain adequate liquidity levels to meet short, medium and long term funding needs. Liquidity risk is monitored on a daily basis, and prepared several reports for the purpose of control and monitoring and support to the decision taking in place of ALCO Committee.

The evolution of the liquidity situation is carried out based particularly on future cash flows estimated for various time horizons, taking into account the balance sheet of CEMG. To the calculated values is added the analysis day's liquidity position and the amount of assets considered highly liquid in the portfolio of uncommitted assets, determining the cumulative liquidity gap for different time horizons. In addition, it is also carried out a follow-up of liquidity positions of a prudential point of view, calculated under the rules required by the Bank of Portugal (Instruction No. 13/2009 of 15 September), as well as the level of compliance of the new prudential liquidity ratios, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), introduced with the entry into force of CRD IV in 2014. The recorded value of LCR, in December 2015, was 111.36%.

As at 31 December 2015, Group financing was as follows:

(Millions of Euro)

Liabilities	2015	<1 month	1 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	> 12 months
Deposits from central banks	2,277	551	-	-	-	-	1,726
Financial liabilities held for trading	70	-	-	-	-	-	70
Deposits from other credit institutions	1,573	161	40	180	-	145	1,047
Deposits from customers	12,968	4,336	1,690	1,940	1,165	947	2,890
Debt securities issued	2,032	17	26	46	20	327	1,596
Financial liabilities associated to transferred assets	323	-	-	-	-	-	323
Hedging derivatives	-	-	-	-	-	-	-
Other subordinated debt	333	-	-	49	-	-	284
Other liabilities	204	-	-	26	-	-	178
Total liabilities	**19,780**	**5,065**	**1,756**	**2,241**	**1,185**	**1,419**	**8,114**

As at 31 December 2015 the total collateral value available in the European Central Bank (ECB) amounts to Euro 3,723,310 thousand (2014: Euro 4,202,365 thousand) with an usage of Euro 2,277,258 thousand (2014: Euro 2,496,886 thousand):

(Thousand Euros)

	2015	2014
Total collateral eligible	**5,327,550**	**5,467,694**
Total collateral in the *"pool"*	3,723,310	4,202,365
Collateral outside the *"pool"*	1,604,240	1,265,329
Collateral used	**3,577,152**	**3,641,758**
Collateral used for ECB	2,277,258	2,496,886
Collateral commited to other financing operations	1,299,894	1,144,872
Collateral available	**1,750,398**	**1,825,936**

Note: collateral value takes into account the applied haircut

Within the instruction No. 28/2014 of the Bank of Portugal, which focuses on the guidance of the European Banking Authority in relation to the disclosure of encumbered and unencumbered assets (EBA/GL/2014/3) and taking into consideration the recommendation by the European Systemic Risk Committee, we present the following information, as at 31 December 2015 and 2014 on the assets and collaterals:

(Thousand Euros)

	2015			
Assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets
Assets from the reporting institution	1,190,357	n/a	19,954,859	n/a
Equity instruments	-	-	566,157	325,505
Debt securities	1,126,434	1,106,022	2,211,878	3,534,847
Other assets	-	n/a	2,765,830	n/a

(Thousand Euros)

	2014			
Assets	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**
Assets from the reporting institution	1,432,485	n/a	21,040,989	n/a
Equity instruments	-	-	459,768	467,889
Debt securities	1,326,930	1,428,264	2,483,339	2,952,228
Other assets	-	n/a	2,665,252	n/a

(Thousand Euros)

	2015	
Collateral received	**Fair value of encumbered collateral received or own debt securities issued**	**Fair value of collateral received or own debt securities issued available for encumberance**
Assets from the reporting institution	**3,643 951**	-
Equity instruments	-	-
Debt securities	3,643 951	-
Other collateral received	-	-
Own securities issued that are not own covered bonds or ABS	-	-

(Thousand Euros)

	2014	
Collateral received	**Fair value of encumbered collateral received or own debt securities issued**	**Fair value of collateral received or own debt securities issued available for encumberance**
Assets from the reporting institution	**3,090,649**	**1,059,108**
Equity instruments	-	-
Debt securities	3,090,649	1,059,108
Other collateral received	-	-
Own securities issued that are not own covered bonds or ABS	-	-

(Thousand Euros)

	2015
Encumbered assets, encumbered collateral received and associated liabilities	**Carrying amount of selected financial liabilities**
Associated liabilities, contingent liabilities and securities borrowed	3,766,301
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	4,805,294

(Thousand Euros)

	2014
Encumbered assets, encumbered collateral received and associated liabilities	**Carrying amount of selected financial liabilities**
Associated liabilities, contingent liabilities and securities borrowed	3,490,061
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	4,490,351

The encumbered assets are mostly related to collateralised financing, in particular the ECB's, repo transactions, issuance of covered bonds and securitisation programs. The types of assets used as collateral of these financing transactions are divided into portfolios of loans to clients, supporting securitisation programs and covered bonds issues, whether placed outside the Group, whether to improve the pool of collateral with the ECB, and Portuguese, Italian and Spanish sovereign debt, which collateralize repo transactions in the money market.

The amounts presented previously correspond to the position as at 31 December 2015 and 2014 and reflect the high level of collateralisation of the wholesale funding of the Group. The buffer of eligible assets for the ECB, after haircuts, less net borrowing at the ECB, as at 31 December 2015 amounts to Euro 1,750,398 thousand (2014: 1,825,936 thousand).

Real Estate Risk

The real estate risk results from exposure in real estate (whether from credit recovery processes, whether investment properties) as well as real estate fund units held in securities portfolio. These exposures are regularly monitored and scenario analyses are performed on a regular basis that attempt to estimate potential impacts of changes in real estate markets in portfolios of real estate funds, investment real estate and real estate received as loan guarantee.

As at 31 December 2015 and 2014, exposure to real estate and investments real estate fund units presented the following value:

(Thousand Euros)

	2015	2014
Real estate received as loan guarantee	752,802	796,313
Investment properties	692,485	715,737
Real estate investment fund units	206,987	204,019
	1,652,274	1,716,069
	(165,227)	(171,607)

Stress test

Stress test results correspond to the estimated impact in equity (before taxes) of a 10% negative variation in values of real estate and real estate funds.

Operational Risk

The Group has implanted an integrated continued business plan, which allows to ensure the continuity of the operations in a case of a rupture in the activity.

DRI of CEMG has the corporate function of operational risk management of the Group which is supported by the existence of responsible employees in the different organic units that ensure the proper implementation of Montepio Group operational risk management.

Capital management and Solvency Ratio

The own funds of the Group are established in accordance with the applicable regulatory standards, namely Directive 2013/36/EU and Regulation (EU) No. 575/2013 adopted by the European Parliament and by the Council (CRD IV / CRR), and the Notice No. 6/2013 of the Bank of Portugal. The own funds includes own funds of level 1 (tier 1) and own funds of level 2 (tier 2). Tier 1 includes own funds core of level 1 (common equity tier 1 – CET1) and the additional own funds of level 1with the following composition:

- **Own Funds Core of Level 1 or Common Equity Tier 1 (CET1):** this category includes the realized capital (with deduction of own funds), eligible reserves (including fair value reserves), accumulated results, results retained from the period when positives and certified or by its fullness if negatives. The value of reserves and retained earnings are adjusted by the reversal of the results in financial liabilities at fair value through profit or loss in the past corresponding to the risk of the institution's own credit. Non-controlling interests are only eligible to the necessary extent to cover the Group's capital requirements attributable to non-controlling interests. It is deducted the balance value of the amounts relative to goodwill, other intangible assets, as well as the gap, if positive, between the asset and the pension fund responsibility. The assets for deferred taxes are also deducted from assets related to tax losses. Concerning financial investments on financial sector entities and deferred tax assets by temporary differences on which depends the Group's future profitability, the values in these accounts are deducted when, individually, overcome 10% of CET1, or posteriorly 15% of CET1 when considered as aggregated (only on the non-deducted part on the first barrier of 10% and considering only significant participations). Non-deducted values will be subject to weight of 250% for the fullness of risk-weighted assets. Regarding investments in financial institutions, the eventual deduction is proportionally realized on the respective held capital levels. Between the implementation of this new prudential regulation in 2014 and 2018, a transitory period will be in force that will allow to gradually acknowledge the majors impacts of this new regulation. Emphasis for the transitory plan applied to deferred tax assets and negative actuarial deviations of the pensions fund that allow to acknowledge 20% per year of the eventual negative effects caused by the new standards. Fair value reserves will also be subjects to a transitory plan of 20%/year, being however excluded from this plan the fair value reserves related to risk positions over Central Administrations. This exclusion will end after the adoption, by the European Committee, of a regulation based on Regulation (CE) No. 1606/2002 that approves the International Financial Report Standard, that will replace IAS 39.

• **Own Funds of Level 1 or Tier 1 (T1)**: Iincludes capital equivalent instruments, whose conditions are in accordance with the article 52º from Regulation No.575/2013 and approved by the Bank of Portugal. Non-controlling interests are also eligible in relation to the minimum requirements of additional own funds of institutions for which the Group does not hold 100% of the share capital. The eventual detentions of capital T1 from financial institutions subjected to deduction are deducted from this capital.

• **Own Funds of Level 2 or Tier 2 (T2)**: includes capital equivalents instruments, whose conditions are in accordance with the article 63º from Regulation No.575/2013 and approved by the Bank of Portugal. Non-controlling interests are also eligible in relation to the minimum requirements of additional own funds of institutions for which the Group does not hold 100% of the share capital. The eventual detentions of capital T2 from financial institutions subjected to deduction are deducted from this capital.

The Totals Own Funds or Total Capital are constituted by the sum of the three levels previous referred.

Regarding the calculation of risk-weighted assets, in addition to the credit, operational and market risks requirements, a particular reference to the weighting of 250% of deferred tax assets from temporary differences that depend on future earnings and investments that are within the established limit for non-deduction to CET1. The CVA requirement is also calculated.

As previously referred, until 2018 the effects of Basel III's new regulation will gradually be introduced. This process is usually named as Phasing-in. The full assumption of the new regulation, without considering transitory plans, is named as Full Implementation. Phasing-in is actually in process, being verified in this base if determined entity have the amount of own funds superior to the minimum requirement, and properly certifying its capital adequation. This relation is reflected on the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (formerly designated by solvability ratio, represented by the percentage of capital level correspondent to the amount of 12.5 times the own funds requirements). For these ratios, the regulatory minimums indicated by the Bank of Portugal for 2015 are 7% for CET1 and 8% for Total Capital.

According to the CRD IV/CRR, since 1 January 2016, institutions must report Common Equity Tier 1 ratios, Tier 1 and totals not below 7%, 8.5% and 10.5%, respectively, including a conservation buffer of 2.5%.

The resume of the calculation for the Group's capital requirements at 31 December 2015 and 2014, is presented as follows:

(Thousand Euros)

	2015	2014
Capital Common Equity Tier 1		
Paid-up capital	1,900,000	1,700,000
Net profit, reserves and retained earnings	(561,214)	(392,666)
Other regulatory adjustments	(107,878)	(22,104)
	1,230,908	1,285,230
Capital Tier 1		
Other equity instruments	-	6,618
Regulatory adjustments	-	(6,618)
	1,230,908	1,285,230
Capital *Tier 2*		
Subordinated loans	137,483	32,826
Regulatory adjustments	(8,167)	(8,941)
	129,316	23,885
Total own funds	1,360,224	1,309,115
Own funds requirements		
Credit risk	1,010,644	1,105,807
Market risk	18,665	6,438
Operational risk	61,301	65,666
Other requirements	26,378	30,489
	1,116,988	1,208,400
Prudential Ratio		
Ratio *Common Equity Tier 1*	8.82%	8.51%
Ratio *Tier 1*	8.82%	8.51%
Total Capital Ratio	9.74%	8.67%

In order to reinforce the prudential situation, by adapting the prudential ratios to the requirements of the Group's strategic plan, the increase of the Group's own funds was approved, in accordance with the statutory deliberations of the Board of Directors of MGAM, the General and Supervisory Board and the Executive Board of Directors of CEMG, as described in note 65.

58 Accounting standards recently issued

Recently Issued pronouncements already adopted by the Group in the preparation of the financial Statements are the following:

IFRIC 21 – Levies

The IASB, issued on 20th May 2013, this interpretation, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. This interpretation was endorsed by EU Commission Regulation 634/2014, from 13th June.

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

This interpretation only had impact in the interim financial statements of the Group.

- **Improvements to IFRS (2011-2013)**

The annual improvements cycle 2011-2013, issued by IASB on 12th December 2013, introduced amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40. These amendments were endorsed by EU Commission Regulation 1361/2014, from 18th December (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1st January 2015).

- IFRS 1 – Meaning of “effective IFRS”

IASB clarifies that if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity’s first IFRS financial statements.

- IFRS 3 – Scope exceptions for joint ventures

The amendment excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3. The scope exception only applies to the financial statements of the joint venture or the joint operation itself.

- IFRS 13 – Scope of paragraph 52 – portfolio exception

Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment was to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.

- IAS 40 – Interrelationship with IFRS 3 when classify property as investment property or owner-occupied property

The objective of this amendment is to clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

The Group expects no material impact from the adoption of this amendment on its financial statements.

The Group decided to opt for not having an early application of the following standards endorsed by EU:

IAS 19 (Revised) – Defined Benefit Plans: Employee Contributions

The IASB, issued on 21th November 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st July 2014. These amendments were endorsed by EU Commission Regulation 29/2015, 17th December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1st February 2015).

The Amendment clarifies the guidance on attributing employee or third party contributions linked to service and requires entities to attribute the contributions linked to service in accordance with paragraph 70 of IAS 19 (2011). Therefore, such contributions are attributed using plan’s contribution formula or on a straight line basis.

The amendment addresses the complexity by introducing a practical expedient that allows an entity to recognise employee or third party contributions linked to service that are independent of the number of years of service (for example a fixed percentage of salary), as a reduction in the service cost in the period in which the related service is rendered.

The Group expects no impact from the adoption of this amendment on its financial statements.

Improvements to IFRS (2010-2012)

The annual improvements cycle 2010-2012, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS16, IAS24 and IAS38. These amendments were endorsed by EU Commission Regulation 28/2015, 17th December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1st February 2015).

• ***IFRS 2 – definition of vesting condition***

The amendment clarify the definition of 'vesting conditions' in Appendix A of IFRS 2 Share-based Payment by separate the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clear.

• ***IFRS 3 – Accounting for contingent consideration in a business combination***

The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination, namely: classification of contingent consideration in a business combination and subsequent measurement, taking into account if such contingent consideration is a financial instrument or a non-financial asset or liability.

• ***IFRS 8 – Aggregation of operation segments and reconciliation of the total of the reportable segments' assets to entity's assets***

The amendment clarify the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. To achieve consistency, reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker.

• ***IFRS 13 – Short-term receivables and payables***

IASB amends the basis of conclusion in order to clarify that, by deleting IAS 39 AG79, in applying IFRS 3, IASB did not intend to change the measurement requirements for short-term receivables and payables with no interest, that should be discount if such discount is material, noting that IAS 8.8 already permits entities not apply accounting polices set out in accordance with IFRSs when the effect of applying them is immaterial.

• ***IAS 16 and IAS 38 – Revaluation method – proportionate restatement accumulated depreciation or amortization***

In order to clarify the calculation of the accumulated depreciation or amortisation at the date of the revaluation, IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38 to clarify that:

(i) the determination of the accumulated depreciation (or amortisation) does not depend on the selection of the valuation technique; and (ii) the accumulated depreciation (or amortisation) is calculated as the difference between the gross and the net carrying amounts.

• ***IAS 24 – Related Party Transactions – Key management personal services***

In order to address the concerns about the identification of key management personal (KMP) costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that, the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17.

The Group expects no impact from the adoption of these amendments on its financial statements.

Improvements to IFRS (2012-2014)

The annual improvements cycle 2012-2014, issued by IASB on 25th September 2014, introduce amendments, with effective date on, or after, 1st January 2016, to the standards IFRS 5, IFRS 7, IAS19 and IAS34. These amendments were endorsed by EU Commission Regulation 2343/2015, 15th December 2015.

- *IFRS 5 – Non-current Assets held for Sale and Discontinued Operations: Change of Disposal Method*

The Amendments to IFRS 5 clarify that if an entity reclassifies an asset (or disposal group) directly from being ‘held for sale’ to being ‘held for distribution to owners’ (or vice versa) then the change in classification is considered a continuation of the original plan of disposal. Therefore, no re-measurement gain or loss is accounted for in the statement of profit or loss or other comprehensive income due to such change.

- *IFRS 7 – Financial Instruments: Disclosures: Servicing contracts*

The Amendments to IFRS 7 Financial Instruments: Disclosures: Servicing contracts clarify – by adding additional application guidance – when servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements in paragraph 42C of IFRS 7.

- *IFRS 7 – Financial Instruments: Disclosures: Applicability of the Amendments to IFRS 7 on offsetting financial assets and financial liabilities to condensed interim financial statements*

The Amendments to IFRS 7 clarify that the additional disclosures required that were introduced in December 2011 by the Amendments to IFRS 7 –Offsetting Financial Assets and Financial Liabilities – are not required in interim periods after the year of their initial application unless IAS 34 Interim Financial Reporting requires those disclosures.

- *IAS 19 – Employee Benefits: Discount rate: regional market issue*

The Amendments to IAS 19 Employee Benefits clarify that the high quality corporate bonds used to estimate the discount rate should be determined considering the same currency in which the benefits are to be paid. Consequently, the depth of the market for high quality corporate bonds should be assessed at currency level rather than at country level. If such a deep market does not exist, the market yield on government bonds denominated in that currency shall be used.

- *IAS 34 – Interim Financial Reporting: Disclosure of information ‘elsewhere in the interim financial report’*

The Amendments clarify that the ‘other disclosures’ required by paragraph 16A of IAS 34 shall be presented either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or a risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The Amendments to IAS 34 also clarify that if users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete.

The Group expects no impact from the adoption of these amendments on its financial statements.

• ***IAS 27 – Equity Method in Separate Financial Statements***

IASB issued on 12thAugust, 2014, amendments to IAS 27, with an effective date of application for periods beginning on or after 1st January, 2016, introducing an option for the measurement of subsidiaries, associates or joint ventures the equity method in the separate financial statements.

These amendments were endorsed by EU Commission Regulation 2441/2015, 18th December 2015.

The group has not yet taken any decision on a possible adoption on this option in their separate accounts.

Recently Issued pronouncements that are not yet effective for the Group

IFRS 9 - Financial instruments (issued in 2009 and revised in 2010, 2013 and 2014)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces the hedging requirements. IFRS 9 (2014) introduces limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets.

The IFRS 9 requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains three measurement categories for financial assets: amortised, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL). A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding. If the debt instrument that are SPPI are held under a business model whose objective achieved both by collecting contractual cash flows and by selling, the measurement would be at fair value through other comprehensive income (FVOCI), keeping the revenue form interest presenting in profit or loss.

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI (FVOCI). Those amounts recognised in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment.

All other financial assets, either the financial assets held under a business model of trading, either other financial instruments that do not comply with SPPI criteria, would be measured at fair value through profit and loss.

This situation includes investments in equity instruments, in respect of which an entity does not elect to present fair value changes in OCI that would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety, confirming that exist embedded derivatives, it should be measured at fair value through profit and loss.

The standard eliminates the existing IAS 39 categories of held-to-maturity, available for sale and loans and receivables".

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

IFRS 9 (2014) establishes a new impairment model base on “expected losses” that replaces the current “incurred losses” in IAS 39.

Therefore, the loss event will no longer need to be verified before an impairment allowance is recognised. This new model will accelerate recognition of losses from impairment on debt instruments held that are measured at amortized cost or FVOCI.

If the credit risk of financial asset has not increased significantly since its initial recognition, the financial asset will attract a loss allowance equal to 12-month expected credit losses.

If its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses thereby increasing the amount of impairment recognised.

As soon as the loss event occurs (what is current defined as “objective evidence of impairment”), the impairment allowance would be allocated directly to the financial asset affected, which provides the same accounting treatment, from that point, similar to the current IAS 39, including the treatment of interest revenue.

IFRS 9 will be effective on or after 1st January 2018.

The Group has started the process of evaluating the potential effect of this standard. Considering the nature of the Group´s operation, this standard is expected to have a material impact on the Group´s financial statements.

IFRS 15 - Revenue from Contracts with Customers

The IASB, issued on May 2014, IFRS 15 - Revenue from Contracts with Costumers, effective for annual periods beginning on or after 1st January 2017. The early adoption is allowed. This standard revokes IAS 11- Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue- Barter Transactions Involving Advertising Services.

IFRS 15 provides a model based on 5 steps of analysis in order to determine when revenue should be recognised and the amount.

The model specifies that the revenue should be recognised when an entity transfers goods or services to the customer, measured by the amount that the entity expects to be entitled to receive. Depending on the fulfilment of certain criteria, revenue is recognised:

- At the time when the control of the goods or services is transferred to the customer; or
- Over the period, to the extent that represents the performance of the entity.

The Group is still evaluating the impact from the adoption of this standard.

IFRS 14 – Regulatory Deferral Accounts

The IASB issued on 30th January 2014 a standard that defines interim measures for those adopting IFRS for the first time and has activity with regulated tariff.

This standard is not applicable to the Group.

IFRS 16 - Leases

The IASB, issued on 13th January 2016, IFRS 16 Leases, effective (with early application if applied at the same time IFRS 15) for annual periods beginning on or after 1st July 2019. This new standard replaces IAS 17 Leases. IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee—the lease customer), treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements.

The Group has not carry out a full analysis of the application of the impact of this standard yet.

Other Amendments

It was also issued by IASB in 2014, and applicable effective by 1st January 2016, the following amendments:

- Amendments to IAS 16 and IAS 41: Bearer Plants (issued on 30th June 2014 and was endorsed by EU Commission Regulation 2113/2015, 23th November);

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12th May 2014 and was endorsed by EU Commission Regulation 2231/2015, 2nd December);

- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued on 6th May 2014 and was endorsed by EU Commission Regulation 2173/2015, 24 th November);

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (issued on 18th December);

- Amendments to IAS 1 - Disclosure initiative (issued on 18 th December).

The Group expects no impact from the adoption of these amendments on its financial statements.

59 Sovereign debt of European Union countries subject to bailout

As at 31 December 2015, the exposure of Group to sovereign debt of European Union countries subject to bailout is as follows:

(Thousand Euros)

	2015						
Issuer / portfolio	**Book value**	**Fair value**	**Fair value reserve**	**Impairment**	**Average interest rate**	**Average maturity (years)**	**Measurement level**
Greece							
Available-for-sale financial assets	11,169	11,169	-	(7,343)	2.94	22.16	1

The securities value includes the respective accrued interests.

As at 31 December 2014, the exposure of Group to sovereign debt of European Union countries subject to bailout is as follows:

(Thousand Euros)

	2014						
Issuer / portfolio	Book value	Fair value	Fair value reserve	Impairment	Average interest rate	Average maturity (years)	Measurement level
Greece							
Available-for-sale financial assets	9,525	9,525	-	(8,834)	1.26	23.16	1

60 Transfer of assets

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The financial assets sold under these transactions are derecognised from the balance sheet of the Group, since the transactions result in the transfer to the Funds of a substantial portion of the risks and benefits associated with the assets as well as the control on the assets.

The specialized funds that acquire the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its investment throughout the useful life of the Fund.

These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks holds more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the banks and that is selected on the date of establishment of the Fund.

The management structure of the Fund has as main responsibilities:

- determine the objective of the Fund;
- manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund.

The management structure is remunerated through management commissions charged to the Funds.

These funds, in the majority of the transactions (in which the Group holds minority positions) establish companies under the Portuguese law in order to acquire the loans to the banks, which are financed through the issuance of senior and junior bonds.

The value of the senior bonds fully subscribed by the funds that hold the share capital of the companies match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company that holds the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the sale value.

These junior bonds, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior bonds plus it related interest.

However, considering that these junior bonds reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the junior bonds are fully provided.

Therefore, following the transactions that occurred, the Group subscribed:

- Participation units of the Funds, for which the cash-flows that allow the recovery arise mainly from a set of assets transferred from the participant banks (where the Group has clearly a minority interest). These securities are booked in the available for sale portfolio and are accounted for at fair value based on the market value, as disclosed by the Funds and audited at year end.

- Junior bonds (with higher subordination degree) issued by the companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, the Group performed the derecognition of the assets transferred under the scope of IAS 39.20 c (i) and the recognition of the assets received as follows:

(Thousand Euros)

	2015			2014		
	Value associated with the transfer of assets			Value associated with the transfer of assets		
	Net assets transferred	Amount received	Accumulated result obtained with the transfer	Net assets transferred	Amount received	Accumulated result obtained with the transfer
Fundo Vega, FCR	27,074	42,202	15,128	-	-	-
Vallis Construction Sector Fund	18,794	20,889	2,095	18,794	20,889	2,095
Discovery Portugal Real Estate Fund	13,698	15,415	1,717	13,698	15,415	1,717
Fundo Aquarius, FCR	13,060	13,485	425	13,060	13,485	425
Fundo de Reestruturação Empresarial, FCR	45,349	45,509	160	45,349	45,509	160
	117,975	137,500	19,525	90,901	95,298	4,397

As at 31 December 2015 and 2014, the assets received under these transactions are as follows:

(Thousand Euros)

	2015				
	Senior Securities	Junior Securities	Total	Impairment	Net value
Fundo de Reestruturação Empresarial, FCR	43,544	-	43,544	(773)	42,771
Fundo Vega, FCR	27,292	-	27,292	-	27,292
Vallis Construction Sector Fund	16,991	6,153	23,144	(6,153)	16,991
Fundo Aquarius, FCR	13,801	-	13,801	(524)	13,277
Discovery Portugal Real Estate Fund	13,151	-	13,151	-	13,151
	114,779	6,153	120,932	(7,450)	113,482

(Thousand Euros)

	2014				
	Senior Securities	Junior Securities	Total	Impairment	Net Value
Fundo de Reestruturação Empresarial, FCR	46,260	-	46,260	(219)	46,041
Vallis Construction Sector Fund	16,441	6,153	22,594	(6,153)	16,441
Fundo Aquarius, FCR	13,517	-	13,517	-	13,517
Discovery Portugal Real Estate Fund	12,157	-	12,157	-	12,157
	88,375	6,153	94,528	(6,372)	88,156

The junior securities correspond to participation units in the amount of Euro 6,153 thousand (2014: Euro 6,153 thousand), as referred in note 24.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for, in accordance with note 15.

In 2015, the Group acquired 27,292 investment units in the Fund Vega FCR in the amount of Euro 27,292 thousand as described in note 24. In addition, subscribed supplementary capital contributions in the amount of Euro 14,910 thousand, according to note 33. It should be noted that the supplementary capital contributions are fully provided as referred in note 16.

Although the junior bonds are fully provided, The Group still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of assets transferred by all financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior bonds).

61 Contingencies

In accordance with Decree-Law No. 24/2013 which establishes the modus operandi of the Resolution Fund ('RF'), the Group has made the mandatory contributions, as provided for in that law, since 2013. Thus, since the inception of the RF, the Group made the initial contribution, pursuant to Article 3 of that Decree-Law and the periodical contributions in 2013 and 2014, under Article 4 of that Decree-Law.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which it was clarified that the periodic contribution to the RF should be recognized as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of Decree-Law No. 24/2013, of 19 February. The Group is recognizing as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: "it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to BES. Therefore, the eventual collection of a special contribution appears to be unlikely".

Subsequently, after issuance by the RF of such statement, in the scope of the resolution process of Banco Espírito Santo, S.A., the Bank of Portugal decided, as announced on 29 December 2015, to transfer to the RF the responsibilities arising from the "... possible negative effects of future decisions, resulting from the resolution process (of Banco Espírito Santo, SA), which result in liabilities or contingencies". According to publicly available information, the volume of litigation associated with this process is high, not being duly clarified which amount of losses the RF may incur with these litigations or with the sale of Novo Banco, S.A..

Additionally, the Bank of Portugal decided on 19 and 20 December 2015, to apply a resolution measure to Banif - Banco Internacional do Funchal, SA ('BANIF'), not being clear which amount of losses the RF may incur with this process.

Accordingly, as at 31 December 2015, there is no estimate on the amount of potential losses arising from the sale of Novo Banco, S.A., the above referred litigations associated with the resolution process of BES or potential losses to be incurred by the RF following the resolution of BANIF and the way in which these losses are likely to affect the Group, as to the amount and timing of future contributions to the RF, or on the reimbursement of the loans granted to RF.

In 2015, following the establishment of the European Resolution Fund, the Group had to make an initial contribution in the amount of Euro 8,452 thousand, as referred in note 10. The European Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

62 Subsidiary and associated companies

As at 31 December 2015, the companies under full consolidation method in the Group are presented as follows::

Subsidiary Company	Head of Office	Share Capital	Currency	Activity	Group % of control	Group % of effective part.	Bank % of direct part.
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI)	Praia	8,996,000	Escudo Cabo Verdiano	Banking	100.00%	100.00%	100.00%
Montepio Holding, S.G.P.S., S.A.	Oporto	175,000,000	Euro	Holding company	100.00%	100.00%	100.00%
Montepio Investimento, S.A.	Oporto	180,000,000	Euro	Banking	100.00%	100.00%	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Oporto	30,000 000	Euro	Finance lease	100.00%	100.00%	-
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.	Oporto	1,550,000	Euro	Investment fund management	100.00%	100.00%	-
Montepio Recuperação de Crédito, ACE	Lisbon	-	-	Several services	93.00%	93.00%	93.00%
Finibanco Angola, S.A.	Luanda	4,182,000,000	Kwanza	Banking	81.57%	81.57%	-
Banco Terra, S.A.	Maputo	2,686,458,998	Metical	Banking	45.78%	45.78%	-
Montepio Capital de Risco, S.C.R., S.A.	Lisbon	250,000	Euro	Venture capital management	100.00%	100.00%	-

As at 31 December 2015, the companies accounted under the equity method are as follows:

Subsidiary company	Head of Office	Share Capital	Activity	% Held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	São Miguel Island	Euros 10,000,000	Tourism	20.00%
Iberpartners Cafés, S.G.P.S., S.A.	Lisbon	Euros 3,400,000	Holding company	29.41%
Montepio Gestão de Ativos Imobiliários, A.C.E.	Lisbon	Euros 2,449,707	Real estates holding company	28.50%

The presented percentage reflects the economic interest of the Group.

In addition, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidiary Company	Establishment year	Acquisition year	Head of Office	% of controlling interest	Consolidation method
Pelican Mortgages No. 1 PLC	2002	2002	Dublin	100%	Full
Pelican Mortgages No. 2 PLC	2003	2003	Dublin	100%	Full
Finipredial - Fundo de Investimento Imobiliário Aberto	1997	2012	Lisbon	81.00%	Full
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2011	2011	Lisbon	100%	Full
Montepio Arrendamento II – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional II (FIIAH)	2013	2013	Lisbon	100%	Full
Montepio Arrendamento III – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full
Fundo Capital de Risco Montepio Crescimento	2015	2015	Lisbon	100%	Full

In 2014, considering the IFRS 10 and the commitments of CEMG in the aim of the activity management of Banco Terra S.A., that gives the ability to manage the main activities, having the ability to face the power and responsibilities of Chief Executive Officer, that will be appointed by the Group, to influence the remaining areas, the shareholding was consolidated by the full consolidation method. This situation remained unchanged in 2015.

63 Sale of subsidiaries

As at December 2015, the Group holds 81.57% of the subsidiary Finibanco Angola, S.A.

In 2015, was established an agreement to sale 1,727,782 shares of Finibanco Angola S.A., which represents 30.57% of the share capital by united states dollar 26,346,178.

The Group analysed the effectiveness of regulatory and legal compliance, and has concluded the non-recognition of the financial participation sale, until it has been financial liquidated.

After the conclusion of the transaction, the Group will remain with control of Finibanco Angola, S.A.

64 Relevant Facts

Purchase proposal of Visa Europe Ltd by Visa Inc.

As at 2 November 2015, Visa Inc. announced a purchase proposal of Visa Europe Ltd by Visa Inc. According to information published by Visa Inc., the transaction values include Euro 16.5 billion paid up-front that may be increased by Euro 4.7 billion paid as cash earn-out at the end of the fourth year after the transaction completion, amounting to Euro 21.2 billion. The up-front values consider Euro 11.5 billion paid in cash and Euro 5 billion in preferred shares convertible into ordinary shares Visa Inc. Class A.

As member of Visa Europe Ltd, the Group will benefit from this transaction.

On this basis and as referred to in notes 24 and 47, the investment was valued based on estimated values. These values are still subject to change, and the final values will be released by the end of the first quarter of 2016. According to the indicative timetable of the transaction, the up-front payments should occur by the end of the first half of 2016 although the terms of implementation of this payment is subject to regulatory approvals.

The Group can still receive payments related to earn-out after the fourth anniversary of the completion of the transaction. This amount will depend on the percentage that each bank will contribute to the business of Visa during the four years following completion of the transaction.

The amounts initially estimated for the payment in cash were recorded in fair value reserves in 2015. Until this date, the asset was carried at cost considering that there was no reliability in the determination of fair value.

65 Subsequent events

As at 18 March 2016, CEMG proceeded to a capital increase carried out by Montepio Geral Associação Mutualista (MGAM), in accordance with the statutory deliberations of the General Council of MGAM, the General and Supervisory Board and Executive Board of Directors of CEMG.

The capital increase was fulfilled by MGAM by conducting institutional capital in cash Euro 270,000,000.

On the same date was also decided by the same organs, proceed with the acquisition of 31,500,000 of investment units held by Montepio Investimento SA with a nominal value of Euro 31,500,000.

In addition, the Executive Board of Directors reports that will be submitted for consideration to the holders of investments units of the fund, the possibility of maintaining proportionality of their property rights, within the agenda of its Annual General Meeting.

These measures help to strengthen the capital of the Group in the amount of Euro 301,500,000, estimating an increase of capital ratios, as at 31 December 2015 to: (i) Common Equity Tier 1 ratio (CET1) 10.9% and total capital ratio 11.9%.

AUDITORS' REPORT TO THE CONSOLIDATED FINANCIAL STATEMENTS

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
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Portugal

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CONSOLIDATED AUDITORS' REPORT

(This Report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report, on the consolidated financial information included in the Annual Report of the Board of Directors and in the accompanying consolidated financial statements as at and for the year ended 31 December, 2015 of **Caixa Económica Montepio Geral Group** which comprise the consolidated balance sheet as at 31 December, 2015 (showing total assets of 21,145,216 thousand Euros and total equity attributable to the equity holders and participation fund of 1,315,477 thousand Euros, including a net loss attributable to the equity holders and participation fund of 243,407 thousand Euros), the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and the corresponding notes.

Responsibilities

2 The Board of Directors is responsible for:

a) the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union that present fairly, the financial position of the group companies included in the consolidation, the consolidated results of its operations, the consolidated comprehensive income, the consolidated changes in equity and the consolidated cash flows;

b) the historical financial information, prepared in accordance with IFRS that is complete, true, current, clear, objective and lawful as required by the Portuguese Securities Market Code;

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant fact that may have influenced the activity of the companies included in the consolidation, their financial position or results.

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., a firma portuguesa membro da rede KPMG, composta por firmas independentes afiliadas da KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG & Associados - S.R.O.C., S.A. Capital Social: 3.916.000 Euros - Pessoa Colectiva Nº PT 502 161 078 - Inscrito na O.R.O.C. Nº 189 - Inscrito na C.M.V.M. Nº 20161489

Matriculada na Conservatória do registo Comercial de Lisboa sob o Nº PT 502 161 078

3 Our responsibility is to verify the consolidated financial information included in the documents referred to above, namely as to whether it is complete, true, current, clear, objective and lawful as required by the Portuguese Securities Market Code, in order to issue a professional and independent report based on our audit.

Scope

4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Accordingly, our audit included:

- verification that the financial statements of the companies included in the consolidation have been properly audited and, in those significant cases in which they were not, verification, on a sample basis, of the information underlying the figures and disclosures contained therein, and an assessment of the estimates, based on judgments and criteria defined by the Board of Directors, used in the preparation of the referred financial statements;

- verification of the consolidation procedures and of the application of the equity method;

- evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;

- assessment of the applicability of the going concern principle;

- assessment of the appropriateness of the overall presentation of the consolidated financial statements; and

- assessment of whether the consolidated financial information is complete, true, current, clear, objective and lawful.

5 Our audit also included the verification that the consolidated financial information included in the Board of Directors report is consistent with the consolidated financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of article 451, of the Portuguese Companies Code ("Código das Sociedades Comerciais").

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Caixa Económica Montepio Geral Group**, as at 31 December, 2015, the consolidated results of its operations, the consolidated comprehensive income, the consolidated cash flows and the consolidated changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and the information contained therein is complete, true, current, clear, objective and lawful.

Report on Other Legal Requirements

8 It is also our opinion that the consolidated financial information included in the Board of Directors report is consistent with the consolidated financial statements and that the Report on Corporate Governance includes the information required by article 245.º-A of the Portuguese Securities Market Code.

Lisbon, 20 April 2016

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n. 189)
represented by
Ana Cristina Soares Valente Dourado (ROC n. 1011)

FINANCIAL STATEMENTS, EXPLANATORY NOTES AND STATEMENTS 2015

INDIVIDUAL FINANCIAL STATEMENTS AND EXPLANATORY NOTES

INDIVIDUAL FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Individual Balance Sheet as at 31 December 2015 and 2014

	2015			2014
(thousand euros)	Gross Assets	Impairment and Amortization	Net Assets	Net Assets
Cash and deposits at central banks	358,125	-	358,125	203,338
Loans and advances to credit institutions repayable on demand	50,617	-	50,617	54,868
Financial assets held for trading	33,825	-	33,825	83,553
Financial assets available for sale	7,613,225	125,466	7,487,759	7,391,496
Other loans and advances to credit institutions	373,277	501	372,776	780,988
Loans and advances to customers	15,384,770	1,315,794	14,068,976	14,655,838
Held to maturity instruments	26,130	-	26,130	17,333
Hedging derivatives	9	-	9	60
Non-current assets held for sale	866,484	132,619	733,865	779,504
Property and equipment	193,438	162,183	31,255	36,924
Intangible assets	172,739	142,510	30,229	117,297
Inv. in associates and subsidiaries excluded from consolidation	354,083	-	354,083	419,183
Current tax assets	19,676	-	19,676	-
Deferred tax assets	449,460	-	449,460	342,393
Other assets	336,458	17,996	318,462	235,088
TOTAL ASSETS	**26,232,315**	**1,897,068**	**24,335,247**	**25,117,863**
Deposits from central banks			2,262,258	2,496,886
Financial liabilities held for trading			51,550	85,300
Deposits from other financial institutions			2,028,314	1,638,075
Deposits from customers and other liabilities			12,207,740	13,609,144
Debt securities issued			1,921,389	1,936,472
Financial liabilities associated to transferred assets			4,021,351	3,075,080
Hedging derivatives			439	1,494
Provisions			121,539	129,446
Current tax liabilities			-	12,026
Other subordinated debt			333,686	388,118
Other liabilities			106,958	279,460
TOTAL LIABILITIES			**23,055,224**	**23,651,501**
Capital			1,900,000	1,700,000
Institutional Capital			1,500,000	1,500,000
Participation Fund			400,000	200,000
Other equity instruments			8,273	8,273
Revaluation reserves			6,866	39,232
Other reserves and retained earnings			(259,073)	(123,837)
Net income for the period			(376,043)	(157,306)
TOTAL EQUITY			**1,280,023**	**1,466,362**
TOTAL LIABILITIES AND EQUITY			**24,335,247**	**25,117,863**

CHIEF ACCOUNTANT

Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

José Manuel Félix Morgado - CEO

João Carlos Martins da Cunha Neves

Luís Gabriel Moreira Maia Almeida

Fernando Ferreira Santo

João Belard da Fonseca Lopes Raimundo

Jorge Manuel Viana de Azevedo Pinto Bravo

Luís Miguel Resende de Jesus

Individual Income Statement as at 31 December 2015 and 2014

(thousand euros)	2015	2014
Interest and similar income	639,278	843,056
Interest and similar expense	453,926	548,784
NET INTEREST INCOME	**185,352**	**294,272**
Dividends from equity instruments	3,826	1,428
Fee and commission income	129,162	129,585
Fee and commission expense	26,557	20,445
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	(11,471)	(1,364)
Net gains/(losses) arising from financial assets available for sale financial assets	90,611	349,418
Net gains/(losses) arising from foreign exchange differences	4,943	6,070
Net gains/(losses) arising from sale of other financial assets	(20,417)	84,056
Other operating income	26,719	12,030
NET BANKING INCOME	**382,168**	**855,050**
Staff costs	183,549	180,038
General and administrative expenses	110,945	108,222
Amortization and depreciation	22,306	24,137
Other provisions	(7,796)	13,534
Adjustments for customer credit and receivables from other debtors (net of reversals and annulments)	314,257	620,073
Other financial assets impairments (net of reversals and recoveries)	58,840	59,317
Other non-financial assets impairments (net of reversals and recoveries)	172,756	41,629
EARNINGS BEFORE TAX	**(472,689)**	**(191,900)**
Tax		
Current	7,650	(11,433)
Deferred	88,996	46,027
NET INCOME	**(376,043)**	**(157,306)**

CHIEF ACCOUNTANT

Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

José Manuel Félix Morgado - CEO

João Carlos Martins da Cunha Neves

Luís Gabriel Moreira Maia Almeida

Fernando Ferreira Santo

João Belard da Fonseca Lopes Raimundo

Jorge Manuel Viana de Azevedo Pinto Bravo

Luís Miguel Resende de Jesus

Explanatory Notes to the Individual Financial Statements

Caixa Económica Montepio Geral

Income Statement for the years ended at 31 December, 2015 and 2014

(Thousand Euros)

	Notes	2015	2014
Interest and similar income	3	639,278	843,056
Interest and similar expense	3	453,926	548,784
Net interest income		185,352	294,272
Dividends from equity instruments	4	3,826	1,428
Fee and commission income	5	129,162	129,585
Fee and commission expense	5	(26,557)	(20,445)
Net gains / (losses) arising from financial assets at fair value through profit or loss	6	(11,471)	(1,364)
Net gains / (losses) arising from available for sale financial assets	7	90,611	349,418
Net gains / (losses) arising from foreign exchange differences	8	4,943	6,070
Net gains / (losses) arising from sale of other financial assets	9	(20,417)	84,056
Other operating income	10	26,719	12,030
Total operating income		382,168	855,050
Staff costs	11	183,549	180,038
General and administrative expenses	12	110,945	108,222
Depreciation and amortisation	13	22,306	24,137
		316,800	312,397
Loans impairment	14	314,257	620,073
Other financial assets impairment	15	58,840	59,317
Other assets impairment	16	172,756	41,629
Other provisions	17	(7,796)	13,534
Operating profit / (loss)		(472,689)	(191,900)
Tax			
Current	30	7,650	(11,433)
Deferred	30	88,996	46,027
Profit / (loss) for the year		(376,043)	(157,306)

CHIEF ACCOUNTANT **THE EXECUTIVE BOARD OF DIRECTOR**

The following notes form an integral part of these consolidated financial statements

Caixa Económica Montepio Geral
Statement of Financial Position as at 31 December, 2015 and 2014

(Thousand Euros)

	Notes	2015	2014
Assets			
Cash and deposits at central banks	18	358,125	203,338
Loans and advences to credit institutions repayable on demand	19	50,617	54,868
Other loans and advances to credit institutions	20	372,776	780,988
Loans and advances to customers	21	14,068,976	14,655,838
Financial assets held for trading	22	33,825	83,553
Financial assets available for sale	23	7,487,759	7,391,496
Hedging derivatives	24	9	60
Held-to-maturity instruments	25	26,130	17,333
Investments in subsidiaries and associated companies	26	354,083	419,183
Non-current assets held for sale	27	733,865	779,504
Porperty and equipment	28	31,255	36,924
Intangible assets	29	30,229	117,297
Current tax assets		19,676	-
Deferred tax assets	30	449,460	342,393
Other assets	31	318,462	235,088
Total Assets		24,335,247	25,117,863
Liabilities			
Deposits from central banks	32	2,262,258	2,496,886
Deposits from other financial institutions	33	2,028,314	1,638,075
Deposits from customers	34	12,207,740	13,609,144
Debt securities issued	35	1,921,389	1,936,472
Financial liabilities relating to transferred assets	36	4,021,351	3,075,080
Financial liabilities held for trading	22	51,550	85,300
Hedging derivatives	24	439	1,494
Provisions	37	121,539	129,446
Current tax liabilities		-	12,026
Other subordinated debt	38	333,686	388,118
Other liabilities	39	106,958	279,460
Total Liabilities		23,055,224	23,651,501
Equity			
Institutional capital	40	1,500,000	1,500,000
Participation fund	41	400,000	200,000
Other equity instruments	42	8,273	8,273
Fair value reserves	44	6,866	39,232
Other reserves and retained earnings	43 and 44	(259,073)	(123,837)
Profit / (loss) for the year		(376,043)	(157,306)
Total Equity		1,280,023	1 466,362
		24,335,247	25,117,863

CHIEF ACCOUNTANT **THE EXECUTIVE BOARD OF DIRECTOR**

Caixa Económica Montepio Geral
Statement of Cash Flow for the years ended at 31 December, 2015 and 2014

(Thousand Euros)

	2015	2014
Cash flows arising from operating activities		
Interest income received	520,694	653,321
Commissions income received	128,475	133,510
Interest expense paid	(506,316)	(584,728)
Commissions expense paid	(30,843)	(19,425)
Payments to employees and suppliers	(379,890)	(261,352)
Recoveries on loans previously written off	8,119	8 857
Other payments and receivables	(97,805)	(127,887)
Payment of income tax	(24,051)	(760)
	(381,617)	(198,464)
(Increase) / decrease in operating assets		
Loans and advances to credit institutions and customers	657,628	(621,496)
Other assets	(35,749)	(228,410)
	612,879	(849,906)
(Increase) / decrease in operating liabilities		
Deposits from customers	(1,370,611)	9,321
Deposits from credit institutions	390,499	536,972
Deposits from central banks	(215,000)	(919,010)
	(1,195,112)	(372,717)
	(954,850)	(1,421,087)
Cash flows arising from investing activities		
Dividends received	3,826	1,428
(Acquisition) / sale of financial assets for trading	34,231	(23,364)
(Acquisition) / sale of other financial assets at fair value through profit or loss	-	4,391
(Acquisition) / sale of available for sale financial assets	(114,719)	1,860,085
Interest income received arising from available-for-sale financial assets	140,746	183,299
(Acquisition) / sale of hedging derivatives	-	(216)
(Acquisition) / sale of investments held to maturity	(8,848)	(107)
(Acquisition) / sale of shares in associated companies	20,000	(636)
Deposits owned with the purpose of monetary control	(128,120)	56,380
(Acquisition) / sale of other financial assets	1,967	(965)
Acquisition of fixed assets	(18,107)	(23,118)
	(69,024)	2,057,177
Cash flows arising from financing activities		
Capital increase	200,000	-
Other instruments and capital	(758)	-
Proceeds from issuance of bonds and subordinated debt	2,031,583	480,853
Reimbursement of bonds and subordinated debt	(1,154 837)	(790,744)
Increase / (decrease) in order sundry liabilities	(32,738)	(342,866)
	1,043,250	(652,757)
Effects of changes in exchange rate on cash and cash and equivalents	3,040	4,303
Net changes in cash and equivalents	22,416	(12,364)
Cash and equivalents balance at the beginning of the year	227,127	239,491
Net changes in cash and equivalents	22,416	(12,364)
Cash and equivalents balance at end of the year	249,543	227,127
Cash and equivalents balance at end of the year includes:		
Cash (note 18)	198,926	172,259
Loans and advances to credit institutions repayable on demand (note 19)	50,617	54,868
Total	249,543	227,127

CHIEF ACCOUNTANT **THE EXECUTIVE BOARD OF DIRECTOR**

The following notes form an integral part of these consolidated financial statements

Caixa Económica Montepio Geral
Statement of Changes in Equity for the years ended at 31 December, 2015 and 2014

(Thousand Euros)

	Total Equity	Institutional Capital	Participation fund	Other equity Instruments	General and special reserves	Fair value reserves	Retained earnings
Balance on 1 de January, 2014	1,700,006	1,500,000	200,000	8,273	254,273	24,875	(287,415)
Other comprehensive income:							
Amortisation of the transition adjustment to pensions net of deferred taxes (Regulation no.12/01) (note 48)	(1,900)	-	-	-	-	-	(1,900)
Actuarial losses in the year (note 48)	(81,648)	-	-	-	-	-	(81,648)
Deferred taxes related to balance sheet changes account for reserves (note 30)	(7,147)	-	-	-	-	-	(7,147)
Changes in fair value (note 44)	24,545	-	-	-	-	24,545	-
Deferred taxes related to fair value changes (note 30)	(10,188)	-	-	-	-	(10,188)	-
Profit / (loss) for the year	(157,306)	-	-	-	-	-	(157,306)
Total comprehensive income for the year	(233,644)	-	-	-	-	14,357	(248,001)
Balance on 31 December, 2014	1,466,362	1,500,000	200,000	8,273	254,273	39,232	(535,416)
Other comprehensive income:							
Actuarial losses in the year (note 48)	22,503	-	-	-	-	-	22,503
Deferred taxes realted to balance sheet changes accounted for reserves (note 30)	325	-	-	-	-	-	325
Changes in fair value (note 44)	(50,112)	-	-	-	-	(50,112)	-
Deferred taxes realted to fair value changes (nota 30)	17,746	-	-	-	-	17,746	-
Profit / (loss) for the year	(376,043)	-	-	-	-	-	(376,043)
Total comprehensive income for the year	(385,581)	-	-	-	-	(32,366)	(353,215)
Costs related to the issue of perpetual subordinated instruments (note 42)	(758)	-	-	-	-	-	(758)
Issuance and subscription of participation units in CEMG's Participation fund	200,000	-	200,000	-	-	-	-
Balance on 31 December, 2015	1,280,023	1,500,000	400,000	8,273	254,273	6,866	(889,389)

Caixa Económica Montepio Geral
Statement of Comprehensivie income for the years ended at 31 December, 2015 and 2014

(Thousand Euros)

	Notes	2015	2014
Items that may be reclassified into the Income Statement			
Fair value reserve			
Available for sale financial assets	44	(50,112)	24,545
Taxes	30 and 44	17,746	(10,188)
		(32,366)	14,357
Items that won't be reclassified into the Income Statement			
Actuarial losses for the year	48	22,503	(81,648)
Amortisation of the transition adjustment to pensions net of deferred assets (Regulation no. 12/01)		-	(1,900)
Deferred taxes	30	325	(7,147)
		22,828	(90,695)
Other comprehensive income for the year		(9,538)	(76,338)
Profit / (loss) for the year		(376,043)	(157,306)
Total comprehensive income/(loss) for the year		(385,581)	(233,644)

The following notes form an integral part of these consolidated financial statements

1 Accounting policies

a) Basis of presentation

Caixa Económica Montepio Geral ("CEMG") is a credit institution held by Montepio Geral – Associação Mutualista, established on 24 March, 1844, and authorised to operate in accordance with Decree-Laws No. 298/92 of 31 December, and No. 136/79 of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. However, CEMG is authorised to carry out banking operations in addition to those mentioned in its by-laws, if previously authorised by Bank of Portugal. This fact conducts to the practice of banking operations in general.

In 2010, Montepio Geral – Associação Mutualista, CEMG sole shareholder, has made an acquisition of 100% of Finibanco Holding, S.G.P.S., S.A. share capital through an Initial Public Offering (IPO) in the amount of Euro 341,250 thousands.

As at 31 March 2011, Montepio Geral – Associação Mutualista sold its participation in Finibanco Holding, S.G.P.S., S.A. to CEMG. Under the change in the structure of the Group arising from this acquisition, as at 4 April 2011, CEMG acquired a set of assets and liabilities of Finibanco, S.A. (excluding properties owned by Finibanco, SA and acquired as a result of loans and advances to customers and a leasing portfolio (securities and real estate) in which Finibanco, S.A. is lessor and the fixed assets that materially support the operating leasing activities), and all associated liabilities and provisions.

As at 3 September 2013, Finibanco Holding, S.G.P.S., S.A. changed its designation to Montepio Holding, S.G.P.S., S.A. and as at 12 July 2013, Finibanco S.A. changed its designation to Montepio Investimento, S.A.

On 10 September 2015 it was published the Decree-Law No. 190/2015, which introduces amendments in the General Regime for Credit Institutions and Financial Companies (Regime Geral das Instituições de Crédito e Sociedades Financeiras) and in the Mutual Association Code (Código das Associações Mutualistas). Following the publication of this Decree-Law, CEMG changed its classification to "Caixa Económica Bancária" (Economical Savings Bank).

In accordance with Regulation (EC) No. 1606/2002 from the European Parliament and the Counsel, of 19 July, 2002 and Regulation No. 1/2005 from the Bank of Portugal, CEMG's financial statements are required to be prepared in accordance with Adjusted Accounting Standards ("NCA's"), as established by Bank of Portugal. NCA's are composed by all the standards included in the International Financial Reporting Standards ("IFRS") as adopted for use in the European Union, with the exception of issues regulated in the points 2 and 3 of Regulation No. 1/2005 and point 2 of Regulation No. 4/2005 of the Bank of Portugal. NCA's comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body with the exception of issues regulated in the Regulations No. 1/2005 and 4/2005of Bank of Portugal: i) valuation and provisioning of loans, for which the current system will be kept, ii) benefits to employees through the establishment of a deferral period for the accounting impact resulting from the transition to the criteria of IAS 19 and iii) restriction to the application of same options in the IAS / IFRS.

The financial statements presented herein were approved by the Executive Board of Directors of CEMG on 7 March, 2016. The financial statements are presented in Euro rounded to the nearest thousand.

All the references regarding normatives in this document report to current version.

CEMG financial statements for the period year 31 December 2015 have been prepared accordance with the NCA's, established by the Bank of Portugal and in use on that date.

CEMG has adopted IFRS and interpretations mandatory for accounting periods beginning on, or after, 1 January 2015, as referred in note 52.

The accounting policies in this note were applied consistently with those used in the preparation of the financial statements of the previous date, being introduced the amendments from the adoption of standard IFRIC 21 – Levies, which was issued on 20 May 2013, effective with retrospective application for annual periods beginning on or after 1 January 2014. This interpretation was adopted by European Commission Regulation No 634/2014 of 13 June (defining the date of entry into force no later than the beginning of the first financial year which starts on or after 17 June 2014).

IFRIC 21 defines a levy as an outflow from an entity imposed by the government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

The financial statements are prepared under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss (trading and fair value option) and available for sale assets, except those for which a reliable measure of fair value is not available. Financial assets and financial liabilities that are hedged under hedge accounting are stated at fair value in respect of the risk that is being hedged.

The preparation of the financial statements in accordance with NCA's requires the Executive Committee to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity or where assumptions and estimates are considered to be significant are presented in note 1 z).

b) Loans and advances to customers

Loans and advances to customers includes loans and advances originated by CEMG which are not intended to be sold in the short term and are recognised when cash is advanced to borrowers.

The derecognition of these assets occurs in the following situations: (i) the contractual rights of CEMG relating to the respective cash flow have expired; or (ii) CEMG transferred substantially all the associated risks and rewards of ownership; or (iii) notwithstanding the fact that CEMG may have retained part, but not substantially all the associated risks and rewards of ownership, control over the assets was transferred.

Loans and advances to customers are initially recognised at fair value plus any directly attributable transaction costs and fees and are subsequently measured at amortised cost using the effective interest method, less impairment losses.

Loans provision

As referred in the accounting policy described in note 1 a), CEMG has prepared its financial statements in accordance with NCA's therefore, in accordance with points 2 and 3 of Regulation No. 1/2005 from the Bank of Portugal, CEMG adopted the same requirements for measurement and provision of loans and advances to customers used in the previous years, described as follows:

Specific provision for loan losses

The specific provision for loan losses is based on the appraisal of overdue loans including the related non overdue amounts and loans subject to restructuring, to cover specific credit risks. This provision is shown as a deduction against loans and advances to customers. The adequacy of this provision is reviewed regularly by CEMG, taking into consideration the existence of asset-backed guarantees, the overdue period and the current financial situation of the client.

The provision calculated under these terms, complies with the requirements established by the Bank of Portugal, in accordance with Regulations No. 3/95, of 30 June, No. 7/00, of 27 October and No. 8/03, of 30 January.

General provision for loan losses

This provision is established to cover bad and doubtful debts which are present in any loan portfolio, including guarantees or signature credits, but which have not been specifically identified as such. This provision is recorded under provision for liabilities and charges.

The general provision for loan losses is set in accordance with Regulation No. 3/95, of 30 June, Regulation No. 2/99, of 15 January and Regulation No. 8/03, of 30 January of the Bank of Portugal.

Provision for country risk

The provision for country risk is set in accordance with Regulation No. 3/95, of 30 June from the Bank of Portugal, and is based on the Instruction No. 94/96, of 17 June, of the Standards and Instructions Boletim of Bank of Portugal, including the adoption of changes made to paragraph 2.4 of the referred Instruction published in October 1998.

Write-off of loans

In accordance with “Carta-Circular” No. 15/2009 of the Bank of Portugal, loans and advances to customers are charged-off when there is no realistic expectation, from an economic perspective, of recovering the loan amount. For collateralised loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals for the part of the loans which is collateralised is effectively received and, according to Regulation No. 3/95 of the Bank of Portugal, the class of delay associated with the failure determines an allowance of 100%, by using impairment losses.

c) Financial instruments

(i) Classification, initial recognition and subsequent measurement

Financial assets are recognised on their trade date which is the date on which CEMG commits to acquiring the asset and are classified considering its underlying purpose, as follows.

1) Financial assets and liabilities at fair value through profit and loss

1a) Financial assets held for trading

The financial assets and liabilities acquired or issued with the purpose of sale or re-acquisition on the short term, namely bonds, treasury bills or shares or that are part of a financial instruments portfolio and for which there is evidence of a recent pattern of short-term profit taking or that can be included in the definition of derivative (except in the case of a derivative classified as hedging) are classified as trading. The dividends associated to these portfolios are accounted in gains arising on trading and hedging activities.

The interest from debt instruments are recognised as interest margin.

Trading derivatives with a positive fair value are included in the Financial assets held for trading and the trading derivatives with negative fair value are included in the Financial liabilities held for trading.

1b) Other financial assets and liabilities at fair value through profit and loss ("Fair Value Option")

CEMG has adopted the Fair-value Option for certain owned issuances, money market operations and term deposits which contain embedded derivatives or with hedge derivatives associated.

The variations of CEMG's credit risk related with financial liabilities accounted under the Fair Value Option are disclosed in Net gains / (losses) arising from assets and liabilities at fair value through profit or loss.

The designation of the financial assets and liabilities at fair value through profit and loss by decision of the entity is performed whenever at least one of the requirements is fulfilled:

- the assets and liabilities are managed, evaluated and reported internally at its fair value;
- the designation eliminates or significantly reduces the accounting mismatch of the transactions; or
- the assets and liabilities include derivatives that significantly change the cash-flows of the original contracts (host contracts).

The financial assets and liabilities at Fair Value Option are initially accounted at their fair value, with the expenses or income related to the transactions being recognised in profit and loss and subsequently measured at fair value through profit and loss. The accrual of interest and premium/discount (when applicable) is recognised in Net interest income according with the effective interest rate of each transaction, as well as for the derivatives associated to financial instruments classified as Fair Value Option.

2) Financial assets available for sale

Financial assets available for sale held with the purpose of being maintained by CEMG, namely bonds, treasury bills or shares, are classified as available for sale, except if they are classified in another category of financial assets. The financial assets available for sale are initially accounted at fair value, including all expenses or income associated with the transactions are subsequently measured at fair value. The changes in fair value are accounted for against fair value reserves until they are sold or an impairment loss exists. The accumulated gains or losses recognised as fair value reserves are recognised in the Income Statement. When it is not possible to estimate with reliability the fair value, the financial instruments are recognised at acquisition cost. Interest income from debt instruments is recognised in Net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends are recognised in the income statement when the right to receive the dividends is attributed.

3) Investments held-to-maturity

Financial assets held-to-maturity include non-derivative financial assets with fixed or determinable payments and fixed maturity, that CEMG has the intention and capacity to maintain until the maturity of the assets and that were not included in the category of financial assets at fair value through profit and loss or financial assets available for sale. These financial assets are initially recognised at fair value and subsequently measured at amortized cost. The interest is calculated using the effective interest rate method and recognised in Net interest income. The impairment losses are recognised in profit and loss when identified.

Any reclassification or sale of financial assets included in this category that does not occur close to the maturity, or if is not included in the exemptions of the standards, of the assets will require CEMG to reclassify the entire portfolio as Financial assets available for sale and CEMG will not be allowed to classify any assets under this category for the following two years.

4) Loans and receivables - Loans represented by securities

Non-derivative financial assets with fixed or determined payments, that are not quoted in a market and which CEMG does not intend to sell immediately or in a near future, may be classified in this category.

In addition to loans granted, the Bank recognizes in this category unquoted bonds and commercial paper. The financial assets recognised in this category are initially accounted at fair value and subsequently at amortized cost net of impairment. The incremental direct transaction costs are included in the effective interest rate for these financial instruments. The interest accounted based on the effective interest rate method are recognised in Net interest income.

The impairment losses are recognised in profit and loss when identified.

5) Other financial liabilities

Other financial liabilities are all financial liabilities that are not recognised as financial liabilities at fair value through profit and loss. This category includes money market transactions, deposits from customers and from other financial institutions, issued debt, and other transactions.

These financial liabilities are initially recognised at fair value and subsequently at amortised cost. The related transaction costs are included in the effective interest rate. The interest calculated at the effective interest rate is recognised in net interest income.

The financial gains or losses calculated at the time of the repurchase of other financial liabilities are recognised as Net gains/(losses) arising from assets and liabilities at fair-value through profit and loss when occurred.

(ii) Impairment

At each balance sheet date, an assessment of the existence of objective evidence of impairment is made. A financial asset or group of financial assets are impaired when there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition, such as: (i) for listed securities, a prolonged devaluation or a significant decrease in its quotation price, and (ii) for unlisted securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reasonably. According to CEMG's policies, 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1-year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) is removed from fair value reserves and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the income statement. Recovery of impairment losses on equity instruments classified as financial assets available for sale, is recognised as a gain in fair value reserves when it occurs (if there are no reversal in the income statement).

(iii) Embedded derivatives

Embedded derivatives should be accounted for separately as derivatives if the economic risks and benefits of the embedded derivative are not closely related to the host contract, unless the hybrid (combined) instrument is not initially measured at fair value with changes through profit and loss. Embedded derivatives are classified as trading and recognised at fair value with changes through profit and loss.

d) Derivatives hedge accounting

(i) Hedge accounting

CEMG designates derivatives and non-financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on re-measurement are recognised in accordance with the hedge accounting model adopted by CEMG. A hedge relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is valuable in a continuous basis and highly effective throughout the reporting year; and
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative and to changes in foreign exchange risk related with the monetary items are recognised through profit and loss.

(ii) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses recognised until the discontinuance of the hedge accounting are amortized through profit and loss over the residual period of the hedged item.

(iii) Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness has to be demonstrated. As such, CEMG performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, showing that the changes in the fair value of the hedging instrument are hedged by the changes in the hedged item for the risk being covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

e) Reclassifications between financial instruments categories

In October 2008, the IASB issued a change to IAS 39 – Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures). This change allowed an entity, in that financial year, to transfer Financial assets from Financial assets at fair value through profit and loss – trading to Financial assets available for sale, to Loans and Receivables - Loans represented by securities or to Investments held-to-maturity.

CEMG adopted this possibility for a group of financial assets.

Transfers of financial assets recognised in the category of Financial assets available for sale to Loans and receivables - Loans represented by securities and to Investments held-to-maturity are allowed, in determined and specific circumstances.

Transfers from and to Financial assets and financial liabilities at fair value through profit and loss by decision of the entity ("Fair value option") are prohibited.

f) Derecognition

CEMG derecognises financial assets when all rights to future cash flows have expired. In a transfer of assets, derecognition can only occur either when risks and rewards have been substantially transferred or CEMG does not maintain control over the assets.

CEMG derecognizes financial liabilities when these are discharged, cancelled or extinguished.

g) Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently from its legal form, showing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instrument issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Income from equity instruments (dividends) are recognised when the right to receive this income is established and are deducted to equity.

h) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

(ii) Repurchase agreements

CEMG performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/'reverse repos'). The securities related to reselling agreements in a future date have not been recognised on the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralized by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions.

The difference between the acquisition/sale and reselling/repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in Interest income or expenses and similar income and Interest and similar expense.

i) Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for in CEMG's individual financial statements at its historical cost less any impairment losses.

Subsidiaries are entities (including investment funds and securitization vehicles) controlled by CEMG. CEMG controls an entity when has exposure, or rights, to variable returns derived of its involvement with this entity, and can reclaim them with the power that have over the entity relevant activities (de facto control).

Associates are those entities, in which CEMG has significant influence, but not control, over the financial and operating policy decisions of the investee. It is assumed that CEMG has significant influence when it holds, directly or indirectly, 20% or more of the voting rights of the investee. If CEMG holds, directly or indirectly less than 20% of the voting rights of the investee, it is presumed that CEMG does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by CEMG is usually evidenced in one or more of the following ways:

- representation on the Executive Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between CEMG and the investee;
- interchange of the management team; and
- provision of essential technical information.

Impairment

The recoverable amount of the instruments in subsidiaries and associates is assessed whenever there are signs of evidence of impairment. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associated and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period. The recoverable amount is determined based on the higher between the assets value in use and the fair value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

j) Non-current assets held for sale and discontinued operations

Non-current assets, groups of non-current assets held for sale (groups of assets together and related liabilities that include at least a non current asset) and discontinued operations are classified as held for sale when there is an intention to sell the referred assets and liabilities and when the referred assets are available for immediate sale and its sale is highly probable.

CEMG also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short term, are consolidated until the disposal.

CEMG also classifies as non-current assets held for sale, the investments arising from recovered loans that are measured initially by the lower of its fair value net of selling costs and the loan's carrying amount on the date that the recovery occurs or the judicial decision is formalised.

The fair value is determined based on the expected selling price estimated through periodic valuations performed by CEMG.

The subsequent accounting of these assets is determined based on the lower of the carrying amount and the corresponding fair value less costs to sell. In case of unrealised losses, these should be recognised as impairment losses against results.

k) Finance lease transactions

At the lessee's perspective, finance lease transactions are recorded as an asset and liability at fair value of the leased asset, which is equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each year end.

At the lessor's perspective, assets held under finance leases are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals are a combination of the financial income and amortisation of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

l) Interest income and expense

Interest income and expense for financial instruments measured at amortised cost are recognised in the interests and similar income or interests and similar expenses (net interest income) through the effective interest rate method. The interest related to financial assets available for sale calculated at the effective interest rate method are also recognised on the net interest income as well as those from assets and liabilities at fair value through profit and loss.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, CEMG estimates future cash flows considering all contractual terms of the financial instrument (example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related with the transaction except for assets and liabilities at fair value through profit and loss.

If a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Specifically regarding the accounting policy for interest on overdue loans portfolio the following aspects are considered:

- Interest income for overdue loans with collaterals is accounted for as income up to the limit of the valuation of the collateral valued on a prudent basis. This income is registered against results in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and

- The interests accrued and not paid for overdue loans for more than 90 days that are not covered by collaterals are written-off and are recognised only when they are received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Net gains/(losses) arising from assets and liabilities at fair value through profit and loss. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities recognised in the Fair Value Option category, the interest component of the changes in their fair value is recognised under interest income or expense (Net interest income).

m) Fee and commission income

Fees and commissions are recognised according to the following criteria:

- Fees and commissions which are earned as services are provided are recognised in income over the period in which the service is being provided; or

- Fees and commissions that are earned on the execution of a significant act, are recognised as income when the service is completed; and

- Fees and commissions that are an integral part of the effective interest rate of a financial instrument, are recognised in Net interest income.

n) Financial results (Results arising from available for sale financial assets and from assets and liabilities at fair value through profit and loss)

Financial results includes gains and losses arising from financial assets and financial liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives), as well as the corresponding dividends received. This caption also includes gains and losses arising from the sale of available for sale financial assets and investments held to maturity. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this caption.

o) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in CEMG financial statements. Fees and commissions arising from this activity are recognised in the income statement in the year to which they relate.

p) Property and equipment

Property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for CEMG. All other repairs and maintenance expenses are charged to the income statement during the financial year in which they are incurred.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Premises	50
Expenditure on freehold and leasehold buildings	10
Other property and equipment	4 to 10

Whenever there is an indication that property and equipment might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount.

The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash-flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

The impairment losses of property and equipment are recognised in profit and loss.

q) Intangible Assets

Software

CEMG accounts as intangible assets the costs associated to software acquired from external entities and depreciates them on a straight line basis by an estimated lifetime of three or six years. CEMG does not capitalise internal costs arising from software development.

Other intangible assets

The recoverable amount of intangible assets without finite useful life recorded as an asset is reviewed annually, regardless of the existence of signs of impairment. Any determined impairment losses are recognised in the income statement.

r) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months maturity from the trade date, including cash and loans and advances to credit institutions.

Cash and cash equivalents exclude restricted balances with Central Banks.

s) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when CEMG has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

t) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, are translated into the respective functional currency of the operation at the foreign exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in the profit and loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency of the operation at the foreign exchange rate at the date that the fair value was determined against profit and loss, except for financial assets available for sale, for which the difference is recognised against equity.

u) Employee benefits

Defined benefit plans

Arising from the signing of the "Acordo Colectivo de Trabalho" (ACT) and subsequent amendments, CEMG sets up pension funds to cover the liabilities with pensions on retirement and disability, widows' pension, health-care benefits and death subsidy.

On 1 January 2011, bank employees were integrated in the Social Security System which ensure their protection in maternity, paternity, adoption and old age. Protections associated with sickness, incapacity, survival and death remain under banks responsibility (Decree-Law No 1-A/2011, of 3 January).

The contribution rate is 26.6% in which 23.6% belongs to the employer, and 3% to employees, replacing the Caixa de Abono de Familia dos Empregados Bancários (CAFEB) extinguished by the same Decree-Law. As a result, the pension rights of the active employees started to be covered by the terms defined by Social Security System, considering the period of service rendered since 1 January 2011 until the retirement age. The difference to the minimum pension guaranteed is supported by the banks, in accordance with the terms defined in Collective Labor Agreement ("Acordo Colectivo de Trabalho").

Following the Government approval of the Decree-Law nº. 127/2011, which was published in 31 December, a three-party agreement between the Government, the Portuguese Bank Association and the Union of Bank employees was established, regarding the transfer to Social Security domain of the liabilities with pensions under payment to retired employers and pensioners, as at 31 December 2011.

This decree-law established that the liabilities to be transferred were the liabilities with pensions under payment at 31 December 2011 to retired employees and pensioners, at permanent values (discount rate 0%) in the terms set forth in Collective Labour Regulation Instrument (IRCT). The liabilities regarding the update of pensions, benefit plans, contributions to Social-Medical Assistance Services (SAMS) over retirement and survival pensions, death subsidy and deferred survival pension are still under the responsibility of the Institutions.

The actuarial calculation is made using the projected unit credit method and considering actuarial and financial assumptions, in accordance with the requirements of IAS 19. In accordance with point 2 of Regulation No.4/2005 from Bank of Portugal, was defined a period for deferral of the accounting impact of this transition, with reference to 1 January 2005, for the following criteria of IAS 19:

	Number of years
Liabilities with health benefits and other liabilities	10
Liabilities by death before retirement date	8
Early retirement	8
Write-off of deferred actuarial losses regarding early retirement liabilities	8
Increase of deferred actuarial losses balances	8
Excess of actuarial losses depreciations according to local standards	8

Under Regulation No.7/2008 and regarding the captions referred above, the Bank of Portugal authorized a three year additional period in addition to the initial period scheduled.

CEMG´s liabilities with pension plans and other benefits are calculated annually, at 31 December of each year.

The pension liabilities and health care benefits are covered by the fund that is managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A.

CEMG´s net liability regarding defined benefit pension plans and other benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates associated with high quality corporate bonds and with a similar maturity to the date of termination of the plan. The net liability is determined after the deduction of the fair value of the assets of the Pensions Plan.

The income / cost of interests with the pension plan is calculated, by CEMG, multiplying the net asset / liability with retirement pension (liabilities less the fair value of the plan's assets) by the discount rate used in the determination of the retirement pension liabilities, mentioned before. On this basis, the income / cost net of interests includes the interest costs associated with retirement pension liabilities and the expected return of the plan's assets, both measured based on the discount rate used to calculate the liabilities.

Gains and losses from the re-measurement, namely (i) gains and losses resulting from differences between actuarial assumptions used and the amounts actually observed (experience gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected return of the plan's assets and the amounts obtained, are recognised against equity under other comprehensive income.

CEMG recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income / cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurred during the period. The net income / cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of 65.

Other benefits non-related with pensions, namely retired employees' health expenses and benefits to spouses and descendants by death, are also used to calculate liabilities.

Payments to the Fund shall be made by CEMG on an annual basis and according to a schedule of contributions in order to maintain the solvency of the fund. The liability related with pensions in payment shall be funded at a minimum level of 100% and 95% to past services cost with active employees.

Bonus to employees and to the Executive Board of Directors

In accordance with IAS 19 Employee benefits, the bonus payment to employees and to the Executive Board of Directors is recognised in the income statement in the year to which they relate.

v) Income taxes

Until 31 December 2011, CEMG was an entity free from Income Tax ("IRC"), in accordance with subparagraph a) n. 1 of Article 10 of the IRC. This exemption had been recognised under the Order of 3 December 1993 by the Secretary of State for Fiscal Issues and confirmed by Law No. 10-B/96 of March 23, approving the State Budget for 1996.

With effect from 1 January 2012, CEMG is subject to the regime established by the Income Tax Code (CIRC). Additionally, deferred taxes resulting from the temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation, are accounted for, whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

Income tax on the income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly to reserves in which case it is recognised in reserves. Deferred taxes arising from the revaluation of financial assets available for sale and cash flow hedging derivatives are recognised in shareholders" equity and are recognised in the profit and loss in the year the results that originated the deferred taxes are recognised.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the tax rates approved or substantially approved at the balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent when it is probable that future taxable profits, will be available to absorb deductible temporary differences for taxation purposes (including reportable taxable losses).

As established in IAS 12, paragraph 74, CEMG compensates the deferred tax assets and liabilities if, and only if: (i) has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

w) Segmental reporting

The Group adopted the IFRS 8 – Operational Segments for the purposes of disclosure of financial information by operational segments. An operating segment is a Group's component: (i) that engages in business activities from which it may earn revenues or incur expenses; (ii) whose operational results are regularly reviewed by the main responsible for the Group operational decisions about allocating resources to the segment and assess its performance; and (iii) for which distinct financial information is available.

Taking into consideration that the individual financial statements are present with the Group's consolidated financial statements, in accordance with the paragraph 4 of IFRS 8, CEMG is dismissed to present individual information regarding Segmental Reporting.

x) Provisions

Provisions are recognised when (i) CEMG has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities), (ii) it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation as a result of past events and (iii) a reliable estimate can be made of the amount of the obligation.

The provision measurement is according with the principles defined in IAS 37 in respect of the best estimate of expected cost, the more likely result for the ongoing processes, considering the risk and uncertainties related to the process. On the cases that the discount effect is material, provisions corresponds to actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are not probable.

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

y) Insurance and reinsurance brokerage services

CEMG is duly authorized by the Insurance and Pension Funds Supervisory Authority (Autoridade de Supervisão de Seguros e Fundos de Pensões - “ASF”) to provide insurance brokerage services, in the Insurance Brokerage Services area, in accordance with the article 8, paragraph a), subparagraph i) of Decree-Law 144/2006 of 31, July, operating in the life and non life insurance brokerage areas.

In the insurance brokerage services area, CEMG sells insurance contracts. As remuneration for the insurance brokerage services rendered, CEMG receives commission for brokering insurance contracts and investment contracts, which is defined in agreements/protocols established between CEMG and the Insurers.

Commission received for insurance brokerage services refers to:

- Commission that includes a fixed and a variable component. The fixed component is calculated by applying a predetermined rate over the amounts of subscriptions made through CEMG and a variable component calculated based on predetermined criteria, total annual fees being the sum of the fees calculated monthly; and

- Commission for participation in the results of insurance, which are calculated annually and paid by the insurer in the beginning of the year following that to which they refer (up to 31 January).

Commission received for insurance brokerage services are recognised in an accruals basis. Fees paid in a different period from that to which it relates are recorded as a receivable in the caption “Other assets” by corresponding entry to “Income from services and commissions - for insurance brokerage services”.

z) Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments and require the Executive Board of Directors and management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects CEMG reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by management, CEMG reported results would differ if a different treatment was chosen. Management believes that the choices made are appropriate and that the financial statements present CEMG‘s financial position and results fairly in all material aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairment of available for-sale financial assets

CEMG determines that available for sale financial assets are impaired when there has been a significant or prolonged decrease in the fair value below its acquisition cost. This determination of what is significant or prolonged requires judgment. In making this judgment, CEMG evaluates among other factors, the volatility in the prices of the financial assets. According to CEMG’s policies, 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the one year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

In the case of debt instruments it is considered the existence of impairment whenever there is objective evidence of events that impact the recoverable value of future cash flows of these assets.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the income statement of CEMG.

Impairment losses on loans and advances to customers

CEMG reviews its loan portfolios to assess impairment losses on a regularly basis, as described in the accounting policy described in note b).

The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgments. The probability of default, risk ratings, value of associated collaterals recovery rates and the estimation of both the amount and timing of future cash flows, among other things, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the income statement of CEMG.

Fair value of derivatives

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their values.

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different financial results for a particular period.

Held-to-maturity investments

CEMG follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment.

In making this judgment, CEMG evaluates its intention and ability to hold such fixed assets to maturity.

If CEMG fails to keep these fixed assets to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity — it will be required to reclassify the entire class as available for sale. The fixed assets would therefore be measured at fair value instead of amortised cost.

Held-to-maturity investments are subject to impairment tests made by CEMG. The use of different assumptions and estimates could have an impact on the income statement of CEMG.

Impairment for investments in subsidiary and associated companies

CEMG assesses the recoverable amount whenever there are signs of evidence of impairment. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associated and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent year.

The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks, that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the income statement of CEMG.

Entities included in the consolidation perimeter

For the purposes of determining entities to include in the consolidation perimeter, CEMG assesses whether is exposed to, or has rights to, the variable returns from its involvement with the entity and can obtain those variable returns through the power it holds over that entity (de facto control).

The decision if an entity needs to be consolidated by CEMG requires the use of judgment, estimates and assumptions to determine what extend CEMG is exposed to the variable returns and its ability to use its power to affect those returns.

Different estimates and assumptions could lead CEMG to a different scope of consolidation perimeter with a direct impact in net income.

Income taxes

Significant interpretations and estimates are required in determining the global amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the year.

The Portuguese Tax and Customs Authorities are entitled to review CEMG determination of its annual taxable earnings, for a period of four years or six years in case there are tax losses brought forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law which for its probability, the Executive Board of Directors considers that there is no relevant material effect at the level of the Financial Statements.

Pension and other employees benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated return on investments, and other factors that could impact the cost and liability of the pension plan.

Changes in these assumptions could materially affect these values.

Intangible assets without finite useful life impairment

The recoverable amount of CEMG's intangible assets without finite useful life is revised annually regardless the existence of signs of impairment.

For this purpose, the carrying amount of the business units of CEMG for which assets without finite useful life has been recognised is compared with the respective recoverable amount. Impairment losses are recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows projections, applying a discount rate that includes a risk premium appropriated to the business unit being tested. Determining the future cash flows to discount and the discount rate, involves judgment.

Provisions

The measurement of provisions considers the principles set out in IAS 37 regarding the best estimate of the expected cost, the most likely outcome of ongoing litigations and considering the risks and uncertainties of the process. Whenever the effect of discount is material, the provision corresponds to the present value of expected future payments, discounted at a rate that considers the risk associated to the liability.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reversed through profit and loss in the proportion of the payments that are not probable.

The provisions are derecognised through their use, for the obligations for which they were initially accounted or when they are no longer observable.

2 Net interest income and net gains arising from assets and liabilities at fair value through profit or loss and available for sale financial assets

IFRS requires a separate disclosure of net interest income, net gains arising from assets and liabilities at fair-value through profit or loss and available for sale financial assets, as presented in notes 3, 6 and 7. A particular business activity can generate impacts either in net gains arising from assets and liabilities at fair value through profit or loss and available for sale financial assets or in net interest income captions. Therefore, the disclosure now presented highlights the contribution of the different business activities to the net interest income and to the net gains arising from assets and liabilities at fair-value through profit or loss and available for sale financial assets.

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Net interest income	185,352	294,272
Net gains arising from assets and liabilities at fair value through profit and loss	(11,471)	(1,364)
Net gains arising from available-for-sale financial assets	90,611	349,418
	264,492	642,326

3 Net interest income

The amount of this account is comprised of::

(Thousand Euros)

	2015	2014
Interest and similar income:		
Interest from loans to customers	409,617	564,936
Interest from deposits and other investments	1,780	1,189
Interest from available-for-sale finacial assets	119,649	149,782
Interest from held for trading financial assets	93,733	109,913
Interest from financial assets at fair value through profit and loss	-	50
Interest from held-to-maturity financial assets	650	772
Interest from hedging derivatives	128	606
Other interest and similar income	13,721	15,808
	639,278	843,056
Interest and similar expense:		
Interest from deposits of customers	195,684	277,235
Interest from loans of Central Banks and other financial institutions	34,412	38,188
Interest from securities issued	68,730	86,559
Interest from subordinated liabilities	5,197	5,921
Interest from financial liabilities associated with transfered assets	60,466	32,952
Interest from held for trading financial liabilities	87,054	105,363
Interest from hedging derivatives	544	1,183
Other interest and similar expense	1,839	1,383
	453,926	548,784
Net interest income	185,352	294,272

The balances Interest from loans to customers and Other interest and similar expenses include, the positive amount of Euro 20,189 thousand and the negative amount of Euro 1,839 thousand (2014: the positive amount of Euro 22,732 thousand and the negative amount of Euro 1,383 thousand), respectively, related to commissions and other gains / losses which are accounted for under the effective interest rate method, as referred in the accounting policy, note 1 l).

4 Dividends from equity instruments

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Dividends from available for sale financial assets	3,632	610
Dividends from associated companies	194	818
	3,826	1,428

The balance Dividends from available for sale financial assets include dividends and income from investment fund units received during the year.

As at 31 December 2015 and 2014, the balance Dividends from associated companies corresponds to dividends paid by Banco Montepio Geral, Cabo Verde, Unipessoal, S.A..

5 Net fee and commissions income

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Fee and commission income:		
From banking services	90,412	88,702
From transactions order by third parties	21,101	21,518
From insurance activity	8,180	11,731
From commitments to third parties	6,777	7,061
Other fee and commission income	2,692	573
	129,162	129,585
Fee and commission expenses:		
From banking services rendered by third parties	16,257	16,024
From transactions with securities	629	584
Other fee and commission expense	9,671	3,837
	26,557	20,445
Net fee and commission income	102,605	109,140

As at 31 December 2015 and 2014, commissions received on insurance brokerage services are presented as follows:

(Thousand Euros)

	2015	2014
Life insurance:		
Mortgage	1,698	1,731
Consumer	1,203	1,266
Other	2,015	5,492
	4,916	8,489
Non-life insurance:		
Mortgage	1,885	1,924
Consumer	61	139
Other	1,318	1,179
	3,264	3,242
	8,180	11,731

Insurance mediation services remunerations were received in full in cash and all its fees were the result of insurance intermediation carried out by Lusitania, Companhia de Seguros, S.A. and Lusitania Vida, Companhia de Seguros, S.A.

6 Net gains/ (losses) arising from financial assets at fair value through profit or loss

The amount of this account is comprised of:

(Thousand Euros)

	2015			2014		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed income securities						
Issued by public entities	15,037	(17,772)	(2,735)	1,819	(1,333)	486
Issued by other entities	162	(137)	25	242	(166)	76
Shares	14,656	(13,480)	1,176	28,891	(29,187)	(296)
Investment units	441	(467)	(26)	5,622	(5,505)	117
	30,296	(31,856)	(1,560)	36,574	(36,191)	383
Derivative financial instruments						
Interest rate contracts	202,601	(192,967)	9,634	231,660	(231,540)	120
Exchange rate contracts	85,345	(84,804)	541	74,643	(73,206)	1,437
Futures contracts	4,598	(4,165)	433	3,381	(5,322)	(1,941)
Options contracts	20,626	(20,450)	176	13,546	(13,556)	(10)
Commodities contracts	106,578	(106,496)	82	34,400	(34,299)	101
Credit default contracts (CDS)	165	(35,343)	(35,178)	253	(224)	29
	419,913	(444,225)	(24,312)	357,883	(358,147)	(264)
Other financial assets	14,088	(131)	13,957	-	(47)	(47)
	14,088	(131)	13,957	-	(47)	(47)
Other financial assets at fair value through profit or loss						
Bonds and other fixed income securities issued						
Other entities	-	-	-	1,216	(275)	941
Loans to customers	1,532	(2,051)	(519)	401	(337)	64
	1,532	(2,051)	(519)	1,617	(612)	1,005
Hedging derivatives						
Interest rate contracts	2,253	(1,353)	900	2,684	(2,603)	81
	2,253	(1,353)	900	2,684	(2,603)	81
Financial liabilities						
Deposits from other credit institutions	1,384	(63)	1,321	281	(2,342)	(2,061)
Deposits from customers	435	(423)	12	5,872	(529)	5,343
Debt securities issued	1,610	(2,741)	(1,131)	1,265	(5,413)	(4,148)
Other subordinated liabilities	-	(139)	(139)	-	(1,656)	(1,656)
	3,429	(3,366)	63	7,418	(9,940)	(2,522)
	471,511	(482,982)	(11,471)	406,176	(407,540)	(1,364)

The balance Financial liabilities, includes fair value changes related with changes in the own credit risk (spread) of operations, in the amount of Euro 2,967 thousand (2014: Euro 10,321 thousand) in accordance with note 22.

In accordance with the accounting policies followed by the CEMG, financial instruments are initially recognised at fair value. The best evidence of the fair value of the instrument at inception is deemed to be the transaction price. However, in particular circumstances, the fair value of a financial instrument at inception, determined based on valuation techniques, may differ from the transaction price, namely due to the existence of a built-in fee, originating a day one profit.

CEMG recognizes in the income statement the gains arising from the built-in fee (day one profit), generated, namely, on the trading of derivative and foreign exchange financial products, considering that the fair value of these instruments at inception and on subsequent measurements is determined only based on observable market data and reflects the CEMG access to the wholesale financial market.

7 Net gains/ (losses) arising from available for sale financial assets

The amount of this account is comprised of:

(Thousand Euros)

	2015			2014		
	Gains	Losses	Total	Gains	Losses	Total
Fixed income securities						
Bonds						
Issued by public entities	80,833	(3,115)	77,718	339,613	(805)	338,808
Issued by other entities	26,975	(4,534)	22,441	1,975	(1,598)	377
Commercial paper	-	-	-	1	-	1
Shares	3,511	(2,465)	1,046	1,413	(352)	1,061
Other variable income securities	5,158	(15,752)	(10,594)	12,464	(3,293)	9,171
	116,477	(25,866)	90,611	355,466	(6,048)	349,418

The balance Fixed income securities – Bonds – Issued by other public entities includes the amount of Euro 77,649 thousand (2014: Euro 338,911 thousand) related with capital gains generated with the sale of treasury bonds of Portuguese Domestic debt.

8 Net gains/ (losses) arising from foreign exchange differences

The amount of this account is comprised of:

(Thousand Euros)

	2015			2014		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	185,715	180,772	4,943	53,688	47,618	6,070

This account comprises the results from foreign exchange differences of monetary assets and liabilities in foreign currency in accordance with the accounting policy described in note 1 t).

9 Net gains/ (losses) arising from sale of other financial assets

The amount of this account is comprised of:

		(Thousand Euros)
	2015	2014
Sale of other assets	(81)	97
Sale of loans and advances to customers	(7,687)	95,432
Sale of non-current assets held for sale	(12,649)	(11,473)
	(20,417)	84,056

As at 31 December 2014, the balance Sale of loans and advances to customers includes the gain on the sale of loans to customers which were in default. The global amount of loans sold amounted to Euro 398,100 thousands, as described in note 21.

The balance Sale of non-current assets held for sale is basically the result of real estate properties sales.

10 Other operating income

The amount of this account is comprised of:

		(Thousand Euros)
	2015	2014
Other operating income:		
Services rendered	32,385	6,567
Staff transfer	19,400	17,038
Profits arising from deposits on demand management	9,068	8,667
Reimbursement of expenses	1,824	1,816
Repurchase of own securities	439	980
Other	9,863	10,078
	72,979	45,146
Other operating expense:		
Contribution for the banking Sector	10,191	7,579
Ex-ante contribution for the Resolution Fund	8,452	-
Expenses with trading real estate	7,412	8,148
Repurchase of own securities	4,355	326
Contribution to the Resolution Fund	2,176	1,803
Donations and membership	964	837
Deposit Guarantee Fund	649	3,093
Indirect taxes	299	1,036
Other	11,762	10,294
	46,260	33,116
Other net operating income	26,719	12,030

As at 31 December 2015, the balance Other operating income – Services rendered includes the amount of Euro 26,000 thousand, referring to the supply of services by the Group to MontepioGeral - Associação Mutualista, as described in note 31.

As at 31 December 2015, the balance Other operating income – Staff transfer includes the amount of Euro 18,419 thousand (2014: Euro 15,805 thousand) related to the staff transfer from CEMG to Montepio Geral Associação Mutualista and other entities of CEMG Group.

As at 31 December 2015 and 2014, the balance Repurchase of own securities is calculated in accordance with accounting policy described in note 1 c) and refers to the re-acquisition of Euro Medium Term Notes and cash bonds.

The caption Contribution for the banking Sector is estimated according to the terms of the Decree-Law 55-A/2010. The determination of the amount payable focuses on: (i) the annual average liability developed in balance deducted from core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund; and (ii) the notional amount of derivative financial instruments.

The item Ex-ante Contribution to the Resolution Fund corresponds to the annual contribution collected in 2015 by the Resolution Fund, in accordance with paragraph 1, article 153-H of the Legal Framework of Credit Institutions and Financial Companies (Regime Geral das Instituições de Crédito e Sociedades Financeiras – RGICSF), which transposed the articles 100 (4) (a) and 103 (1) of the Directive 2015/59/EU of the European Parliament and of the Council of 15 May 2014, and article 20 of the Delegated Regulation (EU) 2015/63 of 21 October 2014 (Delegated Regulation). This contribution was determined by the Bank of Portugal, in its quality of National Resolution Authority, based in the methodology defined in the Delegated Regulation in accordance with its articles 4, 13 and 20.
Under the Single Resolution Mechanism this contribution will be transferred to the Single Resolution Fund until 31 January 2016, as stipulated in paragraph 3 of article 3 of the Agreement for the Transfer and Mutualisation of the contributions to the Single Resolution Fund signed in Brussels on 21 May 2014.

The item Contribution to the Resolution Fund corresponds to the mandatory periodic contributions paid to the Fund, in accordance with Decree-Law No. 24/2013. The periodic contributions are determined using a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile. The period contributions focus on the liabilities of the member credit institutions, in accordance with article 10 of the referred Decree-Law, deducted from the liability elements that are part of the Tier 1 and Tier 2 capital and from the deposits covered by the Deposit Guarantee Fund.

11 Staff costs

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Remunerations	131,260	129,879
Mandatory social security charges	35,517	35,606
Charges with the pensions fund	12,695	8,410
Other staff costs	4,077	6,143
	183,549	180,038

As at 31 December 2015, the caption Charges with the pensions fund includes the amount of Euro 680 thousands (2014: Euro 1,076 thousands) related to the impact of early retirements.

Remuneration of the members of the Executive Board of Directors, General and Supervisory Board and from Other key management personnel

Other key management personnel are considered first-line managers, General and Supervisory Board members and Shareholder's General Meeting members.

The remuneration of the Executive Board of Directors members aims to be a compensation for their direct activities in CEMG and any function performed in companies or corporate bodies for which they have been designated by indication or on behalf of CEMG.

In 2015 and 2014 the Executive Board of Directors did not receive any retribution of variable remuneration.

During 2015 were paid Euro 31 thousand of compensations for termination of service to key management elements.

The costs with salaries and other benefits attributed to the Executive Board of Directors and Other CEMG key management personnel in 2015 are presented as follows:

(Thousand Euros)

	Executive Board of Directors	Other key management personnel	Total
Salaries and other short-term benefits	1,678	3,318	4,996
Pension costs	52	253	305
Costs with healthcare benefits ("SAMS")	16	105	121
	1,746	3,676	5,422
Social Security charges	385	703	1,088
Charges with the pensions fund	40	225	265
Seniority bonuses	-	5	5
	425	933	1,358

The costs with salaries and other benefits attributed to the Executive Board of Directors and Other CEMG key management personnel in 2014 are presented as follows:

(Thousand Euros)

	Executive Board of Directors	Other key management personnel	Total
Salaries and other short-term benefits	763	4,632	5,395
Pension costs	10	272	282
Costs with healthcare benefits ("SAMS")	12	160	172
	785	5,064	5,849
Social Security charges	174	1,009	1,183
Charges with the pensions fund	21	297	318
Seniority bonuses	-	60	60
	195	1,366	1,561

As at 31 December 2015 the remuneration of the General and Supervisory Board, included in Other key management personnel amounted to Euro 407 thousand (2014: Euro 491 thousand).

As at 31 December 2015 and 2014, loans granted by CEMG to its key management personnel, amounted to Euro 4,315 thousand and Euro 4,608 thousand, respectively, as referred in note 49.

The average number of employees by professional category at service in CEMG during 2015 and 2014 is analysed as follows:

	2015	2014
Management	227	223
Managerial staff	722	721
Technical staff	1,140	1,126
Specific categories	133	143
Administrative staff	1,620	1,632
Staff	57	58
	3,899	3,903

12 General and administrative expenses

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Rental costs	26,515	27,833
Specialised services:		
IT services	14,209	9,331
Independent work	5,059	4,816
Other specialised services	17,363	17,623
Communication costs	7,577	9,024
Advertising costs	6,351	7,111
Water, energy and fuel	4,955	4,998
Maintenance and related services	4,308	4,791
Transportation	2,802	3,037
Insurance	2,391	2,194
Consumables	1,492	1,636
Travel, hotel and representation costs	1,181	1,428
Training costs	242	288
Other supplies and services	16,500	14,112
	110,945	108,222

The balance Rental costs, includes the amount of Euro 23,754 thousand (2014: Euro 24,836 thousand) related to rents paid regarding buildings used by CEMG as lessee.

CEMG has several vehicle operational leasing contracts. Payments made under such leasing contracts are recognised in income during the duration of the contract. The future minimum payments for operational leasing contracts not revocable by maturity, are presented as follows:

(Thousand Euros)

	2015	2014
Until 1 year	57	108
1 to 5 years	3,284	5,071
	3,341	5,179

The balance Other specialized services includes fees invoiced (excluding VAT) by the CEMG's Statutory Auditor within its functions of statutory audit and other services, as presented:

(Thousand Euros)

	2015	2014
Statutory Audit services	940	1,052
Other reliability assurance services	1,190	859
Other services	982	874
	3,112	2,785

The balance Other administrative costs includes the amount of Euro 10,444 thousand (2014: Euro 9,304 thousand) related with the services rendered by Montepio Gestão de Activos Imobiliários, A.C.E. Additionally, this balance includes the amount of Euro 3,065 thousand (2014: Euro 1,358 thousand) for services provided by Montepio Gestão de Activos Imobiliários, A.C.E.

13 Depreciation and amortisation

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Intangible assets:		
Software	12,822	12,875
Other tangible assets:		
Land and buildings		
For own use	236	287
Leasehold improvements in rented buildings	2,567	2,684
Equipment:		
Security equipment	319	527
Motor vechicles	56	77
Computer equipment	4,015	4,887
Interior installations	1,417	1,550
Office equipment	44	72
Furniture	633	856
Operacional lease - Renting	123	212
Other tangible assets	74	110
	9,484	11,262
	22,306	24,137

14 Loans impairment

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Other loans and advances to credit instituitions:		
Charge for the year	1,016	197
Write-back for the year	(760)	(762)
	256	(565)
Loans and advances to customers:		
Charge for the year net of reversals	322,120	629,495
Recovery of loans and interest charged-off	(8,119)	(8 857)
	314,001	620,638
	314,257	620,073

In accordance with the accounting policy presented in note 1 a), CEMG applies in its individual financial statements the NCA's, and therefore the balance Loans impairment contains the estimate of the incurred losses at the end of the year in accordance with the provision law defined by the rules of the Bank of Portugal, as described in the accounting policy presented in note 1 b).

15 Other financial assets impairment

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Impairment for available for sale financial assets		
Charge for the year	114,094	76,069
Write-back for the year	(55,254)	(16,752)
	58,840	59,317

As at 31 December 2015, the caption Impairment for available for sale financial assets – charge for the year includes the amount of Euro 36 thousand (2014: Euro 219 thousand) that corresponds to the impairment recognised for investment units in a Fund specialized in the recovery of loans, acquired under the sale of loans and advances to customers, as referred in notes 21, 23 and 54.

Additionally, as at 31 December 2015, this caption includes the amount of Euro 46,950 thousand, related to impairment recognised for investment units in Real Estate Funds, as mentioned in note 23.

As at 31 de December 2015, the balance Impairment for available for sale financial assets – Write-back for the year includes the amount of Euro 1,491 thousand (2014: included on the balance Impairment for available for sale financial assets – charge for the year the amount of Euro 419 thousand) that corresponds to the impairment recognised for sovereign debt of Greece, as referred in notes 23 and 53.

16 Other assets impairment

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Impairment for non-current assets held for sale		
Charge for the period	98,451	60,353
Write-back for the period	(28,938)	(18,724)
	69,513	41,629
Impairment for intangible assets		
Charge for the period	88,333	-
	88,333	-
Impairment for other assets		
Charge for the period	14,910	-
	172,756	41,629

The balance Impairment for intangible assets records the impairment of the year carried out for the asset recorded on 4 April 2011 and representing the difference between assets and liabilities of Montepio Investimento, S.A. (formerly Finibanco, S.A., acquired by CEMG), as referred in note 29.

The caption Impairment for other assets registers the amount corresponding to the impairment recognised during the year for the supplementary payments subscribed in an operation of sale of credits to clients, as referred in notes 21, 23 and 54.

17 Other provisions

The amount of this account is comprised of:

(Thousand Euros)

	2015	2014
Provision for general credit risks		
Charge for the period	96,241	115,291
Write-back for the period	(103,506)	(112,989)
	(7 265)	2,302
Provision for other liabilities and charges		
Charge for the period	3 331	12 615
Write-back for the period	(3,862)	(1,383)
	(531)	11,232
	(7,796)	13,534

18 Cash and deposits at central banks

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Cash	198,926	172,259
Central bank	159,199	31,079
	358,125	203,338

The caption Central bank, is related to the deposits within the Bank of Portugal, to satisfy the legal requirements to maintain a minimum cash reserve, calculated based on the value of deposits and other effective liabilities. The cash reserve requirements, according with the European Central Bank System for Euro Zone, establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirements period.

As at December 2015 and 2014, these deposits at the Bank of Portugal presented an average interest rate of 0.05%.

19 Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Credit institutions abroad	22,088	16,074
Credit institutions in Portugal	924	284
Amounts due for collection	27,605	38,510
	50,617	54,868

The balance Amounts due for collection represents essentially check receivable from other credit institutions due for collection.

20 Other loans and advances to credit institutions

This balance is analysed as follows:

	(Thousand Euros)	
	2015	2014
Loans and advances to credit institutions in Portugal:		
Loans	102,566	97,051
Short term deposits	-	96,473
Term deposits	2,076	1,076
Other loans and advances	81,167	210,126
	185,809	404,726
Loans and advances to credit institutions abroad:		
Short term deposits	22,045	236,352
Term deposits	25,461	19,653
Buy back operations	61,043	1,762
Subordinate deposits	3,700	3,700
CSA's	63,924	99,446
CSA's - Independent amount	11,295	11,204
CSA's - Term deposits	-	4,390
	187,468	376,507
	373,277	781,233
Impairment for loans and advances to credit institutions	(501)	(245)
	372,776	780,988

The Credit Support Annex (hereinafter referred to as "CSA's") are contracts that regulate the delivery, reception and monitoring of delivered/received collateral to cover the exposure of a counterparty to the other, as a result of open positions in over-the-counter derivative. According to most CSA's executed by CEMG, this collateral might be in the form of securities or cash, however, in the Group's particular case, collaterals are all in cash.

Collaterals in cash delivered (establishment or strengthening) or received (collateral release) result from the changes in the fair value of the several derivative instruments that CEMG negotiated with each one of the counterparties and are an effective transfer of cash, through TARGET2 transfers, for each one of the counterparties as a guarantee of the Group exposure towards the counterparty.

The CSA's caption – Independent amount constitutes an additional margin/guarantee given by CEMG determined in accordance to their credit risk.

The CSA's caption – Term deposit, represents a collateral in cash that might be due under the terms of the assets front swap executed between CEMG and a financial institution.

In operations of derivative financial instruments with institutional counterparties, and as defined in the respective contracts, CEMG holds an amount of Euro 75,124 thousand (2014: Euro 110,650 thousand) related to deposits in credit institutions given as collateral for the referred operations.

The balance Other loans and advances to credit institutions, by maturity, is analysed as follows:

(Thousand Euros)

	2015	2014
Due within 3 months	269,351	702,306
3 to 6 months	55,121	53,375
6 months to 1 year	20,567	42
1 to 5 years	23,027	14,721
Over 5 years	4,146	9,737
Undetermined	1,065	1,052
	373,277	781,233

The changes in impairment for loans and advances to credit institutions, in the year, are analysed as follows:

(Thousand Euros)

	2015	2014
Balance on 1 January	245	810
Charge for the period	1,016	197
Write-back for the period	(760)	(762)
Balance on 31 December	501	245

21 Loans and advances to customers

This balance is analysed as follows:

		(Thousand Euros)
	2015	**2014**
Domestic loans		
Corporate		
Loans not represented by securities		
Loans	2,669,607	2,635,164
Commercial lines of credits	930,854	1,238,665
Finance leases	303,452	314,838
Discounted bills	94,831	112,198
Factoring	82,831	87,998
Overdrafts	33,412	68,825
Other loans	944,647	1,116,775
Loans represented by securities		
Commercial paper	488,085	760,372
Bonds	358,488	-
Retail		
Mortgage Loans	7,225,047	7,576,392
Finance Leases	31,298	28,956
Consumer and other loans	915,198	972,370
	14,077,750	14,912,553
Foreign loans		
Corporate		
Overdrafts	2,688	731
	14,080,438	14,913,284
Correction value of assets subject to hedge operations	1,333	1,852
Overdue loans and interest		
Less than 90 days	123,234	130,770
More than 90 days	1,179,765	947,678
	1,302,999	1,078,448
	15,384,770	15,993,584
Impairment for credit risks	(1,315,794)	(1,337,746)
	14,068,976	14,655,838

As at 31 December 2015, the balance Loans and advances to customers includes de amount of Euro 2,727,400 thousand (2014: Euro 2,711,971 thousand) related to the issue of covered bonds held by CEMG, as referred in note 35.

As at 31 December 2015, the credit, guarantees and irrevocable credit lines (excluding interbank and money market transactions) that CEMG granted to the holder of institutional capital and to its subsidiaries was Euro 567,519 thousand (2014: Euro 584,554 thousand), as referred in note 49. The conclusion of businesses between CEMG and the holders of institutional capital or individual or collective entities related to them, according to article 20 of the Portuguese Securities Code, regardless the value, it's always submitted to examination and deliberation of the Executive Board of Directors and the General and Supervisory Board, as proposed by the commercial network, supported by analysis and opinion about the compliance with the limit established in article 109 of the General Law on Credit Institutions and Financial Companies General Law issued by the Risk Division. As at 31 December 2015, the impairment amount for credit risks related with these contracts amounts to Euro 8,206 thousand (2014: Euro 8,857 thousand).

As at December 2014, CEMG's Executive Board of Directors decided to sell a portfolio of credits on default and real estate property recorded as non-current assets held for sale to SilverEquation, Unipessoal, Lda, S.A. ("SilverEquation"). This sale, implied the transfer of all risks and rewards related to the portfolio, including the right over the guarantees given as collateral of loans/credits. Considering the nature of this operation the Executive Board of Directors analysed this transaction and its accounting impacts, considering the derecognition requirements in IAS 39 – Financial Instruments: Recognition and Measurement, particularly the ones expressed on paragraphs AG 36 and following, of this standard. This analysis was performed in order to verify the followings aspects:

- Transference in full of the rights to the asset's future cash-flows;
- Existence or not of price adjustment ("contingent price");
- Existence or not of rights on credits returns;
- Verification of the transferee's autonomy (autopilot); and
- Eventual control or influence by CEMG over SilverEquation.

Considering the characteristics of the contract celebrated between CEMG and SilverEquation, the Executive Board of Directors concluded that by selling the credits, CEMG eliminated its exposure to the variability of the amounts and timing of the cash-flows associated to the credit portfolio. On that basis, the Executive Board of Directors concluded that all the risks and rewards related to the respective credit portfolio were transferred, and therefore as at 31 December 2014 credit in the amount of Euro 398,100 thousand were derecognised from the financial statement position generating a gain of Euro 95,432 thousand recorded in the income statement, in accordance with note 9. It should be noted that within this operation there were no real estate sales performed in 2014.

As at 31 December 2015 and within the sale of credits and real estate properties performed, it is outstanding by SilverEquation the amount of Euro 161,420 thousand (2014: Euro 139,176 thousand) related to this sale, as referred in note 31.

As referred in notes 16, 23 and 54, CEMG performed sales of loans and advances to customers to funds specialized in credit recovery. The global amount of credits sold in 2015 amounted to Euro 20,757 thousand (2014: Euro 16,763 thousand), originating a gain of Euro 21,445 thousand (2014: loss of Euro 456 thousand).

As at 31 December 2015, CEMG reclassified bonds from available for sale financial assets to loans and advances to customers, in the amount of Euro 358,488 thousand with an associated fair value reserve of Euro 3,858 thousand, as described in note 44. In relation to this transfer, CEMG recorded a position for general banking risks in the amount of Euro 3,518 thousand, as described in notes 23 and 37.

As at 31 December 2015, the balance Loans and advances to customers includes the amount of Euro 3,968,160 thousand (2014: Euro 3,219,099 thousand) related with loans object of securitization and, in accordance with note 1 f), were not subject of derecognition, as referred in note 50. Additionally, the securities linked to these transactions are recorded as a liability, as described in note 36.

In the balance Correction value of assets subject to hedge operations is accounted the fair value of portfolio that is hedge. The valuation is accounted for in the income statement, in accordance with note 1 d). CEMG evaluates on an ongoing basis the effectiveness of the existing hedge operations.

The caption Loans and advances to customers records loans that are valued at fair value through profit or loss in the amount of Euro 44,825 thousand (2014: Euro 44,110 thousand). The fair value correction amounted to Euro 1,333 thousand (2014: Euro 1,852 thousand), according to note 22 and the impact on results was negative in the amount of Euro 519 thousand (2014: positive in Euro 64 thousand).

The fair value of the portfolio of loans to customers is presented in note 47.

The analysis of loans and advances to customers, by type of rate as at 31 December 2015 and 2014, is as follows:

(Thousand Euros)

	2015	2014
Variable interest rate contract	14,436,176	15,218,721
Fixed interest rate contract	948,594	774,863
	15,384,770	15,993,584

The analysis of loans and advances to customers, by maturity and by type of credit as at 31 December 2015, is as follows:

(Thousand Euros)

	Loans and advances to customers				
	Due within 1 year	1 to 5 years	Over 5 years	Undetermined	Total
Asset-backed loans	347,902	811,519	9,247,990	828,945	11,236,356
Other guarantee loans	600,667	267,130	401,278	308,813	1,577,888
Financial leases	5,358	109,951	219,441	18,378	353,128
Loans represented by securities	508,406	263,638	74,529	19,050	865,623
Other credits	633,468	185,153	405,341	127,813	1,351,775
	2,095,801	1,637,391	10,348,579	1,302,999	15,384,770

The analysis of loans and advances to customers, by maturity and by type of credit as at 31 December 2014, is as follows:

(Thousand Euros)

	Loans and advances to customers				
	Due within 1 year	1 to 5 years	Over 5 years	Undetermined	Total
Asset-backed loans	473,337	1,166,420	9,593,474	626,130	11,859,361
Other guarantee loans	677,741	54,100	627,579	297,064	1,656,484
Financial leases	16,629	101,227	225,938	23,320	367,114
Loans represented by securities	760,372	-	-	-	760,372
Other credits	754,537	136,446	327,336	131,934	1,350,253
	2,682,616	1,458,193	10,774,327	1,078,448	15,993,584

The balance Financial leases, by maturity as at 31 December 2015, is analysed as follows:

(Thousand Euros)

	Financial Leases			
	Due within 1 year	1 to 5 years	Over 5 years	Total
Outstanding rents	55,687	149,241	123,350	328,278
Outstanding interest	(7,328)	(17,141)	(23,790)	(48,259)
Residual values	1,534	26,538	26,659	54,731
	49,893	158,638	126,219	334,750

The balance Financial leases, by maturity as at 31 December 2014, is analysed as follows:

(Thousand Euros)

	Financial Leases			
	Due within 1 year	1 to 5 years	Over 5 years	Total
Outstanding rents	66,824	135,767	143,660	346,251
Outstanding interest	(13,986)	(22,210)	(23,520)	(59,716)
Residual values	5,707	24,049	27,503	57,259
	58,545	137,606	147,643	343,794

Towards the Operating lease, CEMG does not present significant contracts as a Lessor.

The analysis of Overdue loans and interest, by type of credit, is as follows:

(Thousand Euros)

	2015	2014
Asset-backed loans	828,945	626,130
Other guaranteed loans	308,813	297,064
Finance leases	18,378	23,320
Loans represented by securities	19,050	-
Other credits	127,813	131,934
	1,302,999	1,078,448

The analysis of Overdue loans and interests, by type of customer, is as follows:

(Thousand Euros)

	2015	2014
Corporate		
Construction/Production	264,987	263,218
Investment	453,776	289,875
Treasury	298,540	268,272
Other loans	62,316	71,783
Retail		
Mortgage loans	94,336	82,664
Consumer credit	52,995	45,063
Other loans	76,049	57,573
	1,302,999	1,078,448

The changes in impairment for credit risks are analysed as follows:

(Thousand Euros)

	2015	2014
Balance on 1 January	1,337,746	1,043,503
Charge for the year net of reversals	322,120	629,495
Loans charged-off	(344,072)	(352,910)
Transfers	-	17,658
Balance on 31 December	1,315,794	1,337,746

In compliance with note 1 l), interest on overdue loans for a period over 90 days not covered by asset-backed guarantees, are only recorded as income when received.

If the impairment loss decreases in a subsequent period to its initial accounting and this decrease can be objectively associated to an event that occurred after the recognition of the loss, the impairment in excess is reversed through profit and loss.

As at 31 December 2015, CEMG has a provision for general banking risks in the amount of Euro 106,030 thousand (2014: Euro 113,295 thousand), which in accordance to NCA's is presented as a liability, as referred in note 37.

The table below shows the analysis of the overdue loans and interests and the impairment for credit risk as at 31 December 2015, by default categories:

(Thousand Euros)

	Default categories					
	Within 3 months	3 - 6 months	6 to 1 year	1 to 3 years	Over 3 years	Total
Overdue loans with collaterals	99,856	23,671	169,116	381,543	360,722	1,034,908
Impairment for overdue loans with collaterals	923	2,321	42,039	281,832	350,668	677,783
Overdue loans without collateral	15,916	13,958	56,832	93,123	88,262	268,091
Impairment for overdue loans without collaterals	163	3,490	32,174	93,123	88,262	217,212
Total overdue loans	115,772	37,629	225,948	474,666	448,984	1,302,999
Total impairment for overdue loans	1,086	5,811	74,213	374,955	438,930	894,995
Total impairment for due loans associated to overdue loans and other	478	338	21,268	154,038	244,677	420,799
Total of impaiment for credit risk	1,564	6,149	95,481	528,993	683,607	1,315,794

The table below shows the analysis of the overdue loans and interests and the impairment for credit risk as at 31 December 2014, by default categories:

(Thousand Euros)

	Default categories					
	Within 3 months	3 - 6 months	6 to 1 year	1 to 3 years	Over 3 years	Total
Overdue loans with collaterals	102,450	33,269	87,141	354,155	284,580	861,595
Impairment for overdue loans with collaterals	911	3,275	21,560	265,889	276,622	568,257
Overdue loans without collateral	19,330	10,396	19,457	84,635	83,035	216,853
Impairment for overdue loans without collaterals	198	2,599	13,516	84,635	83,035	183,983
Total overdue loans	121,780	43,665	106,598	438,790	367,615	1,078,448
Total impairment for overdue loans	1,109	5,874	35,076	350,524	359,657	752,240
Total impairment for due loans associated to overdue loans	515	1,630	13,023	101,579	468,759	585,506
Total of impaiment for credit risk	1,624	7,504	48,099	452,103	828,416	1,337,746

The impairment for credit risks, by type of credit, is as follows:

(Thousand Euros)

	2015	2014
Asset-backed loans	852,619	780,283
Other guareteed loans	320,016	335,515
Unsecured loans	143,159	221,948
	1,315,794	1,337,746

In compliance with note 1 b), loans and advances to customers are charged-off when there are no expectations, from an economic point of view, of recovering the loan amount and for collateralized loans, when the funds arising from the execution of the respective collaterals were already received. This charge-off is carried out for loans that are fully provided.

The analysis of the loans charged-off, by type of credit, is as follows:

(Thousand Euros)

	2015	2014
Asset-backed loans	76,203	263,202
Other guaranteed loans	82,089	26,271
Unsecured loans	185,780	63,437
	344,072	352,910

The recovered loans and overdue interest, performed during 2015 and 2014, includes the amount of Euro 8,119 thousand and Euro 8,857 thousand, respectively, related with the recovery of asset-backed loans, as referred in note 14.

CEMG's customer loan portfolio includes loans that, towards the financial difficulties of the customer, initial conditions of the contract were amended in the amount of Euro 1,509,258 thousand (2014: Euro 1,693,121 thousand) which have an impairment of Euro 398,968 thousand (2014: Euro 400,506 thousand).

CEMG has adopted forbearance measures and practices, according to the risk, in order to adjust the disposable income or the financial capacity of customers to its debt service. On this basis, were adopted the recommendations legislated within the non-compliance regimes (Decree-Law No. 227/2012) and in the companies (SIREVE, PER), widely disclosed in the institutional website, in internal rules and communications to disclosure and implementation within customers who show evidence of financial difficulties.

Regarding the particular forbearance measures, CEMG adopted the ones included in Instruction No. 32/2013 of the Bank of Portugal, namely contractual amendments (lack of capital, extension of the final date, deferral of capital, etc.) and consolidation of debts in another contract, with conditions adjusted to the customer's current situation.

In 2015 and 2014, the restructuring operations that were performed were positive and allowed to mitigate the effect of the economic and financial crisis and within a situation in which is observed some economic recovery signs, adapting the debt service to the disposable income of customers.

Additionally, the loans portfolio includes contracts that resulted in a formal restructuring with the customers and the consequent establishment of a new funding to replace the previous. The restructuring may result in a reinforcement of guarantees and / or liquidation of part of the credit and involve an extension of maturities or a different interest rate. The analysis of restructured loans, by type of credit, is as follows:

(Thousand Euros)

	2015	2014
Domestic loans		
Corporate		
Loans not represented by securities		
Loans	120,878	182,350
Commercial lines os credits	4,845	6,458
Financial leases	1	475
Other loans	2,464	987
Retail		
Mortgage Loans	39,575	95,616
Consumer and other loans	5,719	6,458
	173,482	292,344

Restructured loans are subject to an impairment analysis resulting from the revaluation of expectations to meet the new cash flows inherent to the new contractual conditions, discounted at the original effective interest rate and considering the new collaterals.

In respect of restructured loans, the impairment associated to these operations amounts to Euro 26,296 thousand (2014: Euro 29,496 thousand).

Given the present time of real estate and financial markets, during 2015 CEMG continued to negotiate the strengthening of financial and physical collaterals with its clients.

CEMG uses physical and financial collaterals as instruments for mitigating credit risk. The physical collaterals correspond mainly to mortgages on residential properties in the course of the mortgage and other types of mortgages on properties in other types of loans. To reflect the market value of them, these effects are reviewed regularly based on evaluations conducted by certified independent testing organizations or through the use of revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. The financial collaterals are re-evaluated based on market values of their assets, when available, and certain coefficients applied depreciation to reflect its volatility.

Most of the physical collaterals are revaluated at least once a year.

22 Financial assets held for trading

The balance financial assets and liabilities held for trading is analysed as follows:

(Thousand Euros)

	2015	2014
Financial assets held for trading		
Securities		
Shares	7,363	6,115
Bonds	12,435	648
	19,798	6,763
Derivatives		
Derivatives financial instruments with positive fair value	14,027	76,790
	33,825	83,553
Financial liabilities held for trading		
Securities		
Short sales	1,896	561
Derivatives		
Derivatives financial instruments with negative fair value	49,654	84,739
	51,550	85,300

The balance Derivatives financial instruments with negative fair value includes the amount of Euro 8,830 thousand (2014: Euro 30,350 thousand) referred to instruments associated to assets or liabilities at fair value through profit and loss, with the exception of loans and advances to customers in the amount of Euro 189 thousand (2014: Euro 218 thousand).

As at 31 December 2015, the balance Derivatives financial instruments with negative fair value includes the valuation of embedded derivatives separated from the host contracts in accordance with the accounting policy described in note 1 c), in the amount of Euro 35,493 thousands. It should be noted that, at 31 December 2014, CEMG does not discloses embedded derivatives separated from the host contracts.

The balance Derivatives financial instruments with negative fair value includes the amount of Euro 5,002 thousand (2014: Euro 24,215 thousand) referred to instruments associated to assets or liabilities at fair value through profit and loss, with the exception of loans and advances to customers in the amount of Euro 1,638 thousand (2014: Euro 2,177 thousand).

As referred in IFRS 13 financial instruments are measured in accordance with the following levels of valuation, described in note 47, as follows:

(Thousand Euros)

	2015			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	7,363	-	-	7,363
Bonds	12,435	-	-	12,435
	19,798	-	-	19,798
Derivatives				
Derivatives financial instruments with positive fair value	-	14,027	-	14,027
	-	14,027	-	14,027
	19,798	14,027	-	33,825
Financial liabilities held for trading				
Securities				
Short sales	1,896	-	-	1,896
Derivatives				
Derivatives financial instruments with negative fair value	-	49,654	-	49,654
	1,896	49,654	-	51,550

(Thousand Euros)

	2014			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
Securities				
Shares	6,115	-	-	6,115
Bonds	648	-	-	648
	6,763	-	-	6,763
Derivatives				
Derivatives financial instruments with positive fair value	-	76,790	-	76,790
	-	76,790	-	76,790
	6,763	76,790	-	83,553
Financial liabilities held for trading				
Securities				
Short sales	561	-	-	561
Derivatives				
Derivatives financial instruments with negative fair value	-	84,739	-	84,739
	561	84,739	-	85,300

The trading portfolio is recorded at fair value through profit and loss, in accordance with the accounting policy described in note 1 c). As referred in this note, assets held for trading are those which were acquired with the purpose of sale or re-acquisition on the short term regardless of its maturity.

The analysis of the securities portfolio held for trading by maturity as at 31 December 2015 is as follows:

(Thousand Euros)

	2015				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Bonds					
Portuguese	-	-	6,438	-	6,438
Foreign	-	-	5,997	-	5,997
Variable income securities					
Shares					
Portuguese	-	-	-	864	864
Foreign	-	-	-	6,499	6,499
	-	-	12,435	7,363	19,798

The analysis of the securities portfolio held for trading by maturity as at 31 December 2014 is as follows:

(Thousand Euros)

	2014				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Bonds					
Foreign	-	-	648	-	648
Variable income securities					
Shares					
Portuguese	-	-	-	1,080	1,080
Foreign	-	-	-	5,035	5,035
	-	-	648	6,115	6,763

The balance of financial assets and liabilities held for trading as at 31 December 2015, in comparison with the assets and liabilities associated, registered at fair value, can be analysed as follows:

(Thousand Euros)

		2015						
		Derivative			Related Asset/Liability			
Derivative	**Related financial asset/ liability**	**Notional**	**Fair value**	**Changes in the fair value in the period**	**Fair value**	**Changes in the fair value in the period**	**Book value**	**Reimbursement amount at maturity date**
Interest rate swap	Debt securities issued	87,656	817	(2,010)	(1,668)	(1,270)	98,167	87,437
Interest rate swap	Deposits from customers	55,150	(491)	892	8	(12)	54,654	54,602
Interest rate swap	Deposits from others financial institutions	59,620	6,537	(2,701)	521	(1,321)	71,065	60,000
Interest rate swap	Mortgages obligations	5,460,455	(3,035)	1,512	-	-	-	-
Interest rate swap	Loans and advances to customers	44,453	(1,449)	510	1,333	1,852	44,825	44,453
Interest rate swap	Others	2,791,779	(3,394)	9,748	-	-	-	-
Currency swap	-	94,521	536	(126)	-	-	-	-
Future options	-	805	(3)	1	-	-	-	-
Options	-	107,034	31	(328)	-	-	-	-
Credit Default Swaps	-	85,000	(35,176)	(35,176)	-	-	-	-
		8,786,473	(35,627)	(27,678)	194	(751)	268,711	246,492

The balance of financial assets and liabilities held for trading as at 31 December 2014, in comparison with the assets and liabilities associated, registered at fair value, can be analysed as follows:

(Thousand Euros)

		2014						
		Derivative			Related Asset/Liability			
Derivative	Related financial asset/ liability	Notional	Fair value	Changes in the fair value in the period	Fair value	Changes in the fair value in the period	Book value	Reimbursement amount at maturity date
Interest rate swap	Debt securities issued and other subordinated debt	228,653	2,827	(2,836)	(2,938)	5,804	250,756	247,180
Interest rate swap	Deposits from customers	101,610	(1,383)	(222)	20	(5,343)	95,657	95,624
Interest rate swap	Deposits from others financial institutions	67,475	9,238	(712)	1,842	2,270	61,009	60,000
Interest rate swap	Mortgages obligations	5,513,279	(4,547)	(74)	-	-	-	-
Interest rate swap	Loans and advances to customers	43,740	(1,959)	6	1,852	64	44,110	43,740
Interest rate swap	Others	3,415,992	(13,142)	1,748	-	-	-	-
Currency swap	-	197,172	662	1,047	-	-	-	-
Future options	-	1,559	(4)	(1)	-	-	-	-
Options	-	214,562	359	(109)	-	-	-	-
Credit Default Swaps	-	-	-	(81)	-	-	-	-
		9,784,042	(7,949)	(1,234)	776	2,795	451,532	446,544

The fair value component of financial liabilities recognised at fair value through profit or loss attributable to the CEMG's credit risk is negative and the respective accumulated value amounts to Euro 5,293 thousand at 31 December 2015 (2014: Euro 8,260 thousand), as referred in notes 6 and 33.

The analysis of financial instruments held for trading, by maturity date as at 31 December 2015, is as follows:

(Thousand Euros)

	2015					
	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Asset	Liability
Interest rate contracts						
Interest rate swaps	8,000	5,535,805	2,955,308	8,499,113	10,151	11,166
Options	53,436	14,350	39,248	107,034	3,178	3,147
Exchange rate contracts						
Currency swaps	93,239	1,282	-	94,521	647	111
Index contracts						
Index futures	805	-	-	805	2	5
Credit contracts						
Credit Default Swaps	-	-	85,000	85,000	49	32,225
	155,480	5,551,437	3,079,556	8,786,473	14,027	46,654

The analysis of financial instruments held for trading, by maturity date as at 31 December 2014, is as follows:

(Thousand Euros)

	2014					
	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Asset	Liability
Interest rate contracts:						
Interest rate swaps	106,450	513,457	8,750,842	9,370,749	69,946	78,912
Options	40,530	111,796	62,236	214,562	6,013	5,654
Exchange rate contracts						
Currency swaps	195,533	1,639	-	197,172	831	169
Index contracts:						
Index futures	1,559	-	-	1,559	-	4
	344,072	626,892	8,813,078	9,784,042	76,790	84,739

23 Financial assets available for sale

This balance is analysed as follows:

(Thousand Euros)

	2015				
		Fair value reserve			
	Cost [1]	Positive	Negative	Impairment Losses	Book Value
Fixed income securities:					
Issued by public entities					
Portuguese	1,020,265	5,761	(22,953)	-	1,003,073
Foreign	1,246,874	11,541	(3,713)	(7,343)	1,247,359
Issued by other entities					
Portuguese	3,900,563	739	(1,550)	(39,615)	3,860,137
Foreign	280,483	15,803	(25,640)	(14,949)	255,697
Commercial paper	998	-	-	(998)	-
Variable income securities:					
Shares					
Portuguese	78,635	9,522	(1,634)	(3,684)	82,839
Foreign	75,141	16,128	(12,430)	(2,114)	76,725
Investment fund units	1,004,385	15,187	(880)	(56,763)	961,929
	7,607,344	74,681	(68,800)	(125,466)	7,487,759

(1) Acquisition cost relating to shares and amortised cost relating to debt securities.

(Thousand Euros)

	2014				
		Fair value reserve			
	Cost [1]	Positive	Negative	Impairment Losses	Book Value
Fixed income securities:					
Issued by public entities					
Portuguese	1,596,886	52,031	(3,085)	-	1,645,832
Foreign	107,352	5,030	(1,331)	(8,834)	102,217
Issued by other entities					
Portuguese	3,702,373	6,746	(19,517)	(51,864)	3,637,738
Foreign	625,395	32,181	(5,501)	(14,518)	637,557
Commercial paper	10,998	-	-	(998)	10,000
Variable income securities:					
Shares					
Portuguese	84,092	147	(55)	(3,756)	80,428
Foreign	16,257	2,248	(916)	(3,030)	14,559
Investment fund units	1,279,450	13,096	(21,223)	(8,158)	1,263,165
	7,422,803	111,479	(51,628)	(91,158)	7,391,496

(1) Acquisition cost relating to shares and amortised cost relating to debt securities.

The balance Financial assets available for sale includes, in the financial statement position, securities subject to hedging operations, in the amount of Euro 286 thousand (2014: Euro 1,230 thousand), as referred in note 25.

As referred in note 54, the balance Variable income securities – Investment fund units includes the amount of Euro 62,925 thousand (2014: Euro 35,983 thousand) relating to units in a Fund specialised in the recovery of loans acquired under the sale of loans and advances to customers. As at 31 December 2015 and 2014 this amount includes Euro 6,153 thousand engaged to junior securities (investment fund units with a more subordinated character), which are fully provided, according to notes 15, 22 and 54.

IAS 39 – Financial instruments: Recognition and measurement allows the reclassification of unquoted financial instruments registered in the portfolio of financial assets available for sale to loans and advances to customers. This reclassification is allowed only if the unquoted financial instruments correspond to this definition and if there is the intention and the ability to hold the debt instruments for the foreseeable future or until maturity.

According to this standard, the unquoted financial instruments (securities) meet the definition of loans and receivables, which means that is a non-derivative financial asset with fixed or determined payments that are not quoted in an active market. Moreover, CEMG has the intention and ability to hold these assets until maturity.

As at the date of reclassification the following aspects are observed:

- The reclassification of securities from financial assets available for sale portfolio to the loans and advances to customers category is realized at the fair value of the debt instrument at the date of reclassification;
- The fair value of securities at the reclassification date will become the new cost;
- As at the date of reclassification a new effective interest rate is determined as the basis of calculation and recognition of interest and amortized cost from that moment;
- The new effective interest rate is the rate that exactly discounts estimated future cash flows over the remaining expected life of the instruments fair value at the date of reclassification;
- A subsequent change in the fair value of the debt instrument over its new amortized cost is not recognised;
- It's performed a review of subsequent impairment taking into consideration the new amortized cost, the new effective interest rate and the expected future cash flows; and

• Any impairment loss, measured as the difference between the new amortized cost and the present value of estimated future cash flows (excluding future credit losses that have not incurred) discounted at the new effective interest rate determined at the date of reclassification, is recognised in profit or loss.

The reclassification of securities, from financial assets available for sale portfolio to loans and advances to customers implied the establishment of provisions for general credit risks, according to article no.7, no.3, of Regulation no. 3/95, from the Bank of Portugal, corresponding to 1% of the values which represents its calculation base.

In this context, as at 31 December 2015, CEMG reclassified the securities portfolio from financial assets available for sale to loans and advances to customers, in the amount of Euro 358,488 thousand, as described in note 21 and recorded provisions for general banking risks amounting to Euro 3,518 thousand, as described in note 37. The fair value reserve of the securities transferred amounted, at the date of reclassification, to Euro 3,858 thousand, as referred in note 44.

During the year of 2015 the impact of reclassifications, is presented as follows:

(Thousand Euros)

	At the date of reclassification		2015		
	Book value	Fair value	Book value	Fair value	Difference
Financial assets available for sale to:					
Loans to customers	358,488	358,488	358,488	358,488	-
	358,488	358,488	358,488	358,488	-

As at 31 December 2015 and 2014, the analysis of financial assets available for sale net of impairment, by valuation levels, is presented as follows:

(Thousand Euros)

	2015				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Issued by public entities					
Portuguese	1,003,073	-	-	-	1,003,073
Foreign	1,242,231	5,128	-	-	1 247,359
Issued by other entities					
Portuguese	5,909	3,522	3,850,706	-	3,860,137
Foreign	91,670	100,924	63,103	-	255,697
	2,342,883	109,574	3,913,809	-	6,366,266
Variable income securities					
Shares					
Portuguese	944	-	77,011	4,884	82,839
Foreign	6,551	-	69,836	338	76,725
Investment fund units	142,961	-	818,968	-	961,929
	150,456	-	965,815	5,222	1,121,493
	2,493,339	109,574	4,879,624	5,222	7,487,759

(Thousand Euros)

	2014				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Issued by public entities					
Portuguese	1,645,832	-	-	-	1,645,832
Foreign	101,960	257	-	-	102,217
Issued by other entities					
Portuguese	151,097	11,325	3,475,316	-	3,637,738
Foreign	378,042	117,386	142,129	-	637,557
Commercial paper	-	-	10,000	-	10,000
	2,276,931	128,968	3,627,445	-	6,033,344
Variable income securities					
Shares					
Portuguese	852	-	74,692	4,884	80,428
Foreign	11,450	-	2,943	166	14,559
Investment fund units	142,192	-	1,120,973	-	1,263,165
	154,494	-	1,198,608	5,050	1,358,152
	2,431,425	128,968	4,826,053	5,050	7,391,496

As referred in IFRS 13, financial instruments are measured according to the valuation levels described in note 47.

The assets included in level 3, in the balance Variable income securities – participation units includes participation units in real estate investment funds, in credit recovery specialized funds and venture capital funds whose value resulted from the disclosure of the Net Asset Value of the Fund (NAV) determined by the management company, in accordance with the respective funds accounts, amounting to Euro 818,168 thousand (2014: Euro 1,120,973 thousand). The assets of these funds result from a diverse set of assets and liabilities valued in the respective accounts, at fair value, by internal methodologies used by the management company. It is not practicable to provide a sensitivity analysis of the different components of assumptions used by entities in the presentation of NAV of funds, nevertheless it should be noted that a variation of ± 10% in NAV has an impact of Euro 81,817 thousand (Euro 2014: 112,097 thousand) in equity.

Additionally, assets classified in level 3 also include the shares held by CEMG in Visa Europe Limited, amounting to Euro 7,900 thousand, as a result of their valuation within the undergoing transaction with Visa International, as referred in notes 44 and 57.

The assets included in level 3, Fixed income securities – Securities issued by other entities record notes on securitisation operations performed by CEMG and which are recorded as assets liabilities associated with transferred assets.

Instruments classified as level 3 have associated unrealized gains and losses in the positive amount of Euro 21,077 thousand (2014: negative amount of Euro 16,223 thousand) recognised in fair value reserves.

The impairment amount registered in these securities amounts to Euro 92,559 thousand at 31 December 2015 (2014: Euro 46,850 thousand). There haven't been any transfers from and to this level.

The movements occurred in Impairment of financial assets available for sale are analysed as follows:

(Thousand Euros)

	2015	2014
Balance on 1 January	91,158	77,679
Charge for the period	114,094	76,069
Write-back for the period	(55,254)	(16,752)
Charge-off	(24,532)	(45,838)
Balance on 31 December	125,466	91,158

As at 31 December 2015, it was recognised an impairment for investment units of real estate investment funds in the amount of Euro 46,950 thousand, as referred in note 15.

The evolution of the debt crisis of the Euro countries associated with macro-economic developments in Greece, which has contributed to a deterioration of economic and financial situation of the Greek State and the inability to access markets which implies that the solvency of the country immediately remains dependent on continued support from EU and the IMF.

As at 31 December 2015, impairment losses recognised regarding the sovereign debt of Greece amounts to Euro 7,343 thousands (2014: Euro 8,834 thousands), as referred in notes 15 and 53.

The analysis of the available for sale financial assets by maturity date, as at 31 December 2015, is as follows:

(Thousand Euros)

	2015				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Issued by public entities					
Portuguese	20,000	35,295	947,778	-	1,003,073
Foreign	3,109	95,694	1,148,556	-	1,247,359
Issued by other entities					
Portuguese	-	-	3,858,937	1,200	3,860,137
Foreign	-	167	251,979	3,551	255,697
	23,109	131,156	6,207,250	4,751	6,366,266
Variable income securities					
Shares					
Portuguese	-	-	-	82,839	82,839
Foreign	-	-	-	76,725	76,725
Investment fund units	-	-	2,135	959,794	961,929
	-	-	2,135	1,119,358	1,121,493
	23,109	131,156	6,209,385	1,124,109	7,487,759

The analysis of the available for sale financial assets by maturity date, as at 31 December 2014, is as follows:

(Thousand Euros)

	2014				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Issued by public entities					
Portuguese	835	23,205	1,621,792	-	1,645,832
Foreign	-	5,130	97,087	-	102,217
Issued by other entities					
Portuguese	10,397	15,743	3,609,476	2,122	3,637,738
Foreign	67,152	19,487	547,443	3,475	637,557
Commercial paper	10,000	-	-	-	10,000
	88,384	63,565	5 875 798	5,597	6,033,344
Variable income securities					
Shares					
Portuguese	-	-	-	80,428	80,428
Foreign	-	-	-	14,559	14,559
Investment fund units	-	-	1,772	1,261,393	1,263,165
	-	-	1,772	1,356,380	1,358,152
	88,384	63,565	5,877,570	1,361,977	7,391,496

Securities pledged as collateral recorded in Available for sale financial assets, are presented as follows:

- The market value of the assets pledged as collateral to the European Central Bank under liquidity providing operations in the amount of Euro 3,677 billions (2014: Euro 4,202 billions);
- Securities pledged as collateral to the Portuguese Securities Market Commission under the Investors' Compensation Fund in the nominal amount of Euro 1,750 million (2014: Euro 1,750 millions);
- The amount of the EIB loan obtained is collateralised by securities of Italian, Spanish, Portuguese and Greek states in the nominal amount of Euro 706,638 thousand (Euro 2014: 420,000 thousand), registered in the balance Available for sale financial assets; and
- Securities pledged as collateral to the Deposit Guarantee Fund in the nominal amount of Euro 25 million (2014: Euro 28 million).

These financial assets pledged as collateral can be executed in case of default of contractual obligations assumed by the Group under the terms and conditions of signed contracts, as referred in notes 32 and 33.

24 Hedging derivatives

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Asset		
Interest rate swap	9	60
Liability		
Interest rate swap	439	1,494

Hedging derivatives are valued in accordance with internal valuation techniques based on observable market data. Therefore, in accordance with the hierarquisation of the valuation sources, and as referred in IFRS 13, these instruments are classified as level 2, as described in note 47.

CEMG uses derivatives to hedge interest rate risks. The accounting method depends on the nature of the hedged risk, namely if CEMG is exposed to fair value changes or probable forecast transactions.

CEMG performs periodical effectiveness tests of the hedging relationships.

The adjustment performed to the assets and liabilities that includes hedged items is analysed as follows:

(Thousand Euros)

	2015	2014
Financial assets available for sale	286	1,230
	286	1,230

The analysis of the hedging derivatives portfolio by maturity date, as at 31 December 2015 is as follows:

(Thousand Euros)

	2015							
	Notional by maturity date				Fair value			
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Due within 3 months	3 months to 1 year	Over 1 year	Total
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	-	-	5,000	5,000	-	-	(430)	(430)
	-	-	5,000	5,000	-	-	(430)	(430)

The analysis of the hedging derivatives portfolio by maturity date, as at 31 December 2014 is as follows:

(Thousand Euros)

	2014							
	Notional by maturity date				Justo valor			
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Due within 3 months	3 months to 1 year	Over 1 year	Total
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	-	20,000	6,500	26,500	-	(447)	(987)	(1,434)
	-	20,000	6,500	26,500	-	(447)	(987)	(1,434)

As at 31 December 2015, the fair value hedge operations can be analysed as follows:

(Thousand Euros)

	2015						
Derivative	Hedged item	Hedged risk	Notional	Fair value (1)	Changes in the fair value of the derivative in the year	Hedge item fair value (2)	Changes in the fair value of the hedge item in the year (2)
Interest rate swaps	Financial assets available for sale	Interest rate	5,000	(430)	1,004	286	(944)
			5 000	(430)	1 004	286	(944)

(1) Includes accrued interest.
(2) Attributable to the hedged risk.

As at 31 December 2014, the fair value hedge operations can be analysed as follows:

(Thousand Euros)

	2014						
Derivative	**Hedged item**	**Hedged risk**	**Notional**	**Fair value (1)**	**Changes in the fair value of the derivative in the year**	**JHedge item fair value (2)**	**Changes in the fair value of the hedge item in the year (2)**
Interest rate swaps	Deposits from credit institutions	Interest rate	-	-	(414)	-	209
Interest rate swaps	Financial assets available for sale	Interest rate	26,500	(1,434)	326	1,230	(248)
			26,500	(1,434)	(88)	1,230	(39)

(1) Includes accrued interest.
(2) Attributable to the hedged risk.

25 Held-to-maturity instruments

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Fixed income securities		
Bonds issued by Portuguese public entities	26,130	6,209
Bonds issued by foreign public entities	-	11,124
	26,130	17,333

The fair value of held-to-maturity investments portfolio is presented in note 47.

CEMG assessed, with reference to 31 December 2015, the existence of objective evidence of impairment on its held-to-maturity investments portfolio and no events with impact on the recoverable amount of the future cash flows associated with those investments were identified.

The held-to-maturity investments, as at 31 December 2015 are analysed as follows:

(Thousand Euros)

Issue	Issue date	Maturity date	Interest rate	Book value
OT 2.875% 15-OCT-2025	January, 2015	October, 2025	Fixed rate of 2.875%	26,130
				26,130

The held-to-maturity investments, as at 31 December 2014 are analysed as follows:

(Thousand Euros)

Issue	Issue date	Maturity date	Interest rate	Book value
OT - October_05/15-10-2015	July, 2005	October, 2015	Fixed rate of 3.350%	6,209
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3.250%	5,061
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3.500%	2,029
Belgium Kingdom 05/28-09-2015	March, 2005	September, 2015	Fixed rate of 3.750%	2,011
Buoni Poliennali Del Tes. 05/2015	May, 2005	August, 2015	Fixed rate of 3.750%	2,023
				17,333

The held-to-maturity investments are valued in accordance with the established in note 1 c).

During 2015 and 2014, CEMG did not transfer to or from this assets category.

As at 31 December 2015 the analysis of held-to-maturity investments by maturity is as follows:

(Thousand Euros)

	2015				
	Due within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds issued by portuguese public issuers	-	-	-	26,130	26,130
	-	-	-	26,130	26,130

As at 31 December 2014 the analysis of held-to-maturity investments by maturity is as follows:

(Thousand Euros)

	2014				
	Due within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds issued by portuguese public issuers	-	6,209	-	-	6,209
Bonds issued by foreign public issuers	-	11,124	-	-	11,124
	-	17,333	-	-	17,333

26 Investments in subsidiaries and associated companies

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Investments in subsidiary and associated companies		
Montepio Holding, S.G.P.S., S.A.	341,250	341,250
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	8,997	8,997
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3,200	3,200
Montepio - Gestão de Ativos Imobiliários, ACE	636	636
Montepio Seguros, S.G.P.S., S.A.	-	65,100
	354,083	419,183

The financial information concerning subsidiary and associated companies is presented in the following table:

	Number of shares	Percentage of direct shares	Unit value Euros	Acquisition cost
31 December 2015				
Montepio Holding, S.G.P.S., S.A.	175,000,000	100.00%	1.00	341,250
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	99,200	100.00%	90.69	8,997
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400,001	20.00%	5.00	3,200
Montepio - Gestão de Ativos Imobiliários, ACE	636,924	26.00%	1.00	636
				354,083
31 December 2014				
Montepio Holding, S.G.P.S., S.A.	175,000,000	100.00%	1.00	341,250
Montepio Holding, S.G.P.S., S.A.	46,350,001	33.65%	1.00	65,100
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	99,200	100.00%	90.69	8,997
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400,001	20.00%	5.00	3,200
Montepio - Gestão de Ativos Imobiliários, ACE	636,924	26.00%	1.00	636
				419,183

On 30 December 2015, CEMG sold its shareholding in Montepio Seguros, S.G.P.S., SA, for Euro 46,350 thousand, and also received the supplementary capital contributions in the amount of Euro 18,750 thousand. As at 31 December 2015, there is an outstanding amount of Euro 45,100 thousand, which will be settled in the first semester of 2016, according to note 31.

The list of subsidiaries and associated CEMG's companies is presented in note 56.

As at 9 May, 2014, Montepio – Gestão de Activos Imobiliários, ACE was incorporated. CEMG has a 26% quote on this ACE.

27 Non-current assets held for sale

This balance is analysed as follows:

		(Thousand Euros)
	2015	2014
Investments arising from recovered loans	886,484	909,549
Impairment for non-current assets held for sale	(132,619)	(130,045)
	733,865	779,504

The assets included in this balance are accounted for in accordance with the note 1 j).

The balance Investments arising from recovered loans includes the amount of Euro 1,551 thousand (2014: Euro 1,549 thousand) related with other non-current assets held for sale resulting from the foreclosure of contracts of loans to customers. Note that these assets are fully provisioned.

The foreclosure of contracts of loans to customers, is originated by (i) delivery of the assets, with option to repurchase or leasing, accounted with the celebration of the contract or the promise to deliver the asset and the respective irrevocable power of attorney issued by the customer in the name of CEMG; or (ii) the adjudication of the assets as a result of a judicial process of guarantees execution, accounted with the title of adjudication or following the adjudication request after the record of the first (payment prosolvency).

CEMG has implemented a plan to sale immediately the non-current assets held for sale. According to CEMG's expectation, these assets are available for sale in a period less than 1 year and CEMG has a strategy for its sale. Nevertheless, given the current market conditions, in some situations it is not possible to conclude these sales before the expected deadline. This balance includes buildings and other assets for which CEMG has already established contracts for the sale in the amount of Euro 18,202 thousand (2014: Euro 8,212 thousand).

The movements, in 2015 and 2014, for non-current assets held for sale are analysed as follows:

		(Thousand Euros)
	2015	2014
Balance on 1 January	909,549	751,647
Acquisitions	204,443	283,388
Disposals	(247,099)	(125,486)
Other movements	(409)	-
Balance on 31 December	866,484	909,549

The movement in impairment for non-current assets held for sale balance is analysed as follows:

(Thousand Euros)

	2015	2014
Balance on 1 January	130,045	88,416
Charge for the period	98,451	60,353
Write-back for the period	(28,939)	(18,724)
Charge-off	(66,938)	-
Balance on 31 December	132,619	130,045

In addition to the impairment losses, CEMG recognised in profit or loss for these assets, losses on real estate arising from its disposal in the amount of Euro 12,649 thousand (2014: 11,473 thousand), as mentioned in note 9.

28 Property and equipment

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Cost		
Land and buildings		
For own use	7,557	7,730
Leasehold improvements in rented buildings	40,561	40,340
Work in progress	10	10
Equipment		
Security equipment	7,243	7,325
Motor vehicles	2,246	2,571
Computer equipment	84,724	82,361
Interior installations	20,218	20,022
Office equipment	2,702	2,957
Furniture	19,273	19,290
Other equipment	1	1
Assets in operacional lease	656	975
Works of art	2,870	2,869
Other tangible assets	1,938	1,946
Work in progress	3 439	3,106
	193,438	191,503
Accumulated depreciation		
Charge for the period	(9,484)	(11,262)
Accumulated charge in previous periods	(152,699)	(143,317)
	(162,183)	(154,579)
	31,255	36,924

The movements in Property and equipment, during 2015, are analyzed as follows:

(Thousand Euros)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost					
Land and buildings					
For own service	7,730	-	(288)	115	7,557
Leasehold improvements in rented buildings	40,340	51	(183)	353	40,561
Work in progress	10	-	-	-	10
Equipment					
Security equipment	7,325	19	(101)	-	7,243
Motor vehicles	2,571	16	(341)		2,246
Computer equipment	82,361	2,918	(555)	-	84,724
Interior installations	20,022	150	(22)	68	20,218
Office equipment	2,957	18	(273)	-	2,702
Furniture	19,290	160	(177)	-	19,273
Other equipment	1	-	-	-	1
Assets in operacional lease	975		(319)		656
Works of art	2,869	1	-	-	2,870
Other tangible assets	1,946		(8)		1,938
Work in progress	3,106	466	-	(133)	3,439
	191,503	3,799	(2,267)	403	193,438
Accumulated depreciations					
Land and building					
For own service	(3,173)	(236)	98	-	(3,311)
Leasehold improvements in rented buildings	(30,142)	(2,567)	167	-	(32,542)
Equipament					
Security equipment	(6,444)	(319)	100	-	(6,663)
Motor vehicles	(2,440)	(56)	261	-	(2,235)
Computer equipment	(75,152)	(4,015)	554	-	(78,613)
Interior installations	(14,512)	(1,417)	22	-	(15,907)
Office equipment	(2,895)	(44)	272	-	(2,667)
Furniture	(17,488)	(633)	176	-	(17,945)
Other equipment	(1)	-	-	-	(1)
Assets in operacional lease	(522)	(123)	220	-	(425)
Other tangible assets	(1,810)	(74)	10	-	(1,874)
	(154,579)	(9,484)	1,880	-	(162,183)
	36,924				31,255

The movements in Property and equipment, during 2014, are analysed as follows:

(Thousand Euros)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost					
Land and buildings					
For own service	40,235	29	-	76	40,340
Leasehold improvements in rented buildings	8,040	-	(310)	-	7,730
Work in progress	19	-	-	(9)	10
Equipment					
Security equipment	7,226	114	(15)	-	7,325
Motor vehicles	3,298	186	(913)	-	2,571
Computer equipment	81,361	2,457	(1,457)	-	82,361
Interior installations	19,942	102	(59)	37	20,022
Office equipment	2,968	11	(22)	-	2,957
Furniture	19,328	114	(152)	-	19,290
Other equipment	1	-	-	-	1
Assets in operacional lease	1,670	164	(859)	-	975
Works of art	2,869	-	-	-	2,869
Other tangible assets	1,954	-	(8)	-	1,946
Work in progress	2,037	1,609	-	(540)	3,106
	190,948	4,786	(3,795)	(436)	191,503
Accumulated depreciations					
Land and building					
For own service	(3,014)	(287)	128	-	(3,173)
Leasehold improvements in rented buildings	(27,458)	(2,684)	-	-	(30,142)
Equipament					
Security equipment	(5,930)	(527)	13	-	(6,444)
Motor vehicles	(3,277)	(77)	914	-	(2,440)
Computer equipment	(71,722)	(4,887)	1,457	-	(75,152)
Interior installations	(13,019)	(1,550)	57	-	(14,512)
Office equipment	(2,844)	(72)	21	-	(2,895)
Furniture	(16,781)	(856)	149	-	(17,488)
Other equipment	(1)	-	-	-	(1)
Assets in operacional lease	(877)	(212)	567	-	(522)
Other tangible assets	(1,709)	(110)	9	-	(1,810)
	(146,632)	(11,262)	3,315	-	(154,579)
	44,316				36,924

29 Intangible assets

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Cost		
Software	78,045	66,854
Other intangible assets	88,333	88,333
Work in progress	6,361	3,465
	172,739	158,652
Accumulated depreciation		
Charge for the period	(12,822)	(12,875)
Accumulated charge in previous periods	(41,355)	(28,480)
	(54,177)	(41,355)
	118,562	117,297
Impairment for intagible assets	(88,333)	-
	30,229	117,297

The balance Other intangible assets includes de amount of Euro 88,272 thousand representing the difference between assets and liabilities of Montepio Investimento, S.A. (previously designated as Finibanco, S.A.) acquired by CEMG in 4 April 2011 and its accounting value and considers the fair value of those assets and liabilities as well as the business generating potential associated to Montepio Investimento, S.A. network, as described in note 1 a).

This intangible asset does not have finite useful life, so, as referred in accounting policy notes 1 q) and 1 z), its recoverable amount is annually reviewed, regardless of the existence of impairment signs. Any impairment losses are recognised in income statement.

As at 31 December 2015 and 2014, the CEMG's Executive Board of Directors recorded an impairment in the amount of Euro 88,333 thousand, which corresponds to the total balance sheet value of this asset, based on the estimate of the future economic benefits of this asset, as described in note 16.

The movements in Intangible assets, during 2015, are analysed as follows:

(Thousand Euros)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/Transfers	Balance on 31 December
Cost					
Software	66,854	-	-	11,192	78,046
Other intangible assets	88,333	-	-	-	88,333
Work in progress	3,465	14,087	-	(11,192)	6,360
	158,652	14,087	-	-	172,739
Accumulated depreciation					
Software	(41,355)	(12,822)	-	-	(54,177)
	(41,355)	(12,822)	-	-	(54,177)
Impairment	-	(88,333)	-	-	(88,333)
	117,297				30,229

The movements in Intangible assets, during 2014, are analysed as follows:

(Thousand Euros)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/Transfers	Balance on 31 December
Cost					
Software	52,386	-	-	14,468	66,854
Other intangible assets	88,333	-	-	-	88,333
Work in progress	-	18,333	-	(14,868)	3,465
	140,719	18,333	-	(400)	158,652
Accumulated depreciation					
Software	(28,479)	(12,875)	-	(1)	(41,355)
	(28,479)	(12,875)	-	(1)	(41,355)
	112,240				117,297

30 Taxes

Deferred tax assets and liabilities as at 31 December 2015 and 2014 are analysed as follows:

(Thousand Euros)

	Asset		Liability		Net	
	2015	2014	2015	2014	2015	2014
Financial instruments	20,713	12,267	(23,586)	(32,886)	(2,873)	(20,619)
Provisions / impairment			-	-	-	
Granted credit impairment	149,285	246,828	-	-	149,285	246,828
Other risks and charges	76,102	4,765	-	-	76,102	4,765
Impairment on securities and non-financial assets	9,349	-	-	-	9,349	-
Employees benefits	40,928	35,637	-	-	40,928	35,637
Other	407	103	(53)	(53)	355	50
Tax losses carried forward	176,314	75,732	-	-	176,314	75,732
Net deferred tax asset / (liability)	473,099	375,332	(23,639)	(32,939)	449,460	342,393

Deferred taxes are calculated rising the tax rates expected to be in force when the temporary differences are reversed, which correspond to the rates enacted or substantively enacted at the balance sheet date.

The balance Benefits to employees includes the amount of Euro 15,919 thousand (2014: Euro 18,573 thousand) related to deferred taxes of actuarial losses recognised against reserves as a result of the change in the accounting policy. This balance also includes the amount of Euro 3,633 thousand (2014: Euro 3,861 thousand) related to deferred taxes associated with the expense generate with the transfer of liabilities with pensioners to the general social security scheme.

The negative equity variation due to the change in the accounting policy is deductible for tax purposes in equal parts, for a 10 year period starting on 1 January 2012. The expense generate with the transfer of liabilities with pensioners to the general social security scheme is deductible for tax purposes in equal parts, starting on 1 January, 2012, according to the number of years of life expectancy of pensioners whose responsibilities were transferred (20 years in the case of CEMG).

As at 31 December 2015, deferred taxes associated with Employee benefits includes the amount of Euro 10,194 thousand related with employee benefits in excess when compared with the existing limits.

The deferred tax rate is analysed as follows:

	2015	2014
Income tax (a)	21.0%	21.0%
Municipal surcharge rate	1.5%	1.5%
State surcharge rate	7.0%	7.0%
Total (b)	29.5%	29.5%

(a) - Applicable to deferred taxes related to tax losses;
(b) - Applicable to deferred taxes related to temporary differences.

Deferred taxes related to the losses carried forward are recognised only if the existence of future taxable profits is probable. The uncertainty of the recoverability of the tax losses carried forward is considered in the deferred tax assets calculation.

As referred in the accounting policy described in note 1 v) and in accordance with the requirements set in IAS 12, the deferred tax assets were recognised based on the recoverability expectations of CEMG. The evaluation of the recoverability of deferred tax assets was made based on the strategic guidelines for 2016-2018, approved by the General Meeting of Shareholders of CEMG.

Assess recoverability of deferred tax assets, in particular related to tax losses carried forward, was conducted through the Group's estimated financial statements, prepared under the budget procedure for 2016, which took into account the macroeconomic and competitive environment as well as the strategic priorities of CEMG.

The expectation of generating future taxable income is fundamentally based in a favourable evolution of:

(i) net interest income;

(ii) resizing of operating costs; and

(iii) sale of assets.

Based on this evaluation, there are no unrecognised deferred taxes at 31 December 2015 (2014: Euro 4,544 thousand).

The expiry date of recognised tax losses carried forward is presented as follows:

(Thousand Euros)

Expire date	2015	2014
2017	32,075	28,248
2018	47,074	47,484
2027	97,165	-
	176,314	75,732

Tax recognised in the income statement and reserves for the years ended at 31 December 2015 and 2014 is analysed as follows:

(Thousand Euros)

	2015		2014	
	Charged to results	Charged to reserves and retained earnings	Charged to results	Charged to reserves and retained earnings
Financial instruments	-	17,746	-	(10,188)
Provisions / impairment	(16,857)	-	62,841	-
Employees benefits	4,966	325	4,640	(7,147)
Other	305	-	(1,767)	-
Tax losses carried forward	100,582	-	(19,687)	-
Deferred taxes/ recognized as (profit)/ losses	88,996	18,071	46,027	(17,335)
Current taxes/ recognized as (profit)/ losses	7,650	-	(11,433)	-
	96,646	18,071	34,594	(17,335)

The reconciliation of the effective tax rate is analysed as follows:

(Thousand Euros)

	2015		2014	
	%	Value	%	Value
Profit before taxes		(472,689)		(191,900)
Income tax based on the current nominal tax rate	21.0	(99,265)	23.0	(44,137)
Municipal and state surcharge	-	-	(3.0)	5,691
Extraordinary contribution for the banking sector	(0.5)	2,140	(0.9)	1,743
Charge/reversal of taxable provisions/impairments	(0.0)	23	-	-
Tax benefits	-	-	(0.1)	214
Autonomous taxation	(0.4)	1,977	(0.5)	989
Other	(2.5)	11,926	(4.5)	8,724
Deferred taxes not previosly recorded	2.2	(10,633)	-	-
Corrections to previous periods	2.0	(9,629)	(0.3)	(593)
Deferred tax losses carried forward	-	-	(5.9)	11,390
Effect of differences in income tax for the period	(1.4)	6,815	9.7	(18,615)
Income tax for the period	20.4	(96,646)	18.0	(34,594)

The Tax Authority may review CEMG's taxable income during a period of four years, except in the case of tax losses carried forward, as well as any other deduction or tax credit, in which the period is the period of exercise of that right.

CEMG was object of a Tax Authority's inspection until 2013 period. As a result of the inspection, CEMG was object of an additional payment of income tax, related to autonomous taxation and other adjustments to the calculated tax loss. CEMG paid the settled amounts, without prejudice of appeal regarding some corrections made by the tax authorities.

On this basis, CMEG did not recognise any asset regarding any potential tax recovery.

31 Other assets

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Other accrued income	30,324	6,622
Recoverable subsidies from Portuguese Government	5,241	6,460
Prepayments and deferred costs	515	704
Other debtors	278,831	174,206
Sundry debtors	21,547	50,182
	336,458	238,174
Impairment for other assets	(17,996)	(3,086)
	318,462	235,088

As at 31 December 2015, the balance Other accrued income includes the amount of Euro 26,000 thousands regarding the estimated cost with services rendered by CEMG to Montepio Geral Associação Mutualista, as described in note 10.

The balance Recoverable subsidies from Portuguese Government corresponds to mortgage credit interest subsidies, in accordance with the regulations applicable to mortgage loans benefits. The referred amounts do not bear interest and are claimed monthly.

As at 31 December 2015 and 2014, the balance Recoverable subsidies from the Portuguese Government is analysed as follows:

(Thousand Euros)

	2015	2014
Overdue subsidies unclaimed	3,283	3,880
Recoverable subsidies from the Portuguese Government	1,768	2,265
Subsidies unclaimed	190	315
	5,241	6,460

As at 31 December 2015 and 2014, the balance Other debtors is analysed as follows:

(Thousand Euros)

	2015	2014
SilverEquation	161,420	139,176
Montepio Geral - Associação Mutualista	45,100	-
Supplementary capital contributions	14,910	-
Public Entities	14,198	3,833
Real estate	7,115	6,734
Other	36,088	24,463
	278,831	174,206

As at 31 December 2015, the balance SilverEquation includes the receivable amounts under the operation of sale of credits and property to SilverEquation, as referred in note 21.

As at 31 December 2015, Montepio Geral Associação Mutualista includes the receivable amounts under the sale of the shareholding in Montepio Seguros, S.G.P.S., S.A., in the amount of Euro 45,100 thousand, as referred in note 26.

The balance Supplementary capital contributions includes the value of supplementary capital contributions subscribed within a sale of credits operation in the amount of Euro 14,910 thousand, as referred in notes 21, 23 and 54. These supplementary capital contributions are fully provided, as referred in note 16.

As at 31 December 2015, the balance Public Entities includes the amount of Euro 14,198 thousand (2014: Euro 3,833 thousand) related to the receivable amounts from public entities, mostly courts in the context of insolvency proceedings and lodge claims.

As at 31 December 2015, the balance Real Estate includes the amount of Euro 7,115 thousand (2014: Euro 6,734 thousand) related with the receivable amounts from the sale of properties classified as non-current assets held for sale.

The movements in Impairment for other assets are analysed as follows:

(Thousand Euros)

	2015	2014
Balance on 1 January	3,086	3,086
Charge for the period	14,910	-
Balance on 31 December	17,996	3,086

As at 31 December 2015, the balance Charge for the year includes the impairment recorded for the supplementary capital contributions subscribed within a sale of credits operation.

32 Deposits from central banks

As at 31 December 2015 and 2014, this balance is related to deposits obtained in the European System of Central Banks and is covered by securities from the available for sale portfolio pledged as collaterals portfolio of financial assets available for sale.

As at 31 December 2015 and 2014, the analysis of deposits from Central Banks by maturity is as follows:

(Thousand Euros)

	2015	2014
Up to 3 months	535,027	2,020,772
More than 6 months	1,727 231	476,114
	2,262,258	2,496,886

33 Deposits from other financial institutions

This balance is analysed as follows:

(Thousand Euros)

	2015			2014		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions in Portugal						
Deposits repayable on demand	14,437	-	14,437	10,821	-	10,821
Term deposits	-	25,041	25,041	-	41,953	41,953
	14,437	25,041	39,478	10,821	41,953	52,774
Deposits from credit institutions abroad						
BEI loan	-	560,644	560,644	-	350,715	350,715
Loans	-	-	-	-	90,926	90,926
Deposits repayable on demand	46,822	-	46,822	18,452	-	18,452
Term deposits	-	435,504	435,504	11,780	556,424	568,204
Sales operations with repurchase agreement	-	860,210	860,210	-	536,948	536,948
CSA's	10,530	-	10,530	16,560	-	16,560
Repos	-	48	48	-	1,654	1,654
Other deposits	2,277	72,280	74,557	-	-	-
	59,629	1,928,686	1,988,315	46,792	1,536,667	1,583,459
Adjustments to hedge operations value	521	-	521	1,842	-	1,842
	74,587	1,953,727	2,028,314	59,455	1,578,620	1,638,075

The balance Deposits from other financial institutions, analysed by maturity, is as follows:

(Thousand Euros)

	2015	2014
Up to 3 months	578,890	639,551
3 to 6 months	203,180	101,656
6 months to 1 year	171,034	269,137
1 year to 5 years	627,336	379,530
More than 5 years	447,353	246,359
	2,027,793	1,636,233
Adjustments arising from hedging operations	521	1,842
	2,028,314	1,638,075

As part of financial derivative instruments operations with institutional counterparties, according to the signed contracts, CSA has, on 31 December 2015, the amount of Euro 10,530 thousand (2014: Euro 16,560 thousand) deposits from other credit institutions received as collateral for these operations.

The balance Deposits from other financial institutions includes emissions at fair value according to internal valuation methodologies, considering mainly observable data from the market, with the amount of Euro 71,065 thousand (2014: Euro 61,009 thousands). So, in accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are categorized in Level 2. Financial liabilities included in this balance are revaluated against results, according with the accounting policy described in note 1 c).

The amount of the EIB loan is collateralised by securities of Italian, Spanish, Portuguese and Greek states in the amount of Euro 706,638 thousand (Euro 2014: 420,000 thousand), registered in the balance Financial assets available for sale.

The balance Deposits from other financial institutions also includes issues subject to hedging operations whose impact on the book value amounts to Euro 521 thousand (2014: Euro 1,842 thousand). Financial liabilities included in this balance are revaluated against results, in accordance with the accounting policy described in note 1 d), having recognised, at 31 December 2015, a loss of Euro 1,321 thousand (2014: loss of Euro 2,061 thousand), related to changes in the hedged value, as referred in notes 6, 22 and 24.

The funds obtained under the CSA with international financial institutions, are remunerated at EONIA rate. However, because these rates have shown negative values, and with the application of a 0% floor, there have been no payments/receipts of interest.

The balance Resources Repos refers to the Margin Maintenance of the Repos made in accordance with the Global Master Repurchase Agreement.

34 Deposits from customers

This balance is analysed as follows:

(Thousand Euros)

	2015			2014		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	2,555,461	116,502	2,671,963	2,626,412	57,083	2,683,495
Time deposits	-	9,421,738	9,421,738	-	10,805,813	10,805,813
Saving accounts	-	106,359	106,359	-	110,992	110,992
Other deposits	7,672	-	7,672	8,824	-	8,824
Adjustments arising from hedging operations	8	-	8	20	-	20
	2,563,141	9,644,599	12,207,740	2,635,256	10,973,888	13,609,144

In the terms of Ordinance no. 180/94, of 15 December, the deposit guarantee fund was established to guarantee the reimbursement of funds deposited in credit institutions. The criteria to calculate the annual contributions to the referred fund are defined by Regulation no. 11/94 of the Bank of Portugal, of 29 December.

The caption Time deposits includes deposits at fair value, measured in accordance with internal evaluation techniques considering, mainly, observable market inputs, in the amount of Euro 54,654 thousands (2014: Euro 95,657 thousands). So, in accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are categorized in Level 2. Financial liabilities included in this balance are revaluated against results, according with the accounting policy described in note 1 c), having recognised a gain, at 31 December 2015, in the amount of Euro 12 thousand (2014: Euro 5,343 thousand) related to fair value changes associated to CEMG credit risk, as referred in notes 6 and 22.

The balance Deposits from customers, analysed by maturity, is as follows:

(Thousand Euros)

	2015	2014
Deposits repayable on demand	2,671,963	2,683,495
Time deposits and saving accounts		
Due within 3 months	1,403,408	1,677,663
3 months to 6 months	3,447,941	3,599,567
6 months to 1 year	1,979,416	2,462,780
1 year to 5 years	2,642,405	3,109,005
Over 5 years	54,927	67,790
	12,200,060	13,600,300
Adjustments arising from hedging operations	8	20
	12,200,068	13,600,320
Other items		
Due within 3 months	7,672	8,824
	12,207,740	13,609,144

35 Debt securities issued

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Euro Medium Term Notes (EMTN)	61,138	150,145
Bonds	1,340,138	1,786,327
Covered bonds	520,113	-
	1,921,389	1,936,472

The fair value of the debt securities issued is presented in note 47.

The balance Debt securities issued includes issues at fair value, in the amount of Euro 98,167 thousand (2014: Euro 196,809 thousand), according with internal valuation techniques and considering, mainly, observable market data. According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 c). As at 31 December 2015 a loss in the amount of Euro 1,131 thousand (2014: a loss of Euro 4,148 thousand) was recognised regarding the fair value variations associated to credit risk of the Group, as described in notes 6 and 22.

As at 31 December 2015 and 2014, the analysis of outstanding debt securities issued by maturity is as follows:

(Thousand Euros)

	2015	2014
Due within 6 months	413,028	357,439
6 months to 1 year	27,133	4,852
1 year to 5 years	1,478,682	1,565,505
Over 5 years	4,214	11,475
	1,923,057	1,939,271
Adjustments arising from hedging operations	(1,668)	(2,799)
	1,921,389	1,936,472

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousand, CEMG presents new emissions amounting to Euro 2,000,000 thousand.

As at 31 December 2015, the main characteristics of these issues are as follows:

Description	Nominal value	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody´s/Fitch/Dbrs)
Covered bonds - 2S	1,000,000	1,000,259	Dec. 2009	Dec. 2016	Quarterly	Euribor 3M + 0.75%	Baa1/BB+/A
Covered bonds - 4S	500,000	500,077	May 2013	May 2017	Monthly	Euribor 1M + 0.75%	Baa1/BB+/A
Covered bonds - 5S	500,000	500,210	Dec 2015	Dec. 2020	Quarterly	Euribor 1M + 0.80%	Baa1/BB+/A
	2,000,000	2,000,546					

As at 31 December 2014, the main characteristics of these issues are as follows:

Description	Nominal value	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody´s/Fitch/Dbrs)
Covered bonds - 2S	1,000,000	1,000,347	Dec. 2009	Dec. 2016	Quarterly	Euribor 3M + 0.75%	Ba1/BBB/A
Covered bonds - 3S	500,000	502,011	Nov. 2010	Nov. 2015	Quarterly	Euribor 3M + 2.5%	Ba1/BBB/A
Covered bonds - 4S	500,000	500,096	May 2013	May 2017	Monthly	Euribor 1M + 0.75%	Ba1/BBB/A
	2,000,000	2,002,454					

The operations carried out by the Group under the Issuance of Covered Bonds Programme of CEMG are presented as follows:

- December 2015: Euro 500,000 thousand issue, within 5 years, at an interest rate of Euribor 3M plus 0.80%;
- November 2015: Euro 500,000 thousand reimbursement;
- May 2013: Euro 500,000 thousand issue, within 4 years, at an interest rate of Euribor 3M plus 0.75%;
- July 2012: Euro 655,000 thousand reimbursement;
- June 2012: Euro 53,300 thousand cancelation, with a profit of Euro 1,857 thousand;
- November 2011: 300,000 thousand issue, within 5 years, at an interest rate of Euribor 3M plus 0.75%;
- October 2011: Euro 291,700 thousand cancellation, with a profit of Euro 17,750 thousand;
- September 2011: Euro 550,000 thousand issue, within 5 years, at an interest rate of Euribor 3M plus 0.75%;
- November 2010: Euro 500,000 thousand issue, within 4 years, at an interest rate of Euribor 3M plus 2.5%;
- December 2009: Euro 150,000 thousand issue, within 7 years, at an interest rate of Euribor 3M plus 0.75%; and
- July 2009: Euro 1,000,000 thousand issue, within 3 years, at an interest rate of 3.25%.

The covered bonds are guaranteed by a cover assets pool, comprised of mortgage credit assets and limited classes of other assets, that the issuer of mortgage covered bonds shall maintain segregated and over which the holders of the relevant covered bonds have a statutory special creditor privilege. These conditions are set up in Decree-Law no. 59/2006, Regulations no. 5/2006, of 20 March, no. 6/2006, of 11 October, no. 7/2006, of 11 October, and no. 8/2006, of 11 October, of Bank of Portugal and Instruction no.13/2006, of 15 November, of Bank of Portugal.

As at 31 December 2015 the credits that collateralize these issues amounts to Euro 2,727,400 thousand (2014: Euro 2,711,971 thousand), according with note 21.

At 31 December 2015, CEMG Group holds in its portfolio mortgage bonds with a nominal value of Euro 1,480,000 thousand (2014: Euro 2,000,000 thousand).

The movements in debt securities issued during the year of 2015 is analysed as follows:

(Thousand Euros)

	Balance on 1 January	Issues	Repayments	Net Repurchase	Other movements (a)	Balance on 31 December
Euro Medium Term Notes (EMTN)	150,145	-	(125,000)	36,950	(957)	61,138
Bonds	1,786,327	28,100	(274,327)	(191,830)	(8,132)	1,340,138
Covered bonds	-	500,000	(500,000)	520,000	113	520,113
	1,936,472	528,100	(899,327)	365,120	(8,976)	1,921,389

(a) Other movements include accrued interest, fair value hedge, fair value adjustments and foreign exchange adjustments.

During 2015, CEMG issued Euro 528,100 thousand (2014: Euro 480,853 thousand) of debt securities and performed the refund of Euro 899,327 thousand (2014: Euro 745,231 thousand).

During 2015, CEMG sold the amount of Euro 320,000 thousand of covered bonds – 2nd series and Euro 200,000 thousand of covered bonds – 4th series.

As at November 2015, the 3rd series of covered bonds was refunded in the nominal amount of Euro 500,000 thousand. Additionally, it was issued the 5th series in the nominal amount of Euro 500,000 thousand.

In accordance with the note 1 c), debt issued repurchased by CEMG is derecognised from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement. As a result of the purchases made during 2015, CEMG recognised a loss of Euro 3,916 thousand (2014: profit of Euro 654 thousand), as referred in note 10.

The movements in debt securities issued during the year of 2014 is analysed as follows:

(Thousand Euros)

	Balance on 1 January	Issues	Repayments	Net Repurchase	Other movements (a)	Balance on 31 December
Euro Medium Term Notes (EMTN)	216,393	-	(105,000)	37,350	1,402	150,145
Bonds	1,717,872	480,853	(416,641)	-	4,243	1,786,327
Covered bonds	80	-	-	-	(80)	-
Commercial paper	231,673	-	(223,590)	-	(8,083)	-
	2,166,018	480,853	(745,231)	37,350	(2,518)	1,936,472

(a) Other movements include accrued interest, fair value hedge, fair value adjustments and foreign exchange adjustments.

As at 31 December 2015, the balance Debt securities issued is comprised of the following issuances:

(Thousand Euros)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGS CAIXA-MONTEPIO INFLACCAO-2008-2016-1 SER.	6/25/2008	6/16/2016	Annual remuneration - an annual fixed rate of 3.2% + Annual European inflation rate	3,770
OBRIGS CAIXA-CRPC-SETEMBRO-2009-2017	9/3/2009	9/4/2017	Fixed Annual Rate of 3.75% (7th year a fixed rate of 3.75% and 8th year of 6.75%)	1,050
OBRIGS CAIXA-MG CAPITAL CERTO-2010-2018-2.-SERIE	7/21/2010	7/22/2018	Fixed Annual Rate of 2.5% (6th year a fixed rate of 3%, 7th year a fixed rate of 3.5% and 8th year of 5%)	600
OBRIGS CAIXA-MG TAXA FIXA SETEMBRRO 2010-2020	9/9/2010	9/9/2020	Fixed Annual Rate of 4%	200
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-1.SERIE	1/27/2011	1/28/2016	Fixed Annual Rate of 4.03% (5th year a fixed rate of 5.28%)	16,800
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-2.SERIE	2/24/2011	2/25/2016	Fixed Annual Rate of 4.2% (5th year a fixed rate of 5.6%)	15,800
OBRIGS CAIXA-MG TAXA CRESCENTE FEVEREIRO 2016	3/2/2011	2/25/2016	Fixed Annual Rate of 4.2% (5th year a fixed rate of 5.6%)	9,050
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-3.SERIE	3/31/2011	4/1/2016	Fixed Annual Rate of 4.25% (5th year a fixed rate of 5.5%)	15,600
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019-1.SERIE	3/31/2011	4/1/2019	Fixed Annual Rate of 4.65% (5th and 6th year, a fixed rate of 5%, 7th and 8th year a fixed rate of 6.5%)	1,800
OBRIGS CAIXA-MG TAXA CRESCENTE ABRIL 2016	4/6/2011	4/1/2016	Fixed Annual Rate of 4.5% (5th year a fixed rate of 5.75%)	3,450
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-4.SERIE	4/28/2011	4/29/2016	Fixed Annual Rate of 4.25% (5th year a fixed rate of 5.5%)	10,850
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-5.SERIE	5/26/2011	5/27/2016	Fixed Annual Rate of 4.6% (5th year a fixed rate of 5.75%)	11,350
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019-2.SERIE	5/26/2011	5/27/2019	Fixed Annual Rate of 5.15% (5th and 6th, a fixed rate of 5.5%, 7th year a fixed rate of 6% and 8th year a fixed rate of 7%)	2,450
OBRIGS CAIXA-MG TAXA CRESCENTE JUN2011-ABR2016	6/8/2011	4/29/2016	Fixed Annual Rate of 4.5% (5th year a fixed rate of 5%)	500
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-6.SERIE	6/30/2011	7/1/2016	Fixed Annual Rate of 4.6% (5th year a fixed rate of 5.75%)	8,800
OBRIGS CAIXA-MG CAPITAL CERTO 1795 DIAS 2011/2016	8/4/2011	7/29/2016	Fixed Annual Rate of 4.6% (5th year a fixed rate of 5.75%)	6,450
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019-3 SERIE	9/7/2011	7/1/2019	Fixed Annual Rate of 5.15% (5th and 6th year, a fixed rate of 5.5%, 7th year a fixed rate of 6.00% and 8th year a fixed rate of 7.00%)	1,100
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-7 SERIE	9/7/2011	9/1/2016	Fixed Annual Rate of 4.6% (5th year a fixed rate of 5.75%)	4,500
OBRIGS CAIXA-FNB DEZEMBRO 07/17	12/20/2010	12/19/2017	1st year' a fixed rate of 5%; After 2nd year interest is calculated = Mínimum [15 * (30 Yr Swap Rate – 10 Yr Swap Rate) + 0.75%;15 * (10 Yr swap Rate – 2 Yr Swap Rate) + 1.25%], of the index with a minimum of 0% and a maximum of 6,5% each year.	23,735
OBRIGS CAIXA-MG CAPITAL CERTO 2016-11 SERIE	1/20/2012	12/1/2016	Fixed semiannual rate of 6.36% (8th semester a fixed rate of 6.68% and 9th and 10th semester a fixed rate of 5.75%)	2,500
OBRIGS CAIXA-MG CAPITAL CERTO 2016-12 SERIE	1/20/2012	12/29/2016	Fixed semiannual rate of 6.026% (7th and 8th semester a fixed rate of 7.6515%; 9th and 10th semester a fixed rate of 11.714%)	4,000
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-1.SERIE	1/31/2012	2/1/2017	Fixed semiannual rate of 6.035% (7th and 8th semester a fixed rate of 7.686% and 9th and 10th semester a fixed rate of 10.162%)	5,650
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-2.SERIE	2/28/2012	3/1/2017	Fixed Annual Rate of 5.6667% (4th year a fixed rate of 7.3333% and 5th year a fixed rate of 9.8333%)	9,750
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-3.SERIE	3/30/2012	3/31/2017	Fixed Annual Rate of 4.9539% (4th year a fixed rate of 5.6122% and 5th year a fixed rate of 6.5997%)	30,000
OBRIGS CAIXA-CRPC-2012-2020-1.SERIE	3/30/2012	3/31/2020	Fixed Annual Rate of 5.25% (4th year: 6% and 5th year: 6.75%; 6th 7th and 8th coupon of Max[6.25% and Min (IPC+2%;9.15%)]	4,400
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-4.SERIE	4/30/2012	5/1/2017	Fixed Annual Rate of 4.80% (4th year: 5.40% and 5th year: 6.35%)	62,150
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-5.SERIE	5/31/2012	6/1/2017	Fixed Annual Rate of 6.8874%(4th year: 9.6247% and 5th year: 13.6063%)	8,700
OBRIGS CAIXA-MONTEPIO CAPITAL CERTO 2012-2020-2ª SERIE	5/31/2012	6/1/2020	Fixed Annual Rate of 8.2583% (4th year: 9.7083%; 5th year: 10.7250%; 6th year: 7.4750%; 7th year: 8.3% and 8th year: 11.1583%)	600
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-6.SERIE	6/29/2012	6/30/2017	Fixed Annual Rate of 7.27% (4th year: 9.27% and 5th year: 12.77%)	5,000
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-7.SERIE	7/31/2012	8/1/2017	Fixed Annual Rate of 8.40% (4th year: 10.40%; 5th year: 11.90%)	6,000
OBRIGS CAIXA-MONTEPIO CAPITAL CERTO 2012-2020-3ª SERIE	8/31/2012	9/1/2020	Fixed Annual Rate of 5.25% (4th year a fixed rate of de 6%, 5th year a fixed rate of 6.75% and 6th, 7th and 8th year a fixed rate of Max(6.25% ; Min(IPC+2% ; 9.15%))	1,345
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-8.SERIE	8/31/2012	9/1/2017	Fixed Annual Rate of 9.7667% (4th year: 12.1% and 5th year: 10.7%)	9,000
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-9.SERIE	9/28/2012	9/29/2017	Fixed Annual Rate of 11.9179% (4th year a fixed rate of: 13.3857% and 5th year a fixed rate of: 12.3286%)	14,000
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-10.SERIE	10/31/2012	10/31/2017	a fixed rate of Anual de 5.15% (4th year a fixed rate of: 5.60% and 5th year a fixed rate of: 6.15%)	55,650
OBRIGS CAIXA-MG POUPANÇA FAMILIAR 1.SERIE	11/28/2012	11/29/2017	Fixed Annual Rate of 5.15% (4th year a fixed rate of: 5.25%; 5th year a fixed rate of: 6.70%)	3,450
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-11.SERIE	11/28/2012	11/29/2017	Fixed Annual Rate of 5.15% (4th year a fixed rate of: 5.25%; 5th year a fixed rate of: 5.70%)	46,750
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-12.SERIE	1/15/2013	12/29/2017	Fixed Annual Rate of 5% (3th year a fixed rate of: 5.25%; 4th year a fixed rate of: 5.40% and 5th year a fixed rate of: 5.75%)	27,750
OBRIGS CAIXA-MG POUPANÇA FAMILIAR 2.SERIE	1/15/2013	12/29/2017	Fixed Annual Rate of 5% (3th year a fixed rate of: 5.40%; 4th year a fixed rate of: 5.60%; 5th year a fixed rate of: 6.25%)	2,250

(Thousand Euros)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-29012016	1/29/2013	1/29/2016	Fixed Annual Rate of 4.5% (3th year rate: 5%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-1.SERIE	1/31/2013	2/1/2018	Fixed Annual Rate of 5.00% (3th year rate: 5.15%; 4th year rate: 5.25%; 5th year rate: 5.50%)	56,800
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-13022016	2/13/2013	2/13/2016	Fixed Annual Rate of 4.25% (3th year rate: 4.5%)	250
OBRIGACOES CAIXA-MONTEPIO PARTIC-USD-FEV/13	2/13/2013	2/13/2018	Fixed rate of 3.90%	248
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-2.SERIE	2/28/2013	3/1/2018	Fixed Annual Rate of 4.85% (3th year and 4th year rate: 5.00%; 5th year rate: 5.40%)	42,650
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2021-1.SERIE	2/28/2013	3/1/2021	Fixed annual rate: 5.15% (3th year rate: 5.30%; 4th year rate: 5.30%; 5th year rate: 5.90%; 6th coupon Max[5.95%; Min (IPC+2%;8.25%)]; 7th coupon Max[6.15%; Min (IPC+2%;8.50%)]; 8th coupon Max[6.45%; Min (IPC+2%;8.50%)])	2,515
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-05032015	3/5/2013	3/5/2018	Fixed Annual Rate of 4.25% (3th year rate: 4.50%; 4th year rate: 4.70%; 5th year rate: 4.90%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-3.SERIE	3/28/2013	3/29/2018	Fixed Annual Rate of 4.40% (3th year rate: 4.75%; 4th year rate: 4.90%; 5th year rate: 5.65%)	30,225
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-28032016	3/28/2013	3/28/2016	Fixed Annual Rate of 4.075% (3th year rate: 4.275%)	425
OBRIGS CAIXA-MONTEPIO POUPANÇA FAMILIAR 2013-2018-1.SERIE	4/30/2013	5/1/2018	Fixed Annual Rate of 4.40% (3th year rate: 4.75%; 4th year rate: 4.90%; 5th year rate: 6.70%)	3,000
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-4.SERIE	4/30/2013	5/1/2018	Fixed Annual Rate of 4.40% (3th year rate: 4.75%; 4th year rate: 4.90%; 5th year rate: 6.70%)	39,900
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-5.SERIE	5/31/2013	6/1/2018	Fixed Annual Rate of 4.4% (3th year rate: 4.75%, 4th year rate: 4.9% and 5th year rate: 5.65%)	47,200
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-6.SERIE	6/28/2013	6/29/2018	Fixed Annual Rate of 4.4% (3th year rate: 4.6%, 4th year rate: 4.75% and 5th year rate: 4.9%)	32,650
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2021-2.SERIE	6/28/2013	6/29/2021	Fixed Annual Rate of 4.9% (3th year rate: 5.1%. 4th year rate: 5.1%. 5th year rate: 5.65% 6th to 8th year rate: Max(5.95%;-Min(IPC+2%;8.15%))	1,545
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-7.SERIE	7/31/2013	8/1/2018	Fixed Annual Rate of 3.85% (3th year rate: 4.35%. 4th year rate: 4.55% and 5th year rate: 4.9%)	34,400
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-8.SERIE	8/30/2013	8/31/2018	Fixed Annual Rate of 3.65% (3th year rate: 4.35%. 4th year rate: 4.55% and 5th year rate: 4.90%)	33,050
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-9.SERIE	9/30/2013	10/1/2018	Fixed Annual Rate of 3.65% (3th year rate: 4%. 4th year rate: 4.2% and 5th year rate: 4.4%)	39,450
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-10.SERIE	10/31/2013	11/1/2018	Fixed Annual Rate of 3.75% (3th year rate: 4%. 4th year rate: 4.1% and 5th year rate: 4.4%)	32,200
CEMG CAP CERTO 2013/2018 11 SERIE	11/29/2013	11/30/2018	Fixed Annual Rate of 3.65% (3th year rate: 3.7%. 4th year rate: 3.75% and 5th year rate: 4%)	32,700
MONTEPIO CAP CERTO 2013/2018 12ª SERIE	12/30/2013	12/31/2018	Fixed Annual Rate of 3.65% (3th year rate: 3.7%. 4th year rate: 3.75% and 5th year rate: 4%)	22,450
MONTEPIO CAPITAL CERTO 2014/2019 1S	1/31/2014	2/1/2019	Fixed Annual Rate of 3.4% (3th year rate: 3.45%. 4th year rate: 3.5%. 5th year rate: 3.75%)	28,200
MONTEPIO CAPITAL CERTO 2014/2019 2S	2/28/2014	3/1/2019	Fixed Annual Rate of 3.4% (3th year rate: 3.45%. 4th year rate: 3.5%. 5th year rate: 3.75%)	33,950
CEMG CX PART 2014/06.03.2017	3/6/2014	3/6/2017	Fixed rate of 2.675%	400
CEMG CX PART 2014/17.03.2016	3/17/2014	3/17/2016	Fixed rate of 2.5%	253
CEMG CAP CERTO 2014/2019 3 SERIE	3/28/2014	3/29/2019	Fixed Annual Rate of 3.4% (3th year rate: 3.45%. 4th year rate: 3.5%. 5th year rate: 3.75%)	34,700
CEMG CAP CERTO 2014/2019 4 SERIE	4/30/2014	5/1/2019	Fixed Annual Rate of 3.4% (3th year rate: 3.45%. 4th year rate: 3.5%. 5th year rate: 3.75%)	37,750
CEMG CAP CERTO 2014/2019 5 SERIE	5/30/2014	5/31/2019	Fixed Annual Rate of 3.4% (3th year rate: 3.45%. 4th year rate: 3.5%. 5th year rate: 3.75%)	34,400
MONTEPIO PART 2014/23.06.2016	6/23/2014	6/23/2016	Fixed rate of 2%	300
CEMG CAP CERTO 2014/2019 6 SERIE	6/30/2014	7/1/2019	Fixed Annual Rate of 3.4% (3th year rate: 3.45%. 4th year rate: 3.5%. 5th year rate: 3.75%)	32,450
CEMG CAP CERTO 2014/2019 7 SERIE	7/31/2014	8/1/2019	Fixed Annual Rate of 3.15% (3th year rate: 3.20%. 4th year rate: 3.25%. 5th year rate: 3.50%)	57,850
CEMG CAP CERTO 2014/2019 8 SERIE	8/29/2014	8/30/2019	Fixed Annual Rate of 3.15% (3th year rate: 3.20%. 4th year rate: 3.25%. 5th year rate: 3.50%)	38,700
CEMG CAP CERTO 2014/2019 9S	9/30/2014	10/1/2019	Fixed Annual Rate of 2.75% (3th year rate: 3.00%. 4th year rate: 3.10%. 5th year rate: 3.35%)	22,100
CEMG CAP CERTO 2014/2019 10 SERIE	10/31/2014	11/1/2019	Fixed Annual Rate of 2.90% (3th year rate: 2.95%. 4th year rate: 2.95%. 5th year rate: 3.25%)	31,300
CEMG CAP CERTO 2014/2019 11 SERIE	11/28/2014	11/29/2019	Fixed Annual Rate of 2.90% (3th year rate: 2.95%. 4th year rate: 2.95%. 5th year rate: 3.25%)	33,800

(Thousand Euros)

Issue	Issue date	Maturity date	Interest rate	Book value
MONTEPIO CAP CERTO 2014/2029 12S	1/2/2015	12/31/2019	Fixed Annual Rate of 2.90% (2th a 4th year rate: 2.95%. 5th year rate: 3.25%)	23,100
MONTEPIO CAP CERTO 2015/2020 1S	2/2/2015	2/3/2020	Fixed Annual Rate of 2.65% (2th a 4th year rate: 2.79%. 5th year rate: 3%)	5,000
Emp.Obrigacionista - CEMG 07	1/30/2007	1/30/2017	1th year: 4.2%; 2th year: 1 x 10yr CMS rate	62,750
Obrigações hipotecárias - 2S	6/12/2009	2/12/2016	Euribor 3M + 0.75%	320,000
Obrigações hipotecárias - 4S	21/05/2013	21/05/2017	Euribor 1M + 0.75%	200,000
			Debt securities issued	1,885,961
			Adjustments arising from hedging operations	(1,668)
			Accruals, deferred costs and income	37,096
				1,921,389

36 Financial liabilities relating to transferred assets

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Pelican Mortgages No. 3	275,733	298,145
Pelican Mortgages No. 4	711,896	745,221
Aqua Mortage No. 1	140,964	148,952
Pelican Mortgages No. 5	716,086	757,507
Pelican Mortgages No. 6	908,410	948,786
Pelican Finance No. 1	176,532	176,469
Pelican SME No. 2	1,091,730	-
	4,021,351	3,075,080

The detail of these operations is presented in note 50.

37 Provisions

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Provisions for general banking risks	106,030	113,295
Provisions for other liabilities and charges	15,509	16,151
	121,539	129,446

The movements in provisions for general banking risks are analysed as follows:

(Thousand Euros)

	2015	2014
Balance on 1 January	113,295	110,993
Charge for the year	96,241	115,291
Write-back for the year	(103,506)	(112,989)
Balance on 31 December	106,030	113,295

The provision for general banking risks, was calculated in accordance with Regulation no. 3/95, of 30 June, no. 2/99, of 15 January, and no. 8/03 of 30 January of the Bank of Portugal, as referred in accounting policy 1 b).

As at 31 December 2015, CEMG reclassified bonds from financial assets available for sale to loans and advances to customers. This transfer originated the constitution of provisions for general banking risks, included in the caption charge for the year, in the amount of Euro 3,518 thousand, as described in notes 21 and 23.

The movements in provisions for liabilities and charges are analysed as follows:

(Thousand Euros)

	2015	2014
Balance on 1 January	16,151	4,918
Charge for the period	3,331	12,615
Write-back for the period	(3,862)	(1,383)
Charge-off	(111)	1
Balance on 31 December	15,509	16,151

These provisions are accounted in accordance with the probability of occurrence of certain contingencies related with CEMG's activity, and are revised in each reporting date in order to reflect the best estimate of the amount and probability of payment.

38 Other subordinated debt

As at 31 December 2015, the main characteristics of Other subordinated debt, are analyzed as follows:

(Thousand Euros)

Issue	Issue date	Maturity date	Issue amount	Interest rate	Book value
CEMG/06	Apr.2006	Apr.2016	50,000	Euribor 3 meses+0.95%	26,148
CEMG/08	Feb.2008	Feb.2018	150,000	Euribor 6 meses+1.5%	121,232
CEMG/08	Jun.2008	Jun.2018	28,000	Euribor 12 meses+1.5%	18,177
CEMG/08	Jul.2008	Jul.2018	150,000	Euribor 6 meses+1.5%	120,894
FNB 08/18 1.ª/2.ª Série	Dec.2008	Dec.2018	10,363	Euribor 6 meses+1.5% (iv)	10,373
FNB Grandes empresas 07/16_ 1.ª série	May.2007	May.2016	6,450	Máx.(0;6.0%*(1-n/5)) (i)	30,330
FNB Grandes empresas 07/16_ 2.ª/3.ª série	Jun.2011	Jun.2016	30,250	Máx.(0;6.0%*(1-n/5)) (i)	6,532
					333,686

As at 31 December 2014, the main characteristics of Other subordinated debt, are analysed as follows:

(Thousand Euros)

Issue	Issue date	Maturity date	Issue amount	Interest rate	Book value
CEMG/06	Apr.2006	Apr.2016	50,000	Euribor 3 meses+0.95%	26,154
CEMG/08	Feb.2008	Feb.2018	150,000	Euribor 6 meses+1.5%	121,330
CEMG/08	Jun.2008	Jun.2018	28,000	Euribor 12 meses+1.5%	18,179
CEMG/08	Jul.2008	Jul.2018	150,000	Euribor 6 meses+1.5%	121,031
FNB 08/18 1.ª/2.ª Série	Dec.2008	Dec.2018	10,363	Euribor 6 meses+1.5% (iv)	10,375
FNB Rendimento Seguro 05/15	Jun.2005	Jun.2015	238	6.25%*VN Min.(cotação) (iii)	238
FNB Grandes empresas 07/16_ 1.ª série	May.2007	May.2016	6,450	Máx.(0;6.0%*(1-n/5)) (i)	6,512
FNB Grandes empresas 07/16_ 2.ª/3.ª série	Jun.2011	Jun.2016	30,250	Máx.(0.6,0%*(1-n/5)) (i)	30,491
FNB Indices estratégicos 07/17 1.ª série	May.2007	Jun.2015	14,947	6.25%*VN Min.(cotação) (ii)	14,947
FNB Indices estratégicos 07/17 2.ª/3.ª série	Jun.2011	Jun.2015	39,000	Euribor 6 meses+0.5% (ii)	39,000
					388,257
				Adjustments arising from hedging operations	(139)
					388,118

References:

(i) - The following coupons will be paid, on the year end of each year (May 9, to the 1st series and June 20, to the 2nd and 3rd series):

Coupon	Interest rate/range
1.º Coupon	5.50%
2.º Coupon	5.50%
3.º Coupon	Máx [0; 6.0% * (1-n/3)]
4.º Coupon	Máx [0; 6.0% * (1-n/4)]
5.º Coupon	Máx [0; 6.0% * (1-n/5)]
6.º Coupon	Máx [0; 6.0% * (1-n/6)]
7.º Coupon	Máx [0; 6.0% * (1-n/7)]
8.º Coupon	Máx [0; 6.0% * (1-n/8)]
9.º Coupon	Máx [0; 6.0% * (1-n/9)]

Notes:
where, *n* is the accumulated number of reference entities in which a credit event has occurred

If a merge between two or more reference entities had occur and if a credit event occur in the merged entity, it will be accounted many credit events as the number of merged companies.

(ii) - The payment will be annually and it will be equal:

Coupon	Interest rate/range
1st year	5.5% * notional
2nd year	5.5% * notional
3rd and the following	6.25% * notional if Min (SDk/SD0-SXk/SX0; HSk/HS0- SXk/SX0) > Barriers k ***

*** if not = 0%, where:

Barrier 3 = Barrier to be applied on 3rd cupon = 0%;

Barrier 4 = Barrier to be applied on 4th cupon = 1%;

Barrier 5 = Barrier to be applied on 5th cupon = 2%;

Barrier 6 = Barrier to be applied on 6th cupon = 3%;

Barrier 7 = Barrier to be applied on 7th cupon = 4%;

Barrier 8 = Barrier to be applied on 8th cupon = 5%;

Barrier k = Barrier to be applied on k*cupon

SDk – Closing of Eurostoxx Select Dividend (Bloomberg: SD3E) on observation date K (K=1 to 6)

SD0 – Closing of Eurostoxx Select Dividend (Bloomberg: SD3E) at beginning date

SXk – Closing of Eurostoxx50 Total Return (Bloomberg: SX5T) on observation date K (K=1 a 6)

SX0 – Closing of Eurostoxx50 Total Return (Bloomberg: SX5T) at beginning date

HSk – Closing of HS60 Europe (Bloomberg: HS60EU) on observation date K (K=1 a 6)

HS0 – Closing of HS60 Europe (Bloomberg: HS60EU) at beginning date

(iii) - The payment will be semiannual, with a minimum of 1% and a maximum of 5%, and it will be calculated according with the following formula (annual rate):

n/N * 5% +m/N * 1%

where:

n is the number of working days of the respective period in which Euribor 6 months will be in the fixed range;

m is the number of working days of the respective period in which Euribor 6 months will be outside the fixed range;

N is the number of working days of the respective period.

Note:
Range is defined on the following table for each coupon:

Period	Coupon date	Range
1st semester	09-Dec-05	[1.60; 2.75%]
2nd semester	9-Jun-06	[1.60; 3.00%]
3rd semester	9-Dec-06	[1.60; 3.25%]
4th semester	9-Jun-07	[1.60; 3.50%]
5th semester	9-Dec-07	[1.60; 3.50%]
6th semester	9-Jun-08	[1.70; 3.75%]
7th semester	9-Dec-08	[1.70; 3.75%]
8th semester	9-Jun-09	[1.70; 4.00%]
9th semester	9-Dec-09	[1.80; 4.00%]
10th semester	9-Jun-10	[1.80; 4.25%]
11th semester	9-Dec-10	[1.80; 4.25%]
12th semester	9-Jun-11	[1.80; 4.50%]
13th semester	9-Dec-11	[1.90; 4.50%]
14th semester	9-Jun-12	[1.90; 4.50%]
15th semester	9-Dec-12	[1.90; 4.50%]
16th semester	9-Jun-13	[1.90; 4.50%]
17th semester	9-Dec-13	[2.00; 4.50%]
18th semester	9-Jun-14	[2.00; 4.50%]
19th semester	9-Dec-14	[2.00; 4.50%]
20th semester	9-Jun-15	[2.00; 4.50%]

(iv) - The payment will be semiannual and the first coupon will be fixed:

Coupon	Interest rate/ Range
1st coupon	6.50% (annual rate)
between 2nd and 10th cc	Euribor 6M + 1.50% (annual rate)
11th and following coupon	Euribor 6M + 1.75% (annual rate)

During 2015 and 2014, the movement under Other subordinated liabilities was as follows:

(Thousand Euros)

	2015					
	Balance on 1 January	Issues	Reimbursements	Net purchases	Other movements [(a)]	Balance on 31 December
CEMG/06	26,154	-	-	-	(6)	26,148
CEMG/08 1.ª série	121,330	-	-	-	(98)	121,232
CEMG/08 2.ª série	18,179	-	-	-	(2)	18,177
CEMG/08 3.ª série	121,031	-	-	-	(137)	120,894
FNB 08/18 1.ª/2.ª Série	10,375	-	-	-	(2)	10,373
FNB Grandes empresas 07/16 2.ª/3.ª série	30,491	-	-	-	(161)	30,330
FNB Grandes empresas 07/16_ 1.ª série	6,512	-	-	-	20	6,532
FNB Indices estratégicos 07/17 1.ª série	14,947	-	(14,947)	-	-	-
FNB Indices estratégicos 07/17 2.ª/3.ª série	39,000	-	(39,000)	-	-	-
FNB Rendimento Seguro 05/15	238	-	(238)	-	-	-
	388,257	-	(54,185)	-	(386)	333,686

(a) "Other movements" includes the accrued interest in the balance sheet, adjustments arising from hedging operations, fair value adjustments, currency change and disposal of subordinated debt.

(Thousand Euros)

	2014					
	Balance on 1 January	Issues	Reimbursements	Net purchases	Other movements (a)	Balance on 31 December
CEMG/06	26,139	-	-	-	15	26,154
CEMG/08 1.ª série	121,368	-	-	-	(38)	121,330
CEMG/08 2.ª série	18,179	-	-	-	-	18,179
CEMG/08 3.ª série	121,053	-	-	-	(22)	121,031
FNB 08/18 1.ª/2.ª Série	10,375	-	-	-	-	10,375
FNB Grandes empresas 07/16 2.ª/3.ª série	30,388	-	-	-	103	30,491
FNB Grandes empresas 07/16_ 1.ª série	6,486	-	-	-	26	6,512
FNB Indices estratégicos 07/17 1.ª série	14,947	-	-	-	-	14,947
FNB Indices estratégicos 07/17 2.ª/3.ª série	39,000	-	-	-	-	39,000
FNB Rendimento Seguro 05/15	238	-	-	-	-	238
	388,173	-	-	-	84	388,257

(a) "Other movements" includes the accrued interest in the balance sheet, adjustments arising from hedging operations, fair value adjustments, currency change and disposal of subordinated debt.

As at 31 December 2015, the balance Other subordinated debt includes issues in the amount of Euro 53,947 thousand valued at fair value in accordance with internal valuation techniques considering, mainly, observable market data. According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2.

Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 c). As at 31 December 2015 the amount of Euro 139 thousand (2014: Euro 1,656 thousand) was recognised, regarding the fair value variations resulting from the Group's credit risk, as referred in notes 6 and 22.

Other subordinated debt portfolio is recorded at fair value, as presented in note 47.

As at 31 December 2015 and 2014, the subordinated debt bears postponed interest every three and six months and its effective interest rate range is set between 0.04% and 2.0% (2014: 0.8% and 2.03%).

39 Other liabilities

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Creditors		
Suppliers	7,088	15,885
Other creditors	15,150	33,682
Administrative public sector	13,802	15,738
Holiday pay and subsidies	33,692	33,709
Other administrative costs payables	7,949	180
Deferred income	999	1,686
Other sundry liabilities	28,278	178,580
	106,958	279,460

As at 31 December 2015, the balance Other sundry liabilities includes the amount of Euro 15,509 thousand (2014: Euro 90,056 thousand), related with the net liabilities recognised in the balance sheet, which represent the difference between the costs with pensions, health benefits and death subsidy and the assets, as referred in note 48. This amount includes the contribution to the pension fund referring to the year 2014, in the amount of Euro 64,739 thousands, settled in the first semester of 2015.

As at 31 December 2015, the balance Holiday pay and subsidies includes the amount of Euro 14,218 thousand (2014: Euro 14,657 thousand), related with the seniority premium.

Additionally, as at 31 December 2015, this balance includes the amount of 19,474 thousand (2014: Euro 19,052 thousand) related to the specialization of holidays, and holidays and Christmas allowance.

40 Institutional capital

CEMG's institutional capital, which is fully paid, amounts to Euro 1,500 million, fully belonging to Montepio Geral – – Associação Mutualista.

41 Participation Fund

CEMG participation fund has a total nominal value of Euro 400,000 thousand (2014: Euro 200,000 thousand), with the nominal unitary value if Euro 1 and which are, regarding the form of representation, registered and issued exclusively in nominative form.

As a consequence of the Executive Board of Directors decision on 29 April 2015, the resolution of the General Assembly on 30 April 2015 and the resolution of the Assembly of the Participation Units holders of CEMG Participation Funds, where was considered the withdrawal of the preference right attributed to the participation units holders of the CEMG Participation Fund held in 5 June 2015, at 26 June 2015 the entity issued representative units of CEMG Participation Fund, with a total nominal value of Euro 200,000 thousand, in cash, through a private offer, fully subscribed by Montepio Geral Associação Mutualista.

These securities are tradable instruments, according to paragraph g) of article no. 1 of Código dos Valores Mobiliários, as they are other representative documents of homogeneous jurisdictional facts (namely the right of dividends and the right to receive the liquidation result of Caixa Económica Montepio Geral, after all debt holders are reimbursed, including the other subordinated debtors), with the possibility of being traded on the market.

Under the statutory rules of Caixa Económica Montepio Geral, theses securities do not grant the right to attend the General Shareholders Meeting or the management and the economic rights associated to the ownership of the securities includes: (i) the right to receive an annual payment when, existing sufficient results to distribute, the General Shareholders Meeting decided in that way, under a proposal of the Executive Board of Directors, (ii) the right to the reimbursement of the nominal amount only on liquidation of Caixa Económica Montepio Geral and after all debt holders are reimbursed, including the other subordinated debtors, and (iii) in case of partial reimbursement of these securities, subject to the approval of Bank of Portugal. The right to information to the owners of these securities is made through a common representative elected in General Shareholders Meeting of owner of these securities, where the owners of these securities will not have direct access to the economic and financial information of Caixa Económica Montepio Geral.

These securities are eligible for solvency purposes as Common Equity Tier 1. Under IAS 32 – Financial Instruments: Presentation, for accounting purposes, these securities are classified as share capital, considering its specific characteristics, namely the non-obligation of payment of the nominal amount and interests.

The units in CEMG's Participation Fund held by related parties are presented as follows:

	2015		2014	
	Number of Investment Fund Units held	Percentage	Number of Investment Fund Units held	Percentage
Related parties				
Montepio Geral - Associação Mutualista	207,260,984	51.82%	-	0.00%
Montepio Investimento S.A.	31,580,918	7.90%	3,280,322	1.64%
	238,841,902	59.72%	3,280,322	1.64%

42 Other equity instruments

This caption includes the issuance of Euro 15,000 thousand occurred in the first quarter of 2010 of Perpetual Subordinated Securities Interest conditioners made by Montepio Investimento, S.A. (previously designated as Finibanco, S.A.), and in connection with the acquisition of Montepio Holding, S.G.P.S., S.A. (previously designated as Finibanco Holding, S.G.P.S., S.A.), and its subsidiaries, was integrated in CEMG equity, as described in note 1 a).

In case of purchase of subordinated perpetual securities, they are cancelled from equity and the difference between the purchase value and its book value is recognised in equity.

During 2013, CEMG repurchased perpetual subordinated instruments in the amount of Euro 6,727 thousand. After this operation, the balance Other equity instruments amounts to Euro 8,273 thousand.

The Issuer is also prevented from proceeding to the interest payment if, in the Board of Directors or Bank of Portugal opinion, this payment endangers the compliance of Regulatory capital requirements regulation.

During 2015, CEMG proceeded to the interest payment for this emission in the amount of Euro 758 thousand.

In 2014, the amount of interest to pay exceeds the "Distributable Funds of the Issuer", so CEMG did not pay interest for this issue.

Reimbursement

These values are perpetual securities and are only refundable under the terms of early repayment provided below.

By agreement of the Bank of Portugal, the issuer may reimburse, in whole or in part, from the 10th date of payment of interest, including (5th year).

In case of continued occurrence of an Event of Disqualification as Core Capital, even before the expiration of five years from its issuance, and in agreement with the Bank of Portugal, these Securities are redeemable at the option of the Issuer, at any time.

In the disqualification event as Core Capital is defined as a change in any legal document or its official interpretation implies these securities values may no longer be classified as Core Capital of the Issuer.

As at 31 December 2015, these obligations are not seen as a positive element of CEMG's Equity.

43 General and special reserves

The general and special reserves are charged under the scope of Decree-Law no. 136/79, of 18 May. The general reserve is charged to cover any risk and extraordinary losses or depreciation.

Under the Portuguese regulations and CEMG's Articles of Association, the general reserve should be charged, annually, at least, in a minimum of 20% of the year's profit. The limit of general reserve is 25% of total deposits. This reserve is not available for distribution and it can be used to improve future income performances or to increase capital.

The special reserve is charged to cover losses from current operations. Under the Portuguese regulations and CEMG's Articles of Association, on an annual basis, the special reserve should be charged, at least, in a minimum of 5% of the year`s profit. This reserve is not available for distribution and it can be used to improve income performances or to increase capital.

The variation of the general and special reserves balance is analysed in note 44.

44 Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

(Thousand Euros)

	2015	2014
Fair value reserves		
Fair value reserves		
Available-for-sale financial assets	5,881	59,851
Loans to customers	3,858	-
	9,739	59,851
Taxes		
Available-for-sale financial assets	(1,735)	(20,619)
Loans to customers	(1,138)	-
	(2,873)	(20,619)
Fair value reserves net of taxes	6,866	39,232
Reserves and retained earnings:		
General reserve	186,000	186,000
Special reserve	68,273	68,273
Deferred tax reserve	42,503	42,177
Other reserves and retained earnings	(555,849)	(420,287)
	(259,073)	(123,837)

The balance Fair value reserve – Available for sale financial assets includes the valuation of the shareholding held by CEMG in Visa Europe Limited in the amount of Euro 7,900 thousand as a result of their valuation under the current transaction with Visa International, as referred in notes 23 and 57.

The fair value reserves represent the potential gains and losses on financial assets available for sale net of impairment losses recognised in the income statement and/or in prior years in accordance with accounting policy 1 c).

The balance Loans to customers refers to the amount not accrued of the fair value reserve on the reclassification date.

The movements in the fair value reserve on available for sale financial assets during 2015, in this balance, are analysed as follows:

(Thousand Euros)

	Balance on 1 January	Reavaluation	Acquisition	Sales	Impairment recognized in the period	Balance on 31 December
Fixed income securities						
Bonds issued by public Portuguese entities	48,946	2,229	(20,661)	(47,706)	-	(17,192)
Bonds issued by public foreign entities	3,699	(1,497)	4,692	(557)	1,491	7,828
Bonds issued by other entities						
Portuguese	(12,771)	(13,023)	(7)	12,741	12,249	(811)
Foreign	26,680	(22,360)	(2,422)	(11,304)	(431)	(9,837)
	66,554	(34,651)	(18,398)	(46,826)	13,309	(20,012)
Variable income securities						
Shares in companies						
Portuguese	92	(36)	7,716	44	72	7,888
Foreign	1,332	(251)	1,710	(9)	916	3,698
Investments fund units	(8,127)	65,942	(260)	5,357	(48,605)	14,307
	(6,703)	65,655	9,166	5,392	(47,617)	25,893
	59,851	31,004	(9,232)	(41,434)	(34,308)	5,881

The movements in the fair value reserve on financial assets available for sale during 2014, in this balance, are analysed as follows:

(Thousand Euros)

	Balance on 1 January	Reavaluation	Acquisition	Sales	Impairment recognized in the period	Balance on 31 December
Fixed income securities						
Bonds issued by public Portuguese entities	33,403	9,621	8,721	(2,799)	-	48,946
Bonds issued by public foreign entities	294	3,176	645	3	(419)	3,699
Bonds issued by other entities						
Portuguese	(20,608)	20,372	4,954	(2,877)	(14,612)	(12,771)
Foreign	13,800	14,218	5,243	(162)	(6,419)	26,680
	26,889	47,387	19,563	(5,835)	(21,450)	66,554
Variable income securities						
Ações						
Portuguese	169	98	18	7	(200)	92
Foreign	1,947	(570)	(178)	(88)	221	1,332
Investments fund units	6,301	(13,882)	(3,678)	(4,818)	7,950	(8,127)
	8,417	(14,354)	(3,838)	(4,899)	7,971	(6,703)
	35,306	33,033	15,725	(10,734)	(13,479)	59,851

The fair value reserves can be analysed as follows:

(Thousand Euros)

	2015	2014
Amortised cost of available-for-sale financial assets	7,607,344	7,422,803
Accumulated impairment recognized	(125,466)	(91,158)
Amortised cost of available-for-sale financial assets, net of impairment	7,481,878	7,331,645
Market value of available-for-sale financial assets	7,487,759	7,391,496
Net/ unrealised gains/(losses) recognized in the fair value reserve	5,881	59,851

45 Distribution of profits

In 2015 and 2014, CEMG did not distribute profits.

46 Obligations and future commitments

Obligations and future commitments are analysed as follows:

(Thousand Euros)

	2015	2014
Guarantees granted	448,720	451,123
Commitments to third parties	1,448,383	1,325,630
Assets transferred in securitised operations	170,819	191,970
Securities and other items held for safekeeping on behalf of customers	7,266,785	8,259,175
	9,334,707	10,227,898

The amounts of Guarantees granted and Commitments to third parties are analysed as follows:

(Thousand Euros)

	2015	2014
Guarantees granted		
Guarantees	423,888	434,475
Open documentary credits	24,832	16,648
	448,720	451,123
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	681,632	723,199
Annual contribution to the Guarantee Deposits Fund	1,689	3,217
Potential obligation with the Investors' Indemnity System	22,768	25,314
Revocable commitments		
Revocable credit lines	742,294	573,900
	1,448,383	1 325,630

Guarantees granted are financial operations that are not consisted by mobilization on Funds by CEMG.

Documentary credits correspond to irrevocable commitments with the Group's client, which ensure the payment of a determined amount to client's suppliers, within a fixed term, against the presentation of the documentation confirming the shipment of goods or the rendering of services. The irrevocable condition arises from the fact that the commitment is not cancellable without the agreement of all parties involved.

Revocable and irrevocable commitments represent contractual agreements to extend credit to the Group's customers (for example unused credit lines). These agreements are generally, contracted for fixed periods of time or with other expiring requirements, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Notwithstanding the particular characteristics of these contingent liabilities and commitments, the analysis of these operations follows the same basic principles of any one another commercial operation, namely the solvency of the underlying client and business, being that CEMG requires these operations to be adequately covered by collaterals when needed. Considering that is expected that the majority of these contingent liabilities and commitments expire without having being used, the indicated amounts do not represent necessarily future cash-flow needs.

As at 31 December 2015 and 2014, the balance Annual contribution to the obligations of Guarantee Deposits Fund is related with the irrevocable commitment assumed by CEMG and required by law, to deliver the unrealised amounts of annual contributions required by the Fund.

As at 31 December 2015, under the Deposit Guarantee Fund, CEMG granted as pledge treasury bonds (OT 4.35% 07/2017), recorded as financial assets available for trading, with a nominal value of Euro 25 million (2014: Euro 28 million), as referred in note 23.

As at 31 December 2015 and 2014, the balance Potential obligation with the Investors' Indemnity System refers to the irrevocable obligation that CEMG assumed, under the applicable law, to deliver to that system, in case needed, the required amount to pay its share of the indemnities to be paid to investors.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in note 1 b). The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by CEMG in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

CEMG provides custody services, asset management, investment management and advisory services that involves making purchasing and sales decisions of several types of financial instruments. For certain services are set objectives and profitability levels for the assets under management. These assets under management are not included in the financial statements.

Assets under management and custody are analysed as follows:

(Thousand Euros)

	2015	2014
Deposit and safekeeping of securities	7,266,785	8,259,175
	7,266,785	8,259,175

47 Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as it happens regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash flows for the different instruments sold are calculated according with its financial characteristics and the discount rates used include both the interest rate curve and the current conditions of the pricing policy in CEMG.

Therefore, the fair value obtained is influenced by the parameters used in the evaluation model that, necessarily have some degree of judgement and reflect exclusively the value attributed to different financial instruments. However, it does not consider prospective factors, like the future business evolution. Under these conditions, the values presented cannot be understood as an estimate of the economic value of CEMG.

The main methods and assumptions used in estimating the fair value for the assets and liabilities of CEMG are presented as follows:

- ***Cash and deposits at central banks, Loans and advances to credit institutions***

Considering the short maturity of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

• ***Loans and advances to credit institutions, Deposits from central banks, Deposits from other banks and Assets with repurchase agreements***

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates.

For Deposits from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank is 0.07% (2014: 0.32%).

Regarding loans and advances to credit institutions and deposits from credit institutions, not recognised at fair value, the discount rate used reflects the current conditions applied by CEMG on identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year). For 31 December 2015, the average discount rate was -0.205% for applications 0.02% for Repos and 4.02% for the remaining resources. As at December 2014 they were of 0.018%, 0.36% and 1.13%, respectively.

• ***Financial assets held for trading (except derivatives), Financial liabilities held for trading (except derivatives), Available for sale financial assets and Other financial assets at fair value through profit and loss***

These financial instruments are accounted at fair value. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Interest rates are determined based on information disseminated by the suppliers of content financial - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) considering the volatility areas applicable are used. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, it is applied specific quotations supplied by an external entity, typically a counterparty of the business.

• ***Financial assets held to maturity***

These financial instruments are accounted at amortized cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

• ***Hedging and trading derivatives***

All derivatives are recorded at fair value.

In the case of those who are quoted in organized markets their market prices are used. As for derivatives traded “over the counter”, apply the numerical methods based on techniques of discounted cash flow valuation models and considering options including changing market interest rates applicable to the instruments concerned, and where necessary, their volatility.

Interest rates are determined based on information disseminated by the suppliers of content financial - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods.

- ***Loans and advances to customers with defined maturity date***

The fair value of these instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by CEMG in similar instruments for each of the homogeneous classes of this type of instrument and with similar maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year) and the spread used at the date of the report, which was calculated from the average production of the last three months of the year. As at 31 December 2015, the average discount rate was 3.43% to mortgage loans (2014: 3.32%), 5.90% to individual credit (2014: 6.37%), 4.49% to treasury credit (2014: 5.36%) and 4.48% to the remaining credits (2014: 4.33%), assuming the projection of variable rates according to the evolution of the forward rates implicit in the interest rate curves. The calculations also include the credit risk spread.

- ***Loans and advances to customers without defined maturity date***

Considering the short maturity of these financial instruments, the conditions of the existing portfolio are similar to current conditions used by CEMG. Therefore, the amount in the balance sheet is a reasonable estimate of its fair value.

- ***Deposits from customers***

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by CEMG in identical instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the year) and the spread of CEMG at the date of the report, which was calculated from the average production of the last three months of the year. As at 31 December 2015, the average discount rate was of 1.04% (2014: 1.37%).

- ***Debt securities issued and Subordinated debt***

For these financial instruments, fair value was calculated for the components that are not yet reflected on CEMG's balance sheet. For the fixed interest rate instruments for which CEMG applies a hedge-note, the fair value regarding the interest rate risk is already accounted for.

In fair value calculation, the other risk components were also considered, apart from the interest rate risk. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted by associated factors, predominantly the credit risk and trading margin, the latter only in the case of issues placed for non-institutional customers of CEMG.

As original reference, CEMG applies the curves resulting from the interest rate swaps markets for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

In the case of issues of covered bonds, the fair value is determined based on quotations disseminated by financial content provider Bloomberg.

In respect of subordinated issues the discount rate was of 5.80% (2014: 2.22%). The average discount rate calculated for senior issues placed on the retail market was 1.28% (2014: 2.34%). The senior issue placed on the institutional market is valued at fair value through profit or loss.

As at 31 December 2015, the following table presents the values of the interest rates used in the clearance of the curves interest rate of major currencies, including Euro, United States Dollar, Sterling Pound, Swiss Franc and Japanese Yen used to determine the fair value of the financial assets and liabilities of CEMG:

	Currencies				
	Euro	United States Dollar	Sterling Pound	Swiss Franc	Japanese Yen
1 day	-0.2490%	0.5500%	0.3200%	-0.8700%	0.0364%
7 days	-0.2490%	0.3920%	0.4800%	-0.8100%	0.0393%
1 month	-0.2050%	0.6100%	0.5750%	-0.8700%	-0.1200%
2 months	-0.1650%	0.67000%	0.6200%	-0.8250%	-0.1600%
3 months	-0.1310%	0.7550%	0.6900%	-0.8200%	-0.050%
6 months	-0.0400%	0.9400%	0.8450%	-0.7450%	-0.2100%
9 months	0.0040%	1.1200%	0.9700%	-0.7200%	-0.1500%
1 year	0.0600%	1.1150%	1.1250%	-0.6100%	-0.1200%
2 years	-0.0325%	1.1870%	1.0930%	-0.6430%	0.0775%
3 years	0.0590%	1.4340%	1.3020%	-0.5600%	0.0825%
5 years	0.3280%	1.7720%	1.5880%	-0.3050%	0.1375%
7 years	0.6210%	2.0040%	1.7920%	-0.0430%	0.2275%
10 years	1.0000%	2.2360%	1.9940%	0.2500%	0.3925%
15 years	1.3990%	2.4640%	2.1600%	0.5570%	0.7025%
20 years	1.5670%	2.5180%	2.1600%	0.5570%	0.7025%
30 years	1.6100%	2.6070%	2.1600%	0.5570%	0.7025%

As at 31 December 2014, the following table presents the values of the interest rates used in the clearance of the curves interest rate of major currencies, including Euro, United States Dollar, Sterling Pound, Swiss Franc and Japanese Yen used to determine the fair value of the financial assets and liabilities of CEMG:

	Currencies				
	Euro	United States Dollar	Sterling Pound	Swiss Franc	Japanese Yen
1 day	-0.0150%	0.1700%	0.5300%	-0.0500%	-0.0200%
7 days	-0.0150%	0.1980%	0.5300%	-0.0500%	-0.0200%
1 month	0.0180%	0.3100%	0.5250%	-0.2000%	-0.0200%
2 months	0.0440%	0.3750%	0.5600%	-0.2200%	-0.0200%
3 months	0.0780%	0.1900%	0.6000%	-0.2400%	0.0450%
6 months	0.1710%	0.5000%	0.6750%	-0.0200%	0.0650%
9 months	0.2450%	0.6000%	0.8700%	-0.0200%	0.1100%
1 year	0.3250%	0.8200%	0.9250%	-0.0300%	0.1450%
2 years	0.1770%	0.8930%	0.9280%	-0.0960%	0.1449%
3 years	0.2240%	1.2930%	1.1340%	-0.0590%	0.1449%
5 years	0.3600%	1.7880%	1.4410%	0.0720%	0.1449%
7 years	0.5320%	2.0640%	1.6390%	0.2470%	0.1449%
10 years	0.8195%	2.3060%	1.8360%	0.5140%	0.1449%
15 years	1.1528%	2.5280%	2.0630%	0.7720%	0.1449%
20 years	1.3268%	2.6070%	2.0630%	0.7720%	0.1449%
30 years	1.4718%	2.6830%	2.0630%	0.7720%	0.1449%

Exchange rates and volatility

We present below the exchange rates (European Central Bank) at the balance sheet and the implied volatilities (at the money) for the main currencies used on the derivatives valuation:

			Volatility (%)				
Exchange rates	2015	2014	1 month	3 months	6 months	9 months	1 year
EUR/USD	1.0887	1.2141	9.700	10.050	10.063	10.025	10.125
EUR/GBP	0.7340	0.7789	8.975	9.425	10.000	10.475	10.625
EUR/CHF	1.0835	1.2024	6.700	7.225	7.775	8.050	8.100
EUR/JPY	131.07	145.23	8.613	9.100	9.725	10.175	10.625

Concerning the exchange rates, CEMG uses in the valuation models the spot rate observed in the market at the time of the valuation.

The following table summarises, for each financial assets and liabilities of CEMG, their fair values at 31 December 2015 and 2014:

(Thousand Euros)

	2015				
	At fair value through profit or loss	At fair value through reserves	Amortised cost	Book value	Fair value
Financial assets					
Cash and deposits at central banks	-	-	358,125	358,125	358,125
Loans and advances to credit institutions repayable on demand	-	-	50,617	50,617	50,617
Loans and advances to credit institutions	-	-	372,776	372,776	372,840
Loans and advances to customers	44,825		14,024,151	14,068,976	13,345,805
Financial assets held for trading	33,825	-	-	33,825	33,825
Available-for-sale financial assets	-	7,487,759	-	7,487,759	7,487,759
Hedging derivatives	9	-	-	9	9
Held-to-maturity investments	-	-	26,130	26,130	25,716
	78,659	7,487,759	14,831,799	22,398,217	21,674,696
Financial liabilities					
Deposits from central banks	-	-	2,262,258	2,262,258	2,262,258
Deposits from other credit institutions	71,065	-	1,957,249	2,028,314	2,028,453
Deposits from customers	54,654	-	12,153,086	12,207,740	12,250,849
Debt securities issued	98,167	-	1,823,222	1,921,389	2,049,218
Financial liabilities relating to transferred assets	-	-	4,021,351	4,021,351	3,987,264
Financial liabilities held for trading	51,550	-	-	51,550	51,550
Hedging derivatives	439	-	-	439	439
Other subordinated debt	-	-	333,686	333,686	308,237
	275,875	-	22,550,852	22,826,727	22,938,268

(Thousand Euros)

	2014				
	At fair value through profit or loss	At fair value through reserves	Amortised cost	Book value	Fair value
Financial assets					
Cash and deposits at central banks	-	-	203,338	203,338	203,338
Loans and advances to credit institutions repayable on demand	-	-	54,868	54,868	54,868
Loans and advances to credit institutions	-	-	780,988	780,988	780,976
Loans and advances to customers	44,110	-	14,611,728	14,655,838	13,966,352
Financial assets held for trading	83,553	-	-	83,553	83,553
Available-for-sale financial assets	-	7,391,496	-	7,391,496	7,391,496
Hedging derivatives	60	-	-	60	60
Held-to-maturity investments	-	-	17,333	17,333	17,781
	127,723	7,391,496	15,668,255	23,187,474	22,498,424
Financial liabilities					
Deposits from central banks	-	-	2,496,886	2,496,886	2,496,886
Deposits from other credit institutions	61,009	-	1,577,066	1,638,075	1,635,333
Deposits from customers	95,604	-	13,513,540	13,609,144	13,721,436
Debt securities issued	166,809	-	1,769,663	1,936,472	2,103,084
Financial liabilities relating to transferred assets	-	-	3,075,080	3,075,080	3,043,852
Financial liabilities held for trading	85,300	-	-	85,300	85,300
Hedging derivatives	1,494	-	-	1,494	1,494
Other subordinated debt	-	-	388,118	388,118	381,012
	410,216	-	22,820,353	23,230,569	23,468,397

The following table summarizes, by valuation levels for each group of assets and liabilities of CEMG their fair values as at 31 December 2015:

(Thousand Euros)

	2015				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial assets					
Cash and deposits at central banks	358,125	-	-	-	358,125
Loans and advances to credit institutions repayable on demand	50,617	-	-	-	50,617
Loans and advances to credit institutions	-	-	372,840	-	372,840
Loans and advances to customers	-	44,825	13,293,740	-	13,338,565
Financial assets held for trading	19,798	14,027	-		33,825
Available-for-sale financial assets	2,493,339	109,574	4,879,624	5,222	7,487,759
Hedging derivatives	-	9	-	-	9
Held-to-maturity investments	25,716	-	-	-	25,716
	2,947,595	168,435	18,546,204	5,222	21,667,456
Financial liabilities					
Deposits from central banks	2,262,258	-	-	-	2,262,258
Deposits from other credit institutions	-	71,065	1,957,388	-	2,028,453
Deposits from customers	-	54,654	12,196,195	-	12,250,849
Debt securities issued	-	98,167	1,951,051	-	2,049,218
Financial liabilities relating to transferred assets	-	-	3,987,264	-	3,987,264
Financial liabilities held for trading	1,896	49,654	-	-	51,550
Hedging derivatives	-	439	-	-	439
Other subordinated debt	-	-	308,237	-	308,237
	2,264,154	273,979	20,400,135	-	22,938,268

The following table summarizes, by valuation levels for each group of assets and liabilities of CEMG their fair values as at 31 December 2014:

(Thousand Euros)

	2014				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial assets					
Cash and deposits at central banks	203,338	-	-	-	203,338
Loans and advances to credit institutions repayable on demand	54,868	-	-	-	54,868
Loans and advances to credit institutions	-	-	780,976	-	780,976
Loans and advances to customers	-	44,110	13,922,242	-	13,966,352
Financial assets held for trading	6,763	76,790	-	-	83,553
Available-for-sale financial assets	2,431,425	128,968	4,826,053	5,050	7,391,496
Hedging derivatives	-	60	-	-	60
Held-to-maturity investments	17,781	-	-	-	17,781
	2,714,175	249,928	19,529,271	5,050	22,498,424
Financial liabilities					
Deposits from central banks	2,496,886	-	-	-	2,496,886
Deposits from other credit institutions		61,009	1,574,324	-	1,635,333
Deposits from customers	-	95,604	13,625,832	-	13,721,436
Debt securities issued	-	196,809	1,936,275	-	2,133,084
Financial liabilities relating to transferred assets	-	-	3,043,852	-	3,043,852
Financial liabilities held for trading	561	84,739	-	-	85,300
Hedging derivatives	-	1,494	-	-	1,494
Other subordinated debt	-	53,947	327,065	-	381,012
	2,497,447	493,602	20,507,348	-	23,498,397

CEMG uses the following hierarchy for fair value, with 3 levels in the valuation of financial instruments (assets and liabilities), which reflects the level of judgment, the observability of the data used and the importance of the parameters used in determining the fair value measurement of the instrument, as referred in IRFS 13:

- **Level 1:** Fair value is determined based on unadjusted quoted prices, captured in transactions in active markets involving identical instruments to the ones being valued. If there is more than one active market for the same financial instrument, the relevant price is what prevails in the main market of the instrument, or most advantageous market for which there is access.

- **Level 2:** Fair value is determined based on valuation techniques supported by observable inputs in active markets, being direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and valuation assumptions similar to what an unrelated party would use in estimating the fair value of that financial instrument.

- **Level 3:** Fair value is determined based on unobservable inputs in active markets, using techniques and assumptions that market participants would use do evaluate the same instruments, including assumptions about the inherent risks, the valuation technique used and inputs used and review processes to test the accuracy of the values obtained.

CEMG considers an active market for particular financial instruments at the measurement date, depending on business volumes and liquidity of the transactions made, the relative volatility of the prices quoted and the readiness and availability of information. The following minimum conditions should verify:

- Existence of frequent daily prices trading in the last year;
- The above quotations are exchanged regularly;
- There are executable quotes from more than one entity.

A parameter used in a valuation technique is considered observable in the market, if the following conditions are met:

- If its value is determined in an active market;
- Or, if there is an OTC market and it is reasonable to assume that the conditions of an active market are met, with the exception of the condition of trading volumes;
- Or, the parameter value can be obtained by the inverse calculation of prices of financial instruments or derivatives where the remaining parameters required for initial assessment are observable in a liquid market or an OTC market that comply with the previous paragraphs.

48 Employee benefits

CEMG assumed the responsibility to pay to their employees seniority and disability retirement pensions and others benefits, in accordance with the accounting policy described in note 1 u).

The key actuarial assumptions used to calculate pension liabilities are as follows:

	Assumptions		Checked	
	2015	2014	2015	2014
Financial assumptions				
Salaries increase rate	0.75%	0.75%	1.30%	1.40%
Pensions increase rate	0.25%	0.05%	0.05%	0.07%
Projected rate of return of Fund assets	2.75%	2.50%	2.30%	7.90%
Discount rate	2.75%	2.50%	-	-
Demographic assumptions and valuation methods				
Mortality table				
Men	TV 88/90	TV 88/90		
Women	TV 88/90	TV 88/90		
Actuarial method	UCP	UCP		

The assumptions used in the present value calculation of the liabilities are in accordance with the requirements of IAS 19. The determination of the discount rate took into account: (i) developments in the major indexes, for high quality corporate brands and (ii) duration of liabilities.

As at 31 December 2015, duration of liabilities amounts to 23.20 years (2014: 22.30 years).

The existing pension plan corresponds to a defined benefit plan, since it defines the criteria for determining the amount of pension that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and retribution.

The general pension plan for Group employees refers to liabilities for retirement benefits provided for in the Collective Labour Agreement for the banking sector and is a complementary plan of the public social security scheme.

Under the Collective Labour Agreement ("ACT") for the banking sector, the employees hired after 1 January 1995 contribute with 5% of their monthly remuneration to the Pension Fund.

The benefits provided by this pension plan are as follows:

- Reform by presumed disability (old age);
- Reform by disability;
- Survivor's pension.

All social benefits are granted to beneficiaries, according to the terms, conditions and values included in the pension plan, as employees of CEMG at their retirement date, as well as those who have belonged to their effective board and on retirement meet all the requirements defined in the pension plan.

The pension provided by the fund corresponds to the employee level in reform and seniority, according to the salary scale applicable. In the case of employees entitled to a pension under the General Pension Fund or the National Pensions Centre, the latter will be reduced to the pension guaranteed by this plan.

In case of death of an active employee or a pensioner, the pension plan guarantees a survivor's pension of 40% of the remuneration to which the employee would be entitled if achieved the situation of retirement or the pension he would receive, respectively.

The CEMG's former employees, when placed in the old-age pension or disability status, are entitled to payment by the fund of a pension calculated in the previous terms, in proportion to the time of service provided to CEMG.

Additionally, the pension plan guarantees the costs of *Serviço de Assistência Médico-Social* (SAMS) and the death grant under the ACT.

CEMG has no other mechanisms to ensure the coverage of liabilities assumed towards old-age pensions, disability, survivors, health benefits and death benefits of its employees.

Risks

Considering the provisions of Montepio Geral Pension Fund's investment policy regarding exposure to different risks and different legal provisions, the control of these limits is daily monitored through a detailed analysis of the "legal limits and exceeded investments". There is also a set of procedures that are carried out in case if the limits are exceeded.

Subsequently, the Risk Management controls the effect of the measures and their impact on investment policy. At the same time, the levels of exposure to legal and prudential limits governing the Montepio Pension Fund are also controlled.

In addition to the verification of compliance with the investment policy and the legal and prudential limits, the management company (Futuro) decided to reinforce the control and monitoring using different risk measures and a set of internal procedures to maintain the prudent management of risk. On this basis, it is used a reasoned risk management model in the technical perspective of the studies "QIS Pension Funds" of EIOPA. The development of tolerance indicators for this model allows monitoring the variations of these indicators, according to the defined investment policy for the pension fund.

The monitoring of market risk is based on the calculation of VaR, with a 99.5% confidence interval for one year. The VaR does not constitute a full guarantee that the risks do not exceed the probability used, therefore Stress Tests are also conducted, in order to calculate the impact of various extreme scenarios on the value of the portfolio.

The assessment of the level of liquidity of the stock and bond component of the fund is made through a liquidity test. For actions, this analysis is done in number of days to settle, considering the assets in the portfolio. This test consists in verify the degree of equity segment liquidity, assessing how many days are required for its settlement in the market, taking into account the costs associated with these transactions and the historical average volume of transactions in the various markets. In addition, the bond segment is made the calculation of receipts (positive cash flows) arising from coupon payments (interest) bonds and amortization or any Call exercises for the period of one month. These tests allow to assess the degree of short-term liquidity and monitor or act against the possible shortage of liquidity in a timely basis.

The number of persons covered by the plan is as follows:

	2015	2014
Actives	3,715	3,740
Retirees and survivors	1,025	1,031
	4,740	4,771

Based on the accounting policy described in note 1 u), post-employment benefits, other benefits and respective coverage levels, reportable to 31 December 2015 and 2014 are presented as follows:

(Thousand Euros)

	2015	2014
Assets/(Liabilities) recognised in the balance sheet		
Responsabilities with retirement benefits		
Pensioners	(138,149)	(135,968)
Employees	(464,708)	(471,862)
	(602,857)	(607,830)
Responsabilities with healthcare benefits		
Pensioners	(19,178)	(19,846)
Employees	(35,745)	(34,922)
	(54,923)	(54,768)
Responsabilities with death subsidy		
Pensioners	(698)	(695)
Employees	(892)	(848)
	(1,590)	(1,543)
Total	(659,370)	(664,141)
Coverages		
Value of the fund	643,861	574,085
Net assets/(liabilities) in the balance sheet (see note 39)	(15,509)	(90,056)
Accumulated actuarial differences recognized in other comprehensive income	120,474	142,977

The changes in the defined benefit obligation can be analysed as follows:

(Thousand Euros)

	2015				2014			
	Retirement pensions	Healthcare benefits	Death Subsidy	Total	Retirement pensions	Healthcare benefits	Death Subsidy	Total
Responsabilities in the beginning of the period	607,830	54,768	1,543	661,141	493,141	44,291	1,147	538,579
Current service cost	10,331	1,677	43	12,051	8,832	1,282	29	10,143
Interest cost	15,196	1,369	39	16,604	19,726	1,772	46	21,544
Actuarial gains and losses								
- Changes in the assumptions	(14,375)	(1,313)	(52)	(15,740)	95,051	8,683	345	104,079
- Not related to changes assumptions	(7,846)	(346)	37	(8,155)	(15)	(1,260)	(24)	(1,299)
Pensions paid by the fund	(8,959)	(1,232)	(20)	(10,211)	(9,981)	-	-	(9,981)
Early retirement	680	-	-	680	1,076	-	-	1,076
Responsabilities in the end of the period	602,857	54,923	1,590	659,370	607,830	54,768	1,543	664,141

The pension funds are managed by “Futuro – Sociedade Gestora de Fundos de Pensões, S.A.”, in which CEMG participates in 97.02% (2014: 97.1%).

The change in the value of plan’s assets is analysed as follows:

(Thousand Euros)

	2015	2014
Balance of the funds in the beginning of the period	574,085	538,579
Return on plan assets	12,960	42,677
CEMG contributions	64,739	-
Participant contributions	2,288	2,810
Pensions paid by the fund	(10,211)	(9,981)
Balance of the funds at the end of the period	643,861	574,085

The caption CEMG contribution relates to the contributions made by CEMG in 2015 referring to 2014. As at 31 December 2014, this contribution is recorded in the balance Other liabilities, as referred in note 39.

The elements of the Pension Fund’s assets are analysed as follows:

(Thousand Euros)

	2015	2014
Bonds	421,001	396,423
Other variable income securities	133,784	74,100
Shares	46,287	37,141
Investments in banks and other	35,060	58,563
Real Estate	7,729	7,788
	643,861	574,085

The assets of pension funds used by the Group or representative of securities issued by other Group entities are analysed as follows:

(Thousand Euros)

	2015	2014
Investments in banks and other	30,142	30,375
Real Estate	7,729	7,758
Bonds	85	3,353
Others	1,908	2,605
	39 864	44 091

As at 31 December 2015, the assets of the pension fund, divided between assets with market price and assets without market price, can be analysed as follows:

(Thousand Euros)

	2015		
	Assets of the Fund	With market price	Without market price
Variable income security			
Shares	46,287	46,287	-
Shares investment fund	95,007	3,195	91,812
Equity shares	1,908	1,908	-
Bonds	421,001	421,001	-
Real estate	7,729	-	7,729
Real estate investment funds	26,480	514	25,996
Venture capital funds	10,364	-	10,364
Hedge funds - Uncorrelated Investments	25	-	25
Investment in banks and others	35,060	-	35,060
Total	643,861	472,905	170,956

As at 31 December 2014, the assets of the pension fund, divided between assets with market price and assets without market price, can be analysed as follows:

(Thousand Euros)

	2014		
	Assets of the Fund	With market price	Without market price
Variable income security			
Shares	37,141	37,141	-
Shares investment fund	34,186	1,790	32,396
Equity shares	2,604	2,604	-
Bonds	396,493	396,493	-
Real estate	7,788	-	7,788
Real estate investment funds	19,690	514	19,176
Investment funds	11,208	-	11,208
Venture capital funds	6,383	-	6,383
Hedge funds - Uncorrelated Investments	29	-	29
Investment in banks and others	58,563	-	58,563
Total	574,085	438,542	135,543

The changes in the accumulated actuarial gains and losses are analysed as follows:

(Thousand Euros)

	2015	2014
Actuarial changes in the beginning of the period	142,977	61,331
Actuarial (Gains) and losses in the period		
- Changes in the assumptions	(15,740)	104,079
- Experience adjustments	(6,763)	(22,433)
Actuarial changes recognised in other comprehensive income	120,474	142,977

As at 31 December 2014, the amortisation of the transition adjustment to pensions net of deferred taxes, in accordance with Regulation no.12/01 amounted to Euro 1,900 thousand.

The costs with retirement pensions, healthcare benefits and death subsidies are analysed as follows:

(Thousand Euros)

	2015	2014
Current service cost	12,051	10,143
Net interest costs/(Income) in the responsabilities hedging balance	2,252	1
Early retirements cost	680	1,076
Participant contributions	(2,288)	(2,810)
Staff costs	12,695	8,410

As at 31 December 2015 and 2014, the evolution of net (assets)/ liabilities in the balance sheet is analysed as follows:

(Thousand Euros)

	2015	2014
In the beginning of the period	(90,056)	-
CEMG's contribution	64,739	-
Participants contributions	2,288	2,810
Current service cost	(12,051)	(10,143)
Net interest costs/(income) in the reponsabilities hedging balance	(2,252)	(1)
Actuarial (gains) / losses	23,895	(102,780)
Financial (gains) / losses	(1,392)	21,134
Early retirement	(680)	(1,076)
In the end of the period	(15,509)	(90,056)

The actuarial assumptions have a significant impact in the pension liabilities and other benefits. Considering, this impact, CEMG proceeded to a sensitivity analysis to a positive and negative change of 25 basis points in the value of pension liabilities, whose impact is analysed as follows:

	2015		2014	
	Liabilities		Liabilities	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% change)	(26,461)	27,459	(33,397)	34,279
Wage growth rate (0.25% change)	16,776	(15,622)	21,173	(19,502)
Pension growth rate (0.25% change)	16,555	(15,871)	20,894	(19,812)
SAMS contribution (0.25% change)	2,344	(2,344)	2,958	(2,926)
Future death (1 year change)	(17,370)	17,195	(17,845)	17,303

49 Related parties transactions

As defined in IAS 24, are considered related parties of CEMG the companies detailed in note 62, the Pension Fund, the members of the Executive Board of Directors and the key management elements. In addition to the members of the Executive Board of Directors and key management elements, are also considered related parties their family and entities controlled by them or those whose management have significant influence.

According to Portuguese law, in particular under articles 85 and 109 of the General Law for Credit Institutions and Financial Companies ("RGICSF"), are also considered related parties the members of the General and Supervisory Board and holders of institutional equity of CEMG, which holds 100% of the voting rights, as well as individuals related to these categories and entities controlled by them or whose management have significant influence.

On this basis, the list of related parties considered by CEMG is presented as follows:

Executive Board of Directors (after 7 August 2015):

José Manuel Félix Morgado
João Carlos Martins da Cunha Neves
Luís Gabriel Moreira Maia Almeida
Fernando Ferreira Santo
João Belard da Fonseca Lopes Raimundo
Jorge Manuel Viana de Azevedo Pinto Bravo
Luís Miguel Resende de Jesus

Executive Board of Directors (until 7 August 2015):

António Tomás Correia
João Carlos Martins da Cunha Neves
Jorge Humberto da Cruz Barros de Jesus Luís
Fernando Paulo Pereira Magalhães
Pedro Miguel de Almeida Alves Ribeiro

General and Supervisory Board (after 7 August 2015):

Álvaro João Duarte Pinto Correia
Fernando Lopes Ribeiro Mendes (1)
António Fernando Menezes Rodrigues
José António de Arez Romão
Vírgilio Manuel Boavista Lima (1)
Vitor Manuel do Carmo Martins
Francisco José Fonseca da Silva
Acácio Jaime Liberado Mota Piloto
Luís Eduardo Henriques Guimarães
Rui Pedro Brás de Matos Heitor (2)
Eugénio Óscar Garcia Rosa

General and Supervisory Board (until 7 August 2015):

José de Almeida Serra
Vitor José Milícias Lopes
Eduardo José da Silva Farinha
Carlos Vicente Morais Beato
Álvaro João Duarte Pinto Correia
Gabriel José dos Santos Fernandes
Luisa Maria Xavier Machado
Maria Manuela da Silva
António Gonçalves Ribeiro
Eugénio Óscar Garcia Rosa

Key management elements

(1) - Resignation as at 6 January 2016
(2) - Replace Luísa Maria Xavier Machado after December 2015

Other related parties:

Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)
Banco Terra, S.A.
Bem Comum, Sociedade de Capital de Risco, S.A.
Bolsimo - Gestão Activos S.A.
Carteira Imobiliaria - Fundo Especial Invest. Imob. Aberto
Clínica CUF de Belém, S.A.
Clínica de Serviços Médicos Computorizados de Belém, S.A.
Empresa Gestora de Imóveis da Rua do Prior, S.A.
Finibanco Angola, S.A.
Finibanco Vida - Companhia de Seguros de Vida, S.A.
Finipredial Fundo de Investimento Imobiliário Aberto
Fundação Montepio Geral
Fundo Capital de Risco Montepio Crescimento
Fundo de Pensões Montepio Geral
Futuro - Sociedade Gestora de Fundos de Pensões S.A.
Germont - Empreendimentos Imobiliários, S.A.
HTA - Hotéis, Turismo e Animação dos Açores, S.A.
Iberpartners Cafés, SGPS, S.A.
Leacock Prestação de Serviços Limitada
Lestinvest, SGPS, S.A.
Lusitania Companhia Seguros, S.A.
Lusitania Vida Companhia Seguros, S.A.
Moçambique Companhia de Seguros, S.A.R.L.
Montepio - Capital de Risco, SCR, S.A.
Montepio Arrendamento - F.I.I.F. Para Arrendamento Habitacional
Montepio Arrendamento II - F.I.I.F. Para Arrendamento Habitacional
Montepio Arrendamento III - F.I.I.F. Para Arrendamento Habitacional
Montepio Crédito - I.F.I.C., S.A.
Montepio Geral Associação Mutualista
Montepio Gestão de Activos - S.G.F.I., S.A.
Montepio Gestão de Activos Imobiliarios, ACE
Montepio Holding, SGPS, S.A.
Montepio Imóveis - Sociedade Imobiliaria de Serviços Auxiliares, S.A.
Montepio Investimento, S.A.
Montepio Recuperação de Crédito, ACE
Montepio Seguros SGPS, S.A.
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.
N Seguros, S.A.
Naviser - Transportes Marítimos Internacionais, S.A.
Nebra Energias Renovables, S.L.
Novacâmbios - Instituição de Pagamento, S.A.
Pelican Mortgages I P Limited Company
Pelican Mortgages II P Limited Company
Pinto & Bulhosa, S.A.
Polaris - Fundo Inv. Imob. Fech. Subsc. Partic.
Portugal Estates Fund (Pef) - F U N I I F S P
Residências Montepio - Serviços de Saúde, S.A.
SAGIES - Segurança E Higiene No Trabalho, S.A.
SILVIP - Soc. Gestora Fundos Investimento Imobiliários, S.A.
Sociedade Portuguesa de Administrações, S.A.

As at 31 December 2015, assets held by CEMG regarding related parties, represented or not by securities, included in the balances Deposits in credit institutions repayable on demand, Other Loans and advances to credit institutions, Loans and advances to customers, Available for sale financial assets, Other Assets, Guarantees and commitments provided to third parties, are analysed as follows:

(Thousand Euros)

	2015						
Companies	Deposits in credit institutions repayable on demand	Other loans and advances to credit institutions	Loans and advances to customers	Available for sale financial assets	Other assets	Guarantees and commitments provided to third parties	Total
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	-	3,701	-	-	-	-	3 701
Clínica de Serviços Médicos Computorizados de Belém, S.A.	-	-	21	-	-	-	21
Executive Board of Directors (after 7 August 2015)	-	-	154	-	-	-	154
Executive Board of Directors (until 7 August 2015)	-	-	227	-	-	-	227
Members of the Board of Directors from other related parties	-	-	364	-	-	-	364
General and Supervisory Board (after 7 August 2015)	-	-	839	-	-	-	839
General and Supervisory Board (until 7 August 2015)	-	-	359	-	-	-	359
Finibanco Angola, S.A.	6,960	22,045	-	-	505	5,461	34,971
Finipredial Fundo de Investimento Imobiliário Aberto	-	-	34,714	-	121	4	34,839
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	-	1	-	-	-	1
Germont – Empreendimentos Imobiliários, S.A.	-	-	16,072	-	-	8,743	24,815
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	-	-	4,405	-	-	546	4,951
Iberpartners Cafés, SGPS, S.A.	-	-	394	-	-	-	394
Lestinvest, SGPS, S.A.	-	-	36,598	-	-	-	36,598
Lusitania Vida, Companhia de Seguros, S.A.	-	-	1	-	-	-	1
Lusitania, Companhia de Seguros, S.A.	-	-	2	-	620	6,513	7,135
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	102,567	190,633	1,735	16	94,453	389,404
Montepio Geral - Associação Mutualista	-	-	4	-	75,066	1,166	76,236
Montepio Gestão de Activos Imobiliários, ACE	-	-	-	-	678	-	678
Montepio Holding, SGPS, S.A.	-	-	147,540	-	555	-	148,095
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	-	-	10,436	-	-	-	10,436
Montepio Investimento, S.A.	-	75,161	-	-	7,610	179	82,950
Montepio Recuperação de Crédito, ACE	-	-	-	-	2,159	-	2,159
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.	-	-	-	-	89	3	92
Novacâmbios, Instituição de Pagamento, S.A.	-	-	981	-	-	1,538	2,519
Key management elements	-	-	3,796	-	-	8	3,804
Portugal Estates Fund - Fundo de Investimento Imobiliário Fechado	-	-	99	-	-	-	99
Polaris - Fundo de Investimento Imobiliário Fechado	-	-	5,710	-	1	-	5,711
Residências Montepio, Serviços de Saúde, S.A.	-	-	980	-	67	-	1,047
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	-	-	-	-	-	-
	6,960	203,474	454,330	1,735	87,487	118,614	872,600

As at 31 December 2014, assets held by CEMG regarding related parties, represented or not by securities, included in the balances Deposits in credit institutions repayable on demand, Other Loans and advances to credit institutions, Loans and advances to customers, Other Assets, Guarantees and commitments provided to third parties, are analysed as follows:

(Thousand Euros)

	2014						
Companies	**Deposits in credit institutions repayable on demand**	**Other loans and advances to credit institutions**	**Loans and advances to customers**	**Available for sale financial assets**	**Other assets**	**Guarantees and commitments provided to third parties**	**Total**
Bolsimo – Gestão de Activos, S.A.	-	-	-	1	-	-	1
Clínica de Serviços Médicos Computorizados de Belém, S.A.	-	-	-	30	-	-	30
Executive Board of Directors	-	-		241	-	-	241
General and Supervisory Board	-	-		385	-	-	385
Finibanco Angola, S.A.	144	-	-	-	-	-	144
Finipredial – Fundo de investimento Imobiliário Aberto	-	-	-	34,213	-	4	34,217
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	-	-	1	-	-	1
Germont – Empreendimentos Imobiliários, S.A.	-	-	-	20,483	-	14,188	34,671
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	-	-	-	1,140	-	3,812	4,952
Iberpartners Cafés SGPS, S.A.	-	-	-	1,598	-	-	1,598
Lestinvest, SGPS, S.A.	-	-	-	53,442	-	-	53,442
Lusitania Vida, Companhia de Seguros, S.A.	-	-	-	1	-	-	1
Lusitania, Companhia de Seguros, S.A.	-	-	-	-	-	13,450	13,450
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	-	-	173,969	-	112,194	286,163
Montepio Geral - Associação Mutualista	-	-	-	3	-	1,166	1,169
Montepio Gestão de Activos Imobiliários, ACE	-	-		1,162	-	-	1,162
Montepio Holding, SGPS, S.A.	-	-	-	132,348	9	-	132,357
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	-	-	-	10,440	-	-	10,440
Montepio Investimento, S.A.	-	-	-	-	-	179	179
Montepio Recuperação de Crédito, ACE	-	-	-	-	1,871	-	1,871
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	-	-	-	-	173	3	176
Nebra, Energias Renovables, SL	-	-	-	439	-	-	439
Novacâmbios, Instituição de Pagamento, S.A.	-	-	-	2,056	-	548	2,604
Key management elements	-	-		4,757	-	-	4,757
Portugal Estates Fund – Fundo de Investimento Imobiliário Fechado	-	-	-	40	-	59	99
Polaris – Fundo de Investimento Imobiliário Fechado	-	-	-	5,547	-	149	5,696
Residências Montepio, Serviços de Saúde, S.A.	-	-	-	744	-	495	1,239
	144	-	-	443,040	2,053	146,247	591,484

As at 31 December 2015, CEMG's liabilities with related parties, included in the balances Deposits from other financial institutions, Deposits from customers, Other subordinated debt and Other liabilities, are analysed as follows:

(Thousand Euros)

	2015					
Companies	Participation Fund	Deposits from other financial institutions	Deposits from customers	Other subordinated debt	Other liabilities	Total
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	-	419,873	-	-	-	419,873
Banco Terra, S.A.	-	739	-	-	-	739
Bolsimo – Gestão Activos, S.A.	-	-	3,696	-	-	3,696
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto	-	-	1,092	-	-	1,092
Clínica CUF de Belém, S.A.	-	-	17	-	-	17
Clínica de Serviços Médicos Computorizados de Belém, S.A.	-	-	6	-	-	6
Executive Board of Directors (after 7 August 2015)	-	-	2,320	45	-	2,365
Executive Board of Directors (until 7 August 2015)	-	-	155	-	-	155
General and Supervisory Board (after 7 August 2015)	-	-	1,749	-	-	1,749
General and Supervisory Board (until 7 August 2015)	-	-	2,018	5	-	2,023
Members of the Board of Directors from other related parties	-	-	714	139	-	853
Empresa Gestora de Imóveis da Rua do Prior S.A	-	-	2	-	-	2
Finibanco Angola, S.A.	-	51,760	386	-	-	52,146
Finibanco Vida – Companhia de Seguros de Vida, S.A.	-	-	4,463	1,000	-	5,463
Finipredial – Fundo de investimento Imobiliário Aberto	-	-	1,872	-	88	1,960
Fundação Montepio Geral	-	-	913	-	-	913
Fundo de Pensões Montepio Geral	-	-	30,142	85	1,908	32,135
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	-	1,770	-	-	1,770
Germont – Empreendimentos Imobiliários, S.A.	-	-	537	-	-	537
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	-	-	19	-	-	19
Lestinvest, SGPS, S.A.	-	-	1,433	-	-	1,433
Lusitania Vida, Companhia de Seguros, S.A.	-	-	19,159	21,250	-	40,409
Lusitania, Companhia de Seguros, S.A.	-	-	15,944	13,749	-	29,693
Montepio - Capital de Risco, Sociedade Capital de Risco, S.A.	-	-	383	-	-	383
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	-	16,343	-	-	16,343
Montepio Arrendamento II – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	-	13,591	-	-	13,591
Montepio Arrendamento III – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	-	5,314	-	-	5,314
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	-	1,302	-	383	1,685
Montepio Crescimento Fundo de Capital de Risco	-	-	12,090			12,090
Montepio Geral - Associação Mutualista	207,261	-	168,054	1,529,148	-	1,904,463
Montepio Gestão de Activos – S.G.F.I., S.A.	-	-	2,042	-	-	2,042
Montepio Gestão de Activos Imobiliários, ACE	-	-	2,189	-	-	2,189
Montepio Holding, SGPS, S.A.	-	-	9,858	14,258	-	24,116
Montepio Investimento, S.A.	31,581	10,538	-	-	259	42,378
Montepio Recuperação de Crédito, ACE	-	-	721	-	2,493	3,214
Montepio Seguros, SGPS, S.A.	-	-	868	-	-	868
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	-	-	7,637	-	-	7,637
N Seguros, S.A.	-	-	1,251	220	-	1,471
Novacâmbios, Instituição de Pagamento, S.A.	-	-	1,801	-	-	1,801
Key management elements	-	-	2,168	66	-	2,234
Residências Montepio, Serviços de Saúde, S.A.	-	-	113	-	-	113
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	-	294	-	-	294
SILVIP - Soc. Gestora Fundos Investimento Imobiliários, S.A.	-	-	1,634	-	-	1,634
Sociedade Portuguesa de Administrações, S.A.	-	-	282	-	-	282
	238,842	482,910	336,342	1,579,965	5,131	2,643,190

As at 31 December 2014, CEMG's liabilities with related parties, included in the balances Deposits from other financial institutions, Deposits from customers, Other subordinated debt and Other liabilities, are analysed as follows:

(Thousand Euros)

	2014					
Companies	Participation Fund	Deposits from other financial institutions	Deposits from customers	Other subordinated debt	Other liabilities	Total
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	-	9,269	-	-	-	9,269
Bolsimo – Gestão de Ativos, S.A.	-	-	3,265	-	-	3,265
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto	-	-	919	-	-	919
Clínica CUF Belém, S.A.	-	-	41	-	-	41
Clínica de Serviços Médicos Computorizados de Belém, S.A.	-	-	4	-	-	4
Executive Board of Directors	-	-	524	-	-	524
General and Supervisory Board	-	-	1,323	-	-	1,323
Empresa Gestora de Imóveis da Rua do Prior S.A	-	-	140	-	-	140
Finibanco Angola, S.A.	-	33	10	-	-	43
Finibanco Vida – Companhia de Seguros de Vida, S.A.	-	-	2,881	1,000	-	3,881
Finipredial – Fundo de investimento Imobiliário Aberto	-	-	1,426	-	-	1,426
Fundação Montepio Geral	-	-	1,092	18	-	1,110
Fundo de Pensões Montepio Geral	-	-	30,375	3,353	67,344	101,072
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	-	3,087	-	-	3,087
Germont – Empreendimentos Imobiliários, S.A.	-	-	642	-	-	642
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	-	-	9	-	-	9
Lestinvest, SGPS, S.A.	-	-	21	-	-	21
Lusitania Vida, Companhia de Seguros, S.A.	-	-	62,564	48,050	-	110,614
Lusitania, Companhia de Seguros, S.A.	-	-	23,328	13,749	-	37,077
Montepio - Capital de Risco, Sociedade Capital de Risco, S.A.	-	-	224	-	-	224
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	-	7,358	-	-	7,358
Montepio Arrendamento II – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	-	175,203	-	-	175,203
Montepio Arrendamento III – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	-	145,827	-	-	145,827
Montepio Crédito - Instituição Financeira de Crédito, S.A.		-	2	-	-	2
Montepio Geral - Associação Mutualista	-	-	635,396	1,521,807	-	2,157,203
Montepio Geral Investimentos Imobiliários S.A.		-	8	-	-	8
Montepio Gestão de Ativos – S.G.F.I., S.A.	-	-	1,788	-	-	1,788
Montepio Holding, SGPS, S.A.	-	-	2,732	27,253	-	29,985
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	-	-	393	-	-	393
Montepio Investimento, S.A.	3,280	6,740	-	3,280	-	13,300
Montepio Recuperação de Crédito, ACE	-	-	35	-	-	35
Montepio Seguros, SGPS, S.A.	-	-	4,919	-	-	4,919
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	-	-	10,418	-	-	10,418
N Seguros, S.A.	-	-	336	4 720	-	5,056
Novacâmbios, Instituição de Pagamento, S.A.	-	-	1,069	302	-	1,371
Key management elements	-	-	3,107	94	-	3,201
Portugal Estates Fund – Fundo de Investimento Imobiliário Fechado	-	-	2	-	-	2
Polaris – Fundo de Investimento Imobiliário Fechado	-	-	15	-	-	15
Residências Montepio, Serviços de Saúde, S.A.	-	-	198	-	-	198
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	-	51	-	-	51
SILVIP - Soc. Gestora Fundos Investimento Imobiliários, S.A.	-	-	2,006	-	-	2,006
Sociedade Portuguesa de Administrações, S.A.	-	-	131	-	-	131
	3,280	16,042	1,122,869	1,623,626	67,344	2,833,161

As at 31 December 2015, CEMG's income and expenses with related parties, included in the balances Interest and similar income, Interest and similar expense, Net commission and other income, Other operating income and General Administrative expenses are analysed as follows:

(Thousand Euros)

	2015				
Companies	Interest and similar income	Interest and similar expenses	Net commission and other income	Other operating income	Genenral and administrative expenses
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	38	20,114	1	264	-
Carteira Imobiliaria - Fundo Especial Invest. Imob. Aberto	-	1	15	-	-
Clínica CUF de Belém, S.A.	-	-	2	-	-
Clínica de Serviços Médicos Computorizados de Belém, S.A.	1	-	-	-	-
Executive Board of Directors (after 7 August 2015)	-	19	-	-	-
Executive Board of Directors (until 7 August 2015)	-	4	-	-	-
General and Supervisory Board (after 7 August 2015)	13	46	1	-	-
General and Supervisory Board (until 7 August 2015)	4	13	-	-	-
Members of the Board of Directors from other related parties	2	11	2	-	-
Empresa Gestora de Imóveis da Rua do Prior S.A	-	2	2	-	-
Finibanco Angola, S.A.	646	16	506	586	-
Finibanco Vida – Companhia de Seguros de Vida, S.A.	-	74	29	-	-
Finipredial – Fundo de investimento Imobiliário Aberto	929	1	260	-	1 090
Fundação Montepio Geral	-	1	-	-	-
Fundo de Pensões Montepio Geral	-	288	1	-	369
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	36	9	1	-
Germont – Empreendimentos Imobiliários, S.A.	410	-	-	-	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	55	-	-	-	-
Lestinvest, SGPS, S.A.	1 797	-	12	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	2 121	4 917	-	-
Lusitania, Companhia de Seguros, S.A.	14	440	3 391	621	-
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	68	218	-	-
Montepio Arrendamento II – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	887	470	-	-
Montepio Arrendamento III – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	769	484	-	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	3,857	-	6	102	828
Montepio Crescimento Fundo de Capital de Risco	-	21	1	-	-
Montepio Geral - Associação Mutualista	-	73,907	5	33,312	16,535
Montepio Gestão de Activos – S.G.F.I., S.A.	-	25	5	-	-
Montepio Gestão de Ativos Imobiliários, ACE	-	-	-	2,482	-
Montepio Holding, SGPS, S.A.	5,812	221	-	-	537
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	156	-	-	-	-
Montepio Investimento, S.A.	344	-	1	1,261	-
Montepio Recuperação de Crédito, ACE	-	-	-	8,416	10,441
Montepio Seguros, SGPS, S.A.	-	-	48	-	-
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	-	92	1,240	763	-
N Seguros, S.A.	-	91	9	-	-
Novacâmbios, Instituição de Pagamento, S.A.	74	-	111	1	-
Key management elements	14	34	2	-	-
Polaris – Fundo de Investimento Imobiliário Fechado	233	-	3	-	-
Portugal Estates Fund – Fundo de Investimento Imobiliário Fechado	3	-	12	-	-
Residências Montepio, Serviços de Saúde, S.A.	21	-	37	30	-
SILVIP - Soc. Gestora Fundos Investimento Imobiliários, S.A.	-	16	-	-	-
	14,423	99,318	11,800	47,839	29,800

As at 31 December 2014, CEMG's income and expenses with related parties, included in the balances Interest and similar income, Interest and similar expense, Net commissions and other income, Other operating income and General Administrative expenses are analysed as follows:

(Thousand Euros)

	2014				
Companies	Interest and similar income	Interest and similar expenses	Net commission and other income	Other operating income	Genenral and administrative expenses
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto	-	12	-	-	-
Clínica de Serviços Médicos Computorizados de Belém, S.A.	3	-	-	-	-
Executive Board of Directors	2	9	1	-	-
General and Supervisory Board	8	25	1	-	-
Empresa Gestora de Imóveis da Rua do Prior S.A	-	5	-	-	-
Finibanco Angola, S.A.	2	-	-	555	-
Finibanco Vida – Companhia de Seguros de Vida, S.A.	-	69	54	-	-
Finipredial – Fundo de investimento Imobiliário Aberto	1,976	1	-	-	-
Fundação Montepio Geral	-	3	-	-	-
Fundo de Pensões Montepio Geral	-	849	4	-	579
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	30	17	1	-
Germont – Empreendimentos Imobiliários, S.A.	223	-	-	-	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	19	1	-	-	-
Iberpartners Cafés SGPS, S.A.	56	-	29	-	-
Lestinvest, SGPS, S.A.	2,037	1	-	(253)	-
Lusitania Vida, Companhia de Seguros, S.A.	-	2,591	8,527	-	-
Lusitania, Companhia de Seguros, S.A.	347	396	3,408	16	-
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	615	-	-	-
Montepio Arrendamento II – Fundo de Investimento Imobiliário Fecha-do para Arrendamento Habitacional	-	528	-	-	-
Montepio Arrendamento III – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	618	-	-	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	7,019	-	2	59	-
Montepio Geral - Associação Mutualista	1	75,744	5	9,011	25,227
Montepio Gestão de Ativos – S.G.F.I., S.A.	2	6	10	-	-
Montepio Holding, SGPS, S.A.	1,777	226	3	-	-
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	445	13	2	-	-
Montepio Investimento, S.A.	28	11	2	809	-
Montepio Recuperação de Crédito, ACE	-	-	-	9,459	-
Montepio Seguros, SGPS, S.A.	-	-	196	-	-
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	-	172	5	788	-
N Seguros, S.A.	-	90	35	1	-
Nebra Energias Renovables, S.L.	9	-	1	-	-
Novacâmbios, Instituição de Pagamento, S.A.	93	-	70	(44)	-
Key management elements	34	70	7	-	-
Portugal Estates Fund – Fundo de Investimento Imobiliário Fechado	2	1	-	-	-
Polaris – Fundo de Investimento Imobiliário Fechado	438	-	-	-	-
Residências Montepio, Serviços de Saúde, S.A.	69	1	55	45	-
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	-	1	-	-
SILVIP - Soc. Gestora Fundos Investimento Imobiliários, S.A.	-	34	-	-	-
	14,590	82,121	12,435	20,447	25,806

Salaries and other costs with the Executive Board of Directors, with the General and Supervisory Board and with Other key management personnel are detailed in note 11.

During 2015 and 2014, there were no transactions with the pension's fund of CEMG.

50 Securitization transactions

As at 31 December 2015, there are nine securitization transactions, eight of which originated in CEMG and one in Montepio Investimento, S.A., currently integrated into CEMG following the success of General and Voluntary Initial Public Offering on the equity representative shares of Montepio Holding, S.G.P.S., S.A. (previously named Finibanco Holding, S.G.P.S., S.A.) and transmission of almost all assets and liabilities for CEMG, as described in note 1 a).

The following paragraphs present some additional details of these securitization transactions.

As at 19 December, 2002, Caixa Económica Montepio Geral had settled a securitisation operation with a Special Purpose Vehicle («SPV») – Pelican Mortgages no. 1 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 35 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 650,000 thousand. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.016% of the referred nominal value.

As at 29 September, 2003, Caixa Económica Montepio Geral had settled a securitisation operation with a Special Purpose Vehicle («SPV») – Pelican Mortgages no. 2 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 33 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 700,000 thousand. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0286% of the referred nominal value.

As at 30 March, 2007, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 3. The referred agreement consists in a mortgage credit transfer for a period of 47 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 750,000 thousand. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0165% of the referred nominal value.

As at 20 May, 2008, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 4. The referred agreement consists in a mortgage credit transfer for a period of 48 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,000,000 thousand. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.083% of the referred nominal value.

As at 9 December 2008, Montepio Investimento S.A. (previously named Finibanco S.A.) had settled a mortgage credit portfolio to «Tagus – Sociedade de Titularização de Créditos, S.A.» in the amount of Euro 233,000 thousand (Aqua Mortage No. 1). The total period of this operation is 55 years, with a revolving period of 2 years. In 2011, Montepio Investimento sold this security to Caixa Económica Montepio Geral.

As at 25 March 2009, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 5. The referred agreement consists in a mortgage credit transfer for a period of 52 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,000,000 thousand. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0564% of the referred nominal value.

As at 5 March 2012, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage No. 6. The referred agreement consists in a mortgage credit transfer for a period of 51 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,040,200 thousand. The transfer price by which the loans were transferred was their nominal value, including the selling costs which represented 0.1083% of the Asset Backed Notes.

As at 7 May 2014, Caixa Económica Montepio General and Montepio Crédito celebrated with Tagus - Sociedade de Titularização, SA, a contract for the sale of consumer loans within a securitization of credits (Pelican Finance No. 1). The total period of the operation is 14 years, with an initial revolving period of 18 months, amended in November 2015 to 42 months and with a limit (Aggregate Principal Amount Outstanding) of Euro 294,000 thousand. The sale was made at their nominal value, including the selling costs which represented 0.1871% of Asset Backed Notes.

As at 5 March 2015, *Caixa Económica Montepio* signed with *Sagres - Sociedade de Titularização de Créditos, S.A* a securitisation contract for small and medium size companies, Pelican SME No. 2. The total period of operation is 28 years with revolving period of 24 months and with a limit (Aggregate Principal Amount Outstanding) of Euro 1,124,300 thousand. The sale was made at their nominal value with the cost of the initial sales process represented 0.0889% of Asset Backed Notes.

The entity that guarantees the debt service (servicer) of this operations is «Caixa Económica Montepio Geral» assuming the collection of credits sold and assigned amounts received by deposits, to Sociedades Gestoras de Fundos de Titularização de Créditos (Pelican Mortgages No. 1, Pelican Mortgages No. 2) and to Sociedades de Titularização de Créditos (Pelican Mortgages No. 3, Pelican Mortgages No. 4, Pelican Mortgages No. 5, Pelican Mortgages No. 6, Aqua Mortgages No. 1 and Pelican SME No. 2). *Montepio Crédito – Instituição Financeira de Crédito, S.A.* provides the same functions for operation Pelican Finance No. 1.

Securitization transactions Pelican Mortgages No. 1 and Pelican Mortgages No. 2 were derecognised at the start date of the operations. The impact of these operations on CEMG assets, in the caption Loans and advances to customers can be analysed as follows:

(Thousand Euros)

	2015	2014
Pelican Mortgages No.1	55,538	63,656
Pelican Mortgages No.2	111,281	128,314
	166,819	191,970

As at 31 December 2015, the securitization operations executed by CEMG are presented as follows:

(Thousand Euros)

				Credit		Liabilities	
Issue	**Settlement date**	**Currency**	**Currency Asset transferred**	**Initial amount**	**Current amount**	**Initial amount**	**Current amount**
Pelican Mortgages No. 1	December, 2002	Euro	Mortgage credit	653,250	55,538	653,250	-
Pelican Mortgages No. 2	September, 2003	Euro	Mortgage credit	705,600	111,281	705,600	-
Pelican Mortgages No. 3	March, 2007	Euro	Mortgage credit	762,375	275,641	762,375	275,733
Pelican Mortgages No. 4	May, 2008	Euro	Mortgage credit	1,028,600	714,376	1,028,600	711,896
Aqua Mortgage No. 1	December, 2008	Euro	Mortgage credit	236,500	153,294	236,500	140,964
Pelican Mortgages No. 5	March, 2009	Euro	Mortgage credit	1,027,500	717,038	1,027,500	716,086
Pelican Mortgages No. 6	February, 2012	Euro	Mortgage credit	1,107,000	914,815	1,107,000	908,410
Pelican Finance No. 1	May, 2014	Euro	Consumer credit	185,300	172,643	185,300	176,532
Pelican SME No. 2	March, 2015	Euro	Small companies	1,124,300	1,020,353	1,124,300	1,091,730
				6,830,425	4,134,979	6,830,425	4,021,351

Additionally, the detail of securitized loans not derecognised by securitization operation and nature of the contracts at 31 December 2015 is presented as follows:

(Thousand Euros)

	Not derecognised securitisation transactions							
	Pelican Mortage n.º 3	*Pelican Mortage n.º 4*	*Pelican Mortage n.º 5*	*Pelican Mortage n.º 6*	*Pelican Finance n.º 1*	*Aqua Mortgage n.º 1*	*Pelican SME n.º 2*	Total
Domestic credit								
Corporate								
Loans and advances	-	-	-	-	-	-	664,074	664,074
Pledged current account	-	-	-	-	-	-	158,078	158,078
Other credits	-	-	-	-	8	-	108,218	108,226
Private								
Mortgage	274,602	711,137	714,842	908,047	-	149,604	-	2,758 232
Consumer and other credits	-	-	-	-	171,947		83,350	255,297
	274,602	711,137	714,842	908,047	171,955	149,604	1,013,720	3,943,907
Credit and overdue interest								
Less than 90 days	28	368	256	1,248	142	381	1,335	3,758
More than 90 days	1,011	2,871	1,940	5,520	546	3,309	5,298	20,495
	1,039	3,239	2,196	6,768	688	3,690	6,633	24,253
	275,641	714,376	717,038	914,815	172,643	153,294	1,020,353	3 968,160

As at 31 December 2014, the securitization operations executed by CEMG are presented as follows:

(Thousand Euros)

				Credit		Liabilities	
Issue	Settlement date	Currency	Asset transferred	Initial amount	Current amount	Initial amount	Current amount
Pelican Mortgages No. 1	December, 2002	Euro	Mortgage credit	653,250	63,656	653,250	-
Pelican Mortgages No. 2	September, 2003	Euro	Mortgage credit	705,600	128,314	705,600	-
Pelican Mortgages No. 3	March, 2007	Euro	Mortgage credit	762,375	299,631	762,375	298,145
Pelican Mortgages No. 4	May, 2008	Euro	Mortgage credit	1,028,600	751,725	1,028,600	745,221
Aqua Mortgage No. 1	December, 2008	Euro	Mortgage credit	236,500	166,158	236,500	148,952
Pelican Mortgages No. 5	March, 2009	Euro	Mortgage credit	1,027,500	760,209	1,027,500	757,507
Pelican Mortgages No. 6	February, 2012	Euro	Mortgage credit	1,107,000	952,865	1,107,000	948,786
Pelican Finance No. 1	May, 2014	Euro	Consumer credit	185,300	288,511	185,300	176,469
				5,706,125	3,411,069	5,706,125	3,075,080

As at 31 December 2014, the securitization operations executed by CEMG are presented as follows:

(Thousand Euros)

	Not derecognised securitisation transactions						
	Pelican Mortage n.º 3	*Pelican Mortage n.º 4*	*Pelican Mortage n.º 5*	*Pelican Mortage n.º 6*	*Pelican Finance n.º 1*	*Aqua Mortgage n.º 1*	Total
Domestic credit							
Corporate							
Other credits	-	-	-	-	7	-	7
Private							
Mortgage	298,483	749,106	758,830	948,754	-	163,619	2,918,792
Consumer and other credits	-	-	-	-	287,689	-	287,689
	298,483	749,106	758,830	948,754	287,696	163,619	3,206,488
Credit and overdue interest							
Less than 90 days	1	317	188	1,151	386	64	2,107
More than 90 days	1,147	2,302	1,191	2,960	429	2 475	10,504
	1,148	2,619	1,379	4,111	815	2 539	12,611
	299,631	751,725	760,209	952,865	288,511	166 158	3,219,099

As at 31 December 2015, the notes issued by the special purpose vehicles, are analyzed as follows:

Issue	Bond issued	Issue amount Euros	Current amount Euros	CEMG's interest retention Euros	Maturity date	Rating (initial)				Rating (current)			
						Fitch	Moodys	S&P	DBRS	Fitch	Moodys	S&P	DBRS
Pelican Mortgages No 1	Class A	611,000 000	12,352,295	4,699,735	2037	AAA	Aaa	n.a.	n.a.	A+	A1	n.a.	n.a.
	Class B	16,250,000	16,250,000	-	2037	AAA	A2	n.a.	n.a.	A+	A1	n.a.	n.a.
	Class C	22,750,000	22,750,000	5,750,000	2037	BBB+	Baa2	n.a.	n.a.	A	A1	n.a.	n.a.
	Class D	3,250,000	3,250,000	3,250,000	2037	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 2	Class A	659,750,000	73,499,090	30,799,864	2036	AAA	Aaa	AAA	n.a.	A+	A1	A+	n.a.
	Class B	17, 500,000	17,500,000	10,360,000	2036	AA+	A1	AA-	n.a.	A+	A1	A-	n.a.
	Class C	22,750,000	22,750,000	8,600,000	2036	A-	Baa2	BBB	n.a.	BBB+	Ba2	BB+	n.a.
	Class D	5,600,000	5,600,000	5,600,000	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 3	Class A	717,375,000	260,265,950	126,212,701	2054	AAA	Aaa	AAA	n.a.	BBB+	Baa3	BB+	n.a.
	Class B	14,250,000	6,719,698	6,719,698	2054	AA-	Aa2	AA-	n.a.	BBB-	B2	B-	n.a.
	Class C	12,000,000	5,658,693	5,658,693	2054	A	A3	A	n.a.	BB	Caa1	B-	n.a.
	Class D	6,375,000	3,006,181	3,006,181	2054	BBB	Baa3	BBB	n.a.	B	Caa3	B-	n.a.
	Class E	8,250,000	-	-	2054	BBB-	n.a.	BBB-	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	4,125,000	4,125,000	4,125,000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832,000,000	561,384,441	561,384,441	2056	AAA	n.a.	n.a.	AAA	A	n.a.	n.a.	A
	Class B	55,500,000	49,695,853	49,695,853	2056	AA	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	60,000,000	53,725,247	53,725,247	2056	A-	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class D	25,000,000	22,385,519	22,385,519	2056	BBB	n.a.	n.a.	n.a.	B+	n.a.	n.a.	n.a.
	Class E	27,500,000	24 624,071	24,624,071	2056	BB	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Class F	28,600,000	28,600,000	28,600,000	2056	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 5	Class A	750,000,000	494,125,730	494,125,730	2061	AAA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	AAH
	Class B	195,000,000	173,061,188	173,061,188	2061	BBB-	n.a.	n.a.	n.a.	BBB+	n.a.	n.a.	n.a.
	Class C	27,500,000	24,406,065	24,406,065	2061	B	n.a.	n.a.	n.a.	BB+	n.a.	n.a.	n.a.
	Class D	27,500,000	24,406,065	24,406,065	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4,500,000	-	-	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	23,000,000	23,000,000	23,000,000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 6	Class A	750,000,000	620,579,757	620,579,757	2063	A	n.a.	A-	AA	A+	n.a.	A-	AA
	Class B	250,000,000	250,000,000	250,000,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	1,800,000	-	-	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class D	65,000,000	65,000,000	65,000,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class S	40,200,000	40,200,000	40,200,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203,176,000	111,973,138	111,973,138	2063	n.a.	n.a.	AAA	n.a.	n.a.	n.a.	A+	AAH
	Class B	29,824,000	28,980,484	28,980,484	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3,500,000	3,500,000	3,500,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Finance No 1	Class A	121,800,000	121,800,000	121,800,000	2028	A	n.a.	n.a.	A	A	n.a.	n.a.	A
	Class B	54,700,000	54,700,000	54,700,000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	8,800,000	8,800,000	8,800,000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican SME No 2	Class A	545,900,000	545,900,000	545,900,000	2043	A+	n.a.	n.a.	A L	A+	n.a.	n.a.	A L
	Class B	76,400,000	76,400,000	76,400,000	2043	A	n.a.	n.a.	n.a.	A	n.a.	n.a.	n.a.
	Class C	87,300,000	87,300,000	87,300,000	2043	BBB	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Class D	398,500,000	398,500,000	398,500,000	2043	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class S	16,200,000	21,100,000	21,100,000	2043	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

As at 31 December 2014, the notes issued by the special purpose vehicles, are analysed as follows:

Issue	Bond issued	Issue amount Euros	Current amount Euros	CEMG's interest retention Euros	Maturity date	Rating (initial)				Rating (current)			
						Fitch	Moodys	S&P	DBRS	Fitch	Moodys	S&P	DBRS
Pelican Mortgages No 1	Classe A	611,000,000	16,972,075	6,035,882	2037	AAA	Aaa	n.a.	n.a.	A+	A3	n.a.	n.a.
	Classe B	16,250,000	16,250,000	-	2037	AAA	A2	n.a.	n.a.	A+	A3	n.a.	n.a.
	Classe C	22,750,000	22,750,000	-	2037	BBB+	Baa2	n.a.	n.a.	A	n.a.	n.a.	n.a.
	Classe D	3,250,000	3,250,000	3,250,000	2037	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 2	Classe A	659,750,000	88,740,933	36,348,893	2036	AAA	Aaa	AAA	n.a.	A+	A3	A-	n.a.
	Classe B	17,500,000	17,500,000	10,060,000	2036	AA+	A1	AA-	n.a.	A+	Baa1	A-	n.a.
	Classe C	22,750,000	22,750,000	8,600,000	2036	A-	Baa2	BBB	n.a.	BBB+	Ba3	n.a.	n.a.
	Classe D	5,600,000	5,600,000	5,600,000	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 3	Classe A	717,375,000	283,066,699	119,481,669	2054	AAA	Aaa	AAA	n.a.	BBB+	Baa3	A-	n.a.
	Classe B	14,250,000	7,308,381	7,026,303	2054	AA-	Aa2	AA-	n.a.	BBB-	B2	BBB	n.a.
	Classe C	12,000,000	6,154,426	5,932,880	2054	A	A3	A	n.a.	BB	Caa1	BBB-	n.a.
	Classe D	6,375,000	3,269,539	3,269,539	2054	BBB	Baa3	BBB	n.a.	B	Caa3	BB	n.a.
	Classe E	8,250,000	-	-	2054	BBB-	n.a.	BBB-	n.a.	n.a.	n.a.	n.a.	n.a.
	Classe F	4,125,000	4,125,000	4,125,000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Classe A	832,000,000	590,816,823	590,816,823	2056	AAA	n.a.	n.a.	AAA	A	n.a.	n.a.	A
	Classe B	55,500,000	52,301,318	52,301,318	2056	AA	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Classe C	60,000,000	56,541,965	56,541,965	2056	A-	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Classe D	25,000,000	23 559,152	23,559,152	2056	BBB	n.a.	n.a.	n.a.	B+	n.a.	n.a.	n.a.
	Classe E	27,500,000	25,915,067	25,915,067	2056	BB	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Classe F	28 600 000	28,600,000	28,600,000	2056	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Classe A	203,176,000	124,323,827	124,323,827	2063	n.a.	n.a.	AAA	n.a.	n.a.	n.a.	A-	AAH
	Classe B	29,824,000	28,980,484	28,980,484	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Classe C	3,500,000	3,500,000	3,500,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 5	Classe A	750,000,000	524,322,216	524,322,216	2061	AAA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	AAH
	Classe B	195,000,000	183,637,119	183,637,119	2061	BBB-	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Classe C	27,500,000	25,897,542	25,897,542	2061	B	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Classe D	27,500,000	25,897,542	25,897,542	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Classe E	4,500,000	377,349	377,349	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Classe F	23,000,000	23,000,000	23,000,000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 6	Classe A	750,000,000	666,406 845	666,406,845	2063	A	n.a.	A-	AA	A+	n.a.	A-	AA
	Classe B	250,000,000	250,000,000	250,000,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Classe C	1,800,000	-	-	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Classe D	65,000,000	65,000,000	65,000,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Classe S	40,200,000	40,200,000	40,200,000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Finance No 1	Classe A	121,800,000	121,800,000	121,800,000	2028	A	n.a.	n.a.	A	A	n.a.	n.a.	A
	Classe B	54,700,000	54,700,000	54,700,000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Classe C	8,800,000	8,800,000	8,800,000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

51 Risk management

CEMG is subject to several risks during the course of its business. The risk management of CEMG's companies is carried out centrally in coordination with the local departments and considering the specific risks of each business.

CEMG's risk management policy is designed to ensure adequate relationship at all times between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line.

Thus, monitoring and control of the main types of financial risk – credit, market, liquidity real estate and operational – to which CEMG's business is subject are of particular importance.

Main types of risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and the respective volatility.

Liquidity – Liquidity risk reflects Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Property – Property risk results from possible negative impacts on profit and loss, or at the CEMG's capital level, due to market prices fluctuation on real property.

Operational – Operational risk is the potential loss resulting from failures or inadequacies in internal procedures, persons or systems, and also the potential losses resulting from external events.

Internal organization

The Executive Board of Directors ("CAE") is responsible for risk management strategy and policies, including, in this context, the adoption of principles and higher-level rules to be followed in its management.

Were constituted Support Committees to the CAE, which are dependent structures of the CAE without deliberative powers unless expressly stated otherwise, being as forums for discussion and support decision-making, through the formulation of proposals and recommendations to the CAE, in its areas of intervention.

The Asset and Liability Committee ("ALCO") is responsible for monitoring and manage Equity, Balance Sheet and Income Statement. Among other functions, ALCO assures the issue of proposals or recommendations to CAE, in order to update the CEMG's risk profile, setting limits for risk-taking, management of liquidity and equity positions, the adoption of recovery measures, taking into account the activity expansion scenarios, the macroeconomic context and the indicators related with the actual and expected evolution of the different risks.

The Committee for Internal Control is responsible for support and advice the CAE on the matters relating to the internal control system, in order to ensure their adequacy and effectiveness and the compliance with the applicable provisions, as well as promote its continuous improvement and best practices in this field. Among other functions, the Committee for Internal Control elaborates proposals and recommendations to the CAE in order to optimize the internal control system and the improvement of operational risk levels and the implementation of corrective or improvement actions in accordance with the timetable set.

The Risk Committee is responsible for monitoring the evolution of exposure to different types of risk, to elaborate proposals or recommendations to the CAE in order to promote the improvement of risk management processes.

The Business Committee discusses and defines the characteristics of new products and services as well as the products and services commercialised with regard to their suitability for the risk policy in force at the time and to the regulatory framework.

The analysis and monitoring of pension fund management is the responsibility of the Monitoring Committee of the Pension Fund, where advice on possible amendments to the existing management policy are issued.

The Real Estate Risk Committee monitors the management of property risk by elaborate proposals or issuing recommendations to the CAE in order to promote an optimized management of property risk in line with the defined objectives.

The Department of Risk ("DRI") is responsible for supporting the CAE in making decisions related to the management of different types of risk inherent to the business, within the Group.

DRI ensures the analysis and management of the Market, Liquidity, Interest Rate, Credit, Real Estate and operational risks, providing advice to CAE, namely through the proposal of normative and management of different risk models, through the development of management reports that provide the basis for decision making and participation in Support Committees to CAE.

DRI ensures the accomplishment of several prudential reports to the supervision authority, namely the domain of their own funds requirements, major risk control and related parties funding, liquidity risk, interest rate risk, country risk, counterparty risk, self-evaluation of Own Funds' adjustment, Market Discipline, Recovery Plan and Resolution Plan.

Additionally, for credit risk management, Credit Risk Department ("Direcção de Análise de Crédito"), ensures the assessment of credit proposals from companies and retail.

The Internal Auditing function is ensured by the Internal Audit and Inspection Department and integrates the internal control monitorization process, through the execution of complementary independent evaluations over the performance of controls, identifying deficiencies and recommendations and submitting its conclusions to the Executive Board of Directors.

The Internal Audit and Inspection Department is also responsible for performing audits to the Risk Management processes, according with the guidance provided by the supervision entities, including the independent review of risk assessment internal models and to calculate the equity minimum requirements for risk hedging. Based in the results obtained from the audits, measures are recommended and their implementation is followed in order to ensure that necessary measures are taken and managed properly.

The compliance function is performed by the Compliance Office that reports directly to the Executive Board of Directors, and has the main goal of managing the compliance risk which is the risk of incurring in legal or regulatory sanctions, financial or reputation loss as a consequence of non-compliance with laws, regulations, conduct code and good banking practices.

The compliance risk is mitigated encouraging a culture of compliance, fostering the respect of group's entities and their employees by the framework applicable through an independent intervention, together with all organic units.

It is part of compliance's functions to define the procedures and mechanisms of compliance control, and their monitoring, reporting immediately to the Executive Board of Directors information about any possible violation of statutory obligations, rules of conduct and client relationship or other duties that can lead the institution or the employees in penalties.

Depending on the nature and severity of the risk, plans, programs or actions shall be drawn up, supported by information systems, and procedures shall be devised that provide a high degree or reliably as to the risk management measures defined whenever necessary.

Risk evaluation

Credit Risk

Credit risk models play a significant role in credit decision process. Indeed, the decision process concerning the credit portfolio depends on a group of policies based on scoring models developed to individual and business clients and the rating for the corporate sector.

Credit decisions are dependent upon risk ratings and compliance with various rules governing financial capacity and applicants' behaviour. In order to support commercial strategies reactive scoring models are also used, namely in the main individual credit portfolios, such as mortgage and individual loans, distinguishing between customers and non-customers (or new customers).

In corporate credit internal rating models are used to medium and large companies, distinguishing the construction sector, and the third sector, from the other activity sectors, while for customers «Empresários em nome individual» and micro business is applied the scoring model business.

CEMG's credit risk exposure can be analysed as follows:

(Thousand Euros)

	2015	2014
Deposits with other credit institutions	50,617	54,868
Deposits with banks	372,776	780,988
Loans and advances to customers	14,068,976	14,655,838
Financial assets held for trading	26,462	77,438
Available-for-sale financial assets	6,366,266	6,033,344
Hedging derivatives	9	60
Held-to-maturity investments	26,130	17,333
Other assets	198,723	198,719
Guarantees granted	423,888	434,475
Documentary credits	24,832	16,648
Irrevocable commitments	681,632	723,199
Credit default swaps (notionals)	85,000	-
	22,325,311	22,992,910

Note: Gross exposure impairment and amortisation in accordance with the prudential consolidation perimeter, including securitization positions.

The analysis of the risk exposure by sector of activity, as at 31 December 2015, can be analysed as follows:

(Thousand Euros)

Activity sector	2015						
	Loans and advances to customers		Financial assets held for trading	Availabe-for-sale financial assets		Held-to-maturity investments	Guarantees granted and documentary credits
	Gross Amount	Impairment [a]	Book value	Gross Amount	Impairment	Book value	Book value
Agriculture	151,848	(13,071)	-	2,138	-	-	2,275
Mining	15,552	(1,321)	-	-	-	-	1,692
Food, beverage and tobacco	242,967	(15,856)	-	981	-	-	2,732
Textiles	88,212	(9,095)	-	-	-	-	2,327
Shoes	44,338	(4,975)	-	-	-	-	489
Wood and cork	43,902	(5,407)	-	-	-	-	1,115
Printing and publishing	103,463	(10,069)	-	-	-	-	437
Petroleum refining	398	(4)	-	14,011	-	-	-
Chemicals and rubber	133,534	(7,686)	-	-	-	-	2,533
Non-metallic minerals	131,205	(6,319)	-	-	-	-	6,144
Basis metallurgic industries and metallic products	164,548	(17,003)	-	-	-	-	9,051
Production of machinery	39,257	(3,353)	-	-	-	-	871
Production of transport material	37,609	(1,553)	-	-	-	-	678
Other transforming industries	54,996	(7,406)	-	-	-	-	1,509
Electricity, gas and water	132,829	(1,679)	-	29,411		-	997
Construction	1,347,429	(389,736)	-	998	(998)	-	142,642
Wholesale and retail	1,229,913	(189,579)	-	7,064	-	-	65,813
Tourism	406,877	(37,406)	-	-	-	-	8,021
Transports	382,777	(105,590)	-	-	-	-	9,762
Communication and information activities	79,809	(6,385)	-	22,675	-	-	3,521
Financial activities	1,384,958	(120,061)	14,027	732,452	(9,209)	-	114,151
Real estate activities	671,614	(153,899)	-	-	-	-	14,870
Services provided to companies	510,436	(49,294)	-	-	-	-	43,145
Public services	135,843	(3,462)	12,435	2,263,821	(7,343)	26,130	922
Other activities of collective services	462,051	(23,412)	-	-	-	-	7,790
Mortgage loans	7,366,848	(233,933)	-	3,352,251	(45,355)	-	4,446
Other	21,557	(4,270)	-	3,369	-	-	787
Total	15,384,770	(1,421,824)	26,462	6,429 171	(62,905)	26,130	448,720

(a) includes provision for impairment in the amount of Euro 1 315 794 thousand (see note 21) and the provision for general banking risks amountig to Euro 106 030 thousand (see note 37).

The analysis of the risk exposure by sector of activity, as at 31 December 2014, can be analysed as follows:

(Thousand Euros)

	2014						
Activity sector	**Loans and advances to costumers**		**Financial assets held for trading**	**Available-for-sale financial assets**		**Held-to-maturity investments**	**Guarantees granted**
	Gross Amount	**Impairment (a)**	**Book Value**	**Gross Amount**	**Impairment**	**Book Value**	**Book Value**
Agriculture	134,726	(9,536)	-	-	-	-	3,187
Mining	35,046	(1,452)	-	8,215	-	-	1,750
Food, beverage and tobacco	227,926	(18,253)	-	13,014	-	-	3,316
Textiles	88,421	(10,914)	-	-	-	-	1,782
Shoes	37,567	(4,367)	-	-	-	-	107
Wood and cork	49,766	(9,544)	-	-	-	-	1,176
Printing and publishing	91,852	(7,718)	-	-	-	-	521
Petroleum refining	92	(1)	-	72,937	-	-	-
Chemicals and rubber	128,979	(6,204)	-	389	-	-	2,064
Non-metallic minerals	57,784	(4,828)	-	-	-	-	2,584
Basis metallurgic industries and metallic products	157,938	(16,088)	-	63,886	-	-	11,194
Production of machinery	45,191	(3,223)	-	-	-	-	1,553
Production of transport material	34,518	(5,501)	-	2,212	-	-	677
Other transforming material	47,428	(6,635)	-	67,563	-	-	2,003
Electricity, gas and water	135,753	(3,383)	-	328,486	-	-	1,081
Construction	1,558,317	(387,856)	115	21,274	(997)	-	194,507
Wholesale and retail	1,203,018	(176,708)	-	5,311	-	-	79,300
Tourism	393,771	(72,841)	-	543	-	-	8,905
Transports	430,074	(87,462)	-	59,392	-	-	15,386
Communications and information activities	68,380	(7,684)	-	65,210	-	-	1,234
Financial activities	1,477,387	(174,320)	76,790	545,008	(22,548)	-	70,840
Real estates activities	777,541	(181,077)	-	541	-	-	19,249
Services provided to companies	586,470	(43,286)	533	-	-	-	11,237
Public services	140,174	(2,931)	-	1,773,047	(8,834)	17,333	541
Other activities of collective services	487,827	(16,626)	-	-	-	-	8,247
Mortgage loans	7,576,392	(187,799)	-	2,947,066	(43,835)	-	7,575
Others	21,246	(4,804)	-	135,464	-	-	1,107
Total	15,993,584	(1,451,041)	77,438	6,109,558	(76,214)	17,333	451,123

(a) includes provision for impairment in the amount of Euro 1 337 746 thousand (see note 21) and the provision for general banking risks amounting to Euro 113 295 thousand (see note 38).

With regard to credit risk, the financial assets portfolio predominantly maintains its position in bonds of sovereign issuers, mainly from Portuguese Republic.

With regard to credit derivatives, the Group held, as at December 2015, a long position of credit default swaps of Euro 80 million (nominal value) and a short position of credit default swaps of Euro 5 million (nominal value).

In terms of credit quality, there was a raise in the average level of counterparties associated to the improvement of Portuguese public debt rating.

Regarding the level of credit quality of debt securities, there was a rise in the average level of counterparties, by reducing exposure to Portugal, partly attenuated by increase the exposure of sovereigns Italy and Spain with a higher credit quality in relation to Portugal:

(Thousand Euros)

	2015		2014		Change	
Rating	Value	%	Value	%	Value	%
AAA	-	-	5,555	0.2	(5,555)	(100.0)
AA+	-	-	-	-	-	-
AA	2,629	0.1	2,100	0.1	529	25.2
AA-	4,389	0.2	3,084	0.1	1,305	42.3
A+	1,689	0,1	24,435	0,8	(22,746)	(93.1)
A	56,726	2.3	70,030	2.4	(13,304)	(19.0)
A-	43,602	1.7	41,131	1.4	2,471	6.0
BBB+	625,979	25.1	69,413	2.4	556,566	>100
BBB	647,966	26.0	157,530	5.3	490,436	>100
BBB-	28,037	1.1	81,036	2.8	(52,999)	(65.4)
BB+	1,037,052	41.6	1,873,447	63.6	(836,395)	(44.6)
BB	24,143	1.0	6,997	0.2	17,146	>100
BB-	-	-	8,015	0.3	(8,015)	(100.0)
B+	-	-	2,686	0.1	(2,686)	(100.0)
B	-	-	10,224	0.3	(10,224)	(100.0)
B-	-	-	36,485	1.2	(36,485)	(100.0)
CCC+	-	-	-	-	-	-
CCC	11,196	0.4	-	-	11,196	>100
CCC-	-	-	206	0.0	(206)	(100.0)
C	-	-	-	-	-	-
NR	8,687	0,4	553,547	18,8	(544,860)	(98,4)
Total	2,492,095	100.0	2,945,921	100.0	(453,826)	(15.4)

Note: excludes securities arising from own securitisations belonging to the consolidation perimeter

In order to reduce the credit risk, real mortgage securities and financial collaterals that allow direct reduction in the value of the position are extremely relevant. Guarantees of personal protection with replacement effect on the risk position are also considered.

Regarding the direct reduction, the collateralized credit operations by financial collateral are included, namely, time deposits, bonds and shares included in a main index of recognised a stock exchange, as referred in section 4, chapter 4, title II of Part III of Capital Requirements Regulation No. 575/2013 (CRR).

The Group does not use on- and off-balance sheet compensation, as well as do no crates credit derivatives on positions in its portfolio.

Regarding mortgage collateral, evaluations of assets are carried out by independent evaluators or by own institution units, regardless of the commercial area. The revaluation of assets is carried out by conducting local assessments, by a technical evaluator, according to the conditions set in CRR. This revaluation is periodically reviewed through property variation indexes.

Market Risk

Concerning information and market risk analysis, regular reports are provided on the company's and other group entities financial assets. For the company's own portfolio, the various risk limits are defined using the Value-at-Risk («VaR») method. There are different exposure limits such as global «VaR» limits, by issuer, by asset type/class and rating. There are also limits of Stop Loss and Loss Trigger to position held for trading and available for sale. CEMG's investment portfolio is mainly concentrated in bonds which as at the end of 2015 represented 87.5% (31 December 2014: 87.40%) of the total's portfolio.

CEMG calculates its own portfolios "VaR", given a 10-day horizon and a 99% confidence interval, by the method of historical simulation. The types of risk considered in this methodology are the risk of interest rate, exchange rate risk, price risk, CDS risk, the options risk and specific credit risk.

The following table presents the main indicators of these measures, for trading portfolio:

(Thousand Euros)

	2015	Average	Minimum	Maximum
Market VaR	454	790	454	1,734
Interest rate risk	400	670	400	2,017
Exchange risk	165	131	165	152
Price risk	302	635	302	629
Spread risk (CDS)	16	1	16	-
Diversification effect	(429)	(648)	(430)	(1,064)
Credit VaR	137	197	137	310
VaR Total	591	987	590	2,044

The assessment of interest rate risk caused by banking portfolio operations is performed by sensitivity analysis to the risk at the consolidated level for the entities that comprise the consolidated balance sheet of the Group as well as for the perspective of individual CEMG.

Based on the financial characteristics of each contract, it is made its projection of expected cash flows, according to the dates of rate reset and any behavioral assumptions considered.

Aggregation, for each currency analysed the expected cash flows in each of the time intervals to determine the interest rate gaps by repricing period.

Following the recommendations of Basel and Instruction No. 19/2005, of Bank of Portugal, the Group calculates its exposure to interest rate risk based on the methodology of CEMG of International Settlements («BIS») which requires the classification of non-trading balances and off balance positions by repricing intervals.

(Thousand Euros)

	Within 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years
31 December 2015					
Assets	9,682,427	3,892,230	295,594	1,381,238	1,409,454
Off balance sheet	8,217,800	18,502	67,556	141,297	-
Total	17,900,227	3,910,732	363,150	1,522,535	1,409,454
Liabilities	4,927,841	2,132,690	2,083,644	8,049,051	307,269
Off balance sheet	8,227,811	98,735	20,000	98,429	-
Total	13,155,652	2,231,425	2,103,644	8,147,480	307,269
Gap (Assets - Liabilities)	4,744,575	1,679,307	(1,740,494)	(6,624,945)	1,102,185
31 December 2014					
Assets	11,060,213	4,313,890	411,776	1,452,762	1,124,728
Off balance sheet	8,715,156	135,950	268,916	152,487	-
Total	19,775,369	4,449,840	680,692	1,605,249	1,124,728
Liabilities	7,460,280	2,177,606	2,540,454	7,633,753	116,975
Off balance sheet	8,730,961	196,895	220,000	124,652	-
Total	16,191,241	2,374,501	2,760,454	7,758,405	116,975
Gap (Assets - Liabilities)	3,584,128	2,075,339	(2,079,762)	(6,153,156)	1,007,753

The following table presents the interest rate gaps for 31 December 2015 and 2014:

(Thousand Euros)

	2015				2014			
	December	Average	Maximum	Minimum	December	Average	Maximum	Minimum
Interest rate Gap	(839,372)	(1,595,917)	(839,372)	(2,382,682)	(1,565,700)	(1,266,807)	(967,914)	(1,565,700)

Sensitivity to the balance sheet interest rate risk, by currency, is calculated by the difference between the current value of the mismatch interest rate discounted at market interest rates and the discounted value of these cash flows simulating parallel shifts of the market interest rate curve.

As at December 2015, based on the interest rate gaps observed, an instantaneous and parallel positive variation in the interest rates by 100 bp would cause an increase economic value expected in the banking portfolio in Euro 24,003 thousand (2014: Euro 40,938 thousand).

The following table presents the average interests, in relation to CEMG major assets and liabilities categories for the periods ended 31 December 2015 and 2014, as well as the average balances and income and expense for the period:

(Thousand Euros)

	2015			2014		
Products	Avergae balance for the period	Average interest rate (%)	Income / Expense	Avergae balance for the period	Average interest rate (%)	Income / Expense
Assets						
Loans and advances to customers	15,645,930	2.69	421,499	16,214,123	3.57	579,361
Deposits	125,001	0.01	13	111,630	0.15	167
Securities portfolio	8,055,274	1.50	121,217	7,784,710	1.94	150,807
Interbank loans and advances	424,092	0.42	1,767	541,977	0.19	1,022
Swaps	-	-	92,943	-	-	110,316
Total Assets	24,250,297		637,439	24,652,440		841,673
Liabilities						
Deposits from customers	12,968,697	1.66	215,797	13,778,244	2.19	302,294
Securities deposits	6,200,067	1.47	90,990	5,869,912	2.11	123,825
Interbank deposits	4,234,695	1.36	57,701	3,628,546	0.41	14,732
Other liabilities	1,679	0.06	1	750	-	4
Swaps	-	-	87,598	-	-	106,546
Total Liabilities	23,405,138		452,087	23,277,452		547,401

Regarding to currency risk, the procedure is the application of funds raised in various currencies through active money market and for periods not exceeding those of the resources at the existing exchange rate gaps result mainly from possible mismatches between the timing of applications and resources.

The breakdown of assets and liabilities, by currency, as at 31 December 2015 and 2014 is analysed as follows:

(Thousand Euros)

	2015							
	Euro	United States Dollar	Sterling Pound	Canandian Dollar	Suisse Franc	Brazilian Real	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits at central banks	345,357	8,556	1,246	587	1,499	7	873	358,125
Loans and advances to credit institutions repayable on demand	35,434	11,222	2,000	488	290	-	1,183	50,617
Loans and advances to credit institutions	350,549	22,227	-	-	-	-	-	372,776
Loans and advances to customers	13,928,091	140,268	-	-	617	-	-	14,068,976
Financial assets held for trading	30,337	2,753	-	-	735	-	-	33,825
Available-for-sale financial assets	7,433,962	268	105	-	208	53 216	-	7,487,759
Hedging derivatives	9	-	-	-	-	-	-	9
Held-to-maturity investments	26,130	-	-	-	-	-	-	26,130
Investments in associated companies and others	354,083	-	-	-	-	-	-	354,083
Non- current assets held for sale	733,865	-	-	-	-	-	-	733,865
Other tangible assets	31,255	-	-	-	-	-	-	31,255
Intangible assets	30,229	-	-	-	-	-	-	30,229
Current tax assets	19,676	-	-	-	-	-	-	19,676
Deferred tax assets	449,460	-	-	-	-	-	-	449,460
Other assets	317,966	397	3	86	-	-	10	318,462
Total Assets	24,086,403	185,691	3,354	1,161	3,349	53,223	2,066	24,335,247
Liabilities by currency								
Deposits from central banks	2,262,258	-	-	-	-	-	-	2,262,258
Deposits from other credit institutions	1,905,556	81,507	6,562	34,634	45	-	10	2,028,314
Deposits from customers	12,104,015	79,384	10,278	7,062	1,777	-	5,224	12,207,740
Debt securities issued	1,921,140	249	-	-	-	-	-	1,921,389
Financial liabilities associated to transferred assets	4,021,351	-	-	-	-	-	-	4,021,351
Financial liabilities held for trading	51,074	476	-	-	-	-	-	51,550
Hedging derivatives	439	-	-	-	-	-	-	439
Provisions	121,539	-	-	-	-	-	-	121,539
Other subordinated debt	333,686	-	-	-	-	-	-	333,686
Other liabilities	98,327	4,203	2,015	66	1,893	-	454	106,958
Total Liabilities	22,819,385	165,819	18,855	41,762	3,715	-	5,688	23,055,224
Exchange forward transactions	(42,985)	(20,843)	16,896	40,489	2,023	-	4,559	
Exchange Gap	-	(971)	1,393	(111)	1,657	53,223	937	
Stress Test	-	194	(279)	22	(331)	(10,645)	(187)	

(Thousand Euros)

	2014							
	Euro	United States Dollar	Sterling Pound	Canandian Dollar	Suisse Franc	Japanese Yen	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits at central banks	184,057	13,073	1,154	669	2,151	368	1,866	203,338
Loans and advances to credit institutions repayable on demand	47,413	5,892	288	325	590	17	343	54,868
Loans and advances to credit institutions	673,372	107,616	-	-	-	-	-	780,988
Loans and advances to customers	14,545,397	109,617	-	-	824	-	-	14,655,838
Financial assets held for trading	49,820	33,733	-	-	-	-	-	83,553
Available-for-sale financial assets	7,387,495	3,175	34	10	782	-	-	7,391,496
Hedging derivatives	60	-	-	-	-	-	-	60
Held-to-maturity investments	17,333	-	-	-	-	-	-	17,333
Investments in associated companies and others	419,183	-	-	-	-	-	-	419,183
Non- current assets held for sale	779,504	-	-	-	-	-	-	779,504
Other tangible assets	36,924	-	-	-	-	-	-	36,924
Intangible assets	117,297	-	-	-	-	-	-	117,297
Current tax assets	-	-	-	-	-	-	-	-
Deferred tax assets	342,393	-	-	-	-	-	-	342,393
Other assets	171,496	536	15,064	42,354	-	-	5,638	235,088
Total Assets	24,771,744	273,642	16,540	43,358	4,347	385	7,847	25,117,863
Liabilities by currency								
Deposits from central banks	2,496 886	-	-	-	-	-	-	2,496,886
Deposits from other credit institutions	1,516,001	77,750	7,708	36,133	477	-	6	1,638,075
Deposits from customers	13,480,818	104,839	8,683	7,105	2,004	26	5,669	13,609,144
Debt securities issued	1,936,249	223	-	-	-	-	-	1,936,472
Financial liabilities associated to transferred assets	3,075,080	-	-	-	-	-	-	3,075,080
Financial liabilities held for trading	54,485	30,815	-	-	-	-	-	85,300
Hedging derivatives	1,494	-	-	-	-	-	-	1,494
Provisions	129,446	-	-	-	-	-	-	129,446
Current tax liabilities	12,026	-	-	-	-	-	-	12,026
Other subordinated debt	388,118	-	-	-	-	-	-	388,118
Other liabilities	216,293	60,777	36	20	2,314	-	20	279,460
Total Liabilities	23 306,896	274,404	16,427	43,258	4,795	26	5,695	23,651,501
Exchange forward transactions	(5,809)	(56,572)	15,991	42,817	(1,247)	-	5,642	822
Exchange Gap	-	(763)	113 -	102	(446)	-	2,511	
Stress Test	-	(153)	23	20	(89)	-	(399)	

The result of the stress test performed corresponds to the estimate impact (before tax) in equity, including minority interests, due to a devaluation of 20% in exchange rate of each currency against Euro.

Liquidity risk

The assessment of the liquidity risk is made using regulatory indicators defined by the supervisory authorities, as well as other internal metrics for which are defined also exposure limits. This control is reinforced with monthly execution of stress tests, in order to characterize the risk profile of CEMG and ensure that the Group fulfills its obligations in a liquidity crisis scenario.

The purpose of liquidity management is to maintain adequate liquidity levels to meet short, medium and long term funding needs. Liquidity risk is monitored daily basis, and prepared several reports for the purpose of control and monitoring and support to the decision in place of ALCO Committee.

The evolution of the liquidity situation is carried out based particularly on future cash flows estimated for various time horizons, taking into account the balance sheet of CEMG. To the calculated values is added the analysis day's liquidity position and the amount of assets considered highly liquid in the portfolio of uncommitted assets, determining the cumulative liquidity gap for different time horizons. In addition, it is also carried out a follow-up of liquidity positions of a prudential point of view, calculated under the rules required by the Bank of Portugal (Instruction No. 13/2009 of 15 September), as well as the level of compliance of the new prudential liquidity ratios, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), introduced with the entry into force of CRD IV in 2014. The figure recorded LCR in December 2015, was 118.51%.

As at 31 December 2015, Group financing was as follows:

(Thousand Euros)

Liabilities	2015	<1 month	1 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	> 12 months
Deposits from central banks	2,262,258	536,268	-	-	-	-	1,725,990
Financial liabilities held for trading	51,550	-	-	-	-	-	51,550
Deposits from other credit institutions	2,028,314	612,310	43,700	180,160	-	144,814	1,047,330
Deposits from customers	12,207,739	4,187,903	1,546,735	1,840,829	1,127,194	841,753	2,663,325
Debt securities issued	1,921,389	17,050	25,778	45,820	19,750	326,500	1,486,491
Financial liabilities associated to transferred assets	4,021,351	-	-	-	-	-	4,021,351
Hedging derivatives	439	-	-	-	-	-	439
Other subordinated debt	333,686	-	-	62,800	-	-	270,886
Other liabilities	106,958	-	-	26,100	-	-	80,858
Total liabilities	22,933,683	5,353,531	1,616,213	2,155,709	1,146,944	1,313,067	11,348,220

As at 31 December 2015 the total collateral value available in the European Central Bank (ECB) amounts to Euro 3,706,816 thousand (2014: Euro 4,056,369 thousand) with an usage of Euro 2,262,258 thousand (2014: Euro 2,496,886 thousand):

(Thousand Euros)

	2015	2014
Total collateral eligible	**5,311,056**	**5,321,698**
Total collateral in the *pool*	3,706,816	4,056,369
Collateral outside the *pool*	1,604,240	1,265,329
Collateral used	**3,562,152**	**3,641,758**
Collateral used for ECB	2,262,258	2,496,886
Collateral commited to other financing operations	1,299,894	1,144,872
Collateral available	**1,748,904**	**1,679,940**

Note: collateral value takes into account the applied *haircut*

Within the instruction No. 28/2014 of Bank of Portugal, which focuses on the guidance of the European Banking Authority in relation to the disclosure of encumbered and unencumbered assets (EBA/GL/2014/3) and taking into consideration the recommendation by the European Systemic Risk Committee, we present the following information, as at 31 December 2015 and 2014 on the assets and collaterals.

(Thousand Euros)

	2015			
Assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets from the reporting institution	3,327,704	n/a	21,006,865	n/a
Equity instruments	-	-	1,128,855	753,923
Debt securities	3,191,537	3,172,165	4,060,984	5,556,146
Other assets	-	n/a	2,194,314	n/a

(Thousand Euros)

	2014			
Assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets from the reporting institution	3,584,696	n/a	21,533,167	n/a
Equity instruments	-	-	1,364,267	1,367,608
Debt securities	3,474,233	3,577,799	3,319,888	3,734,571
Other assets	-	n/a	2,188,058	n/a

(Thousand Euros)

	2015	
Collateral received	Fair value of encumbered collateral received or own debt securities issued	Fair value of encumbered collateral received or own debt securities issued
Assets from the reporting institution	1,587,847	-
Equity instruments	-	-
Debt securities	1,587,847	-
Other collateral received	-	-
Own securities issued that are not own covered bonds or ABSS	-	-

(Thousand Euros)

	2014	
Collateral received	Fair value of encumbered collateral received or own debt securities issued	Fair value of encumbered collateral received or own debt securities issued
Assets from the reporting institution	943,346	1,254,577
Equity instruments	-	-
Debt securities	943,346	1,254,577
Other collateral received	-	-
Own securities issued that are not own covered bonds or ABSS	-	-

(Thousand Euros)

	2015
Encumbered assets, encumbered collateral received and associated liabilities	Carrying amount of selected financial liabilities
Associated liabilities, contingent liabilities and securities borrowed	3,732,609
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	4,877,538

(Thousand Euros)

	2014
Encumbered assets, encumbered collateral received and associated liabilities	Carrying amount of selected financial liabilities
Associated liabilities, contingent liabilities and securities borrowed	3,488,574
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	4,495,259

The encumbered assets are mostly related to collateralized financing of CEMG, in particular the ECB's, repo transactions, issuance of covered bonds and securitization programs. The types of assets used as collateral of these financing transactions are divided into portfolios of loans to clients, supporting securitization programs and covered bonds issues, whether placed outside the Group, whether to improve the pool of collateral with the ECB, and Portuguese sovereign debt, which collateralize repo transactions in the money market.

The amounts presented previously correspond to the position as at 31 December 2015 and 2014 and reflect the high level of collateralisation of the wholesale funding of CEMG. The buffer of eligible assets for the ECB, after haircuts, less net borrowing at the ECB, as at 31 December 2015 amounts to Euro 1,748,904 thousand (2014: 1,679,940 thousand).

Real Estate Risk

The real estate risk results from exposure in real estate (whether from credit recovery processes, whether investment properties) as well as real estate fund units held in securities portfolio. These exposures are regularly monitored and scenario analyses are performed on a regular basis that attempt to estimate potential impacts of changes in real estate markets in portfolios of real estate funds, investment real estate and real estate received as loan guarantee.

As at 31 December 2015 and 2014, exposure to real estate and investments real estate fund units presented the following value:

(Thousand Euros)

	2015	2014
Real estate received as loan guarantee	665,378	779,038
Real estate investment fund units	831,172	1,170,463
	1,496,550	1,949,501
	(149,655)	(194,950)

Stress test

Stress test results correspond to the estimated impact in equity (before taxes) of a 10% variation in values of real estate and real estate funds.

Operational risk

CEMG has implanted an integrated continuing business plan, which allows to ensure the continuity of the operations in a case of a rupture in the activity.

DRI of CEMG has the corporate function of operational risk management of CEMG which is supported by the existence of responsible employees in the different organic units that ensure the proper implementation of Montepio Group operational risk management.

Capital management and Solvency Ratio

In prudential matters, the Group is subject to Bank of Portugal supervision that, under the capital adequacy Directive 2013/36 and Regulation 575/2013 of the European Parliament, establishes the rules to be attended by the institutions under its supervision. These rules determine minimum solvency ratios of main own funds of level 1, own fund of level 1 and the total own funds related with the risk-weighted assets that institutions have to fulfil.

The own funds of CEMG are established in accordance with the applicable regulatory standards, namely Directive 2013/36/EU and Regulation (EU) No. 575/2013 adopted by the European Parliament and by the Council (CRD IV / CRR), and the Notice No. 6/2013 of the Bank of Portugal. The own funds includes own funds of level 1 (tier 1) and own funds of level 2 (tier 2). Tier 1 includes own funds core of level 1 (common equity tier 1 – CET1) and the additional own funds of level 1with the following composition:

- **Own Funds Core of Level 1 or Common Equity Tier 1 (CET1):** this category includes the realized capital (with deduction of own funds), eligible reserves (including fair-value reserves), accumulated results, results retained from the period when positives and certified or by its fullness if negatives. The value of reserves and retained earnings are adjusted by the reversal of the results in financial liabilities at fair value through profit or loss in the part corresponding to the risk of the institution's own credit. It is deducted the balance value of the amounts relative to goodwill, other intangible assets, as well as the gap, if positive, between the asset and the pension fund responsibility. The assets for deferred taxes are also deducted from assets related to tax losses. Concerning financial investments on financial sector entities and deferred tax assets by temporary differences on which depends the CEMG's future profitability, the values in these accounts are deducted when, individually, overcome 10% of CET1, or posteriorly 17.65% of CET1 when considered as aggregated (only on the non-deducted part on the first barrier of 10% and considering only significant participations). Non-deducted values will be subject to weight of 250% for the fullness of risk-weighted assets. Regarding investments in financial institutions, the eventual deduction is proportionally realized on the respective held capital levels. Between the implementation of this new prudential regulation in 2014 and 2018, a transitory period will be in force that will allow to gradually acknowledge the majors impacts of this new regulation. Emphasis for the transitory plan applied to deferred tax assets and negative actuarial deviations of the pensions fund that allow to acknowledge 20% per year of the eventual negative effects caused by the new standards. Fair-value reserves will also be subjects to a transitory plan of 20%/year, being however excluded from this plan the fair-value reserves related to risk positions over Central Administrations. This exclusion will end after the adoption, by the European Committee, of a regulation based on Regulation (CE) No. 1606/2002 that approves the International Financial Report Standard, that will replace IAS 39.

- **Own Funds of Level 1 or Tier 1 (T1):** includes capital equivalent instruments, whose conditions are in accordance with the article 52º from Regulation No.575/2013 and approved by the Bank of Portugal. The eventual detentions of capital T1 from financial institutions subjected to deduction are deducted from this capital.

- **Own Funds of Level 2 or Tier 2 (T2):** includes capital equivalent instruments, whose conditions are in accordance with the article 63º from Regulation No.575/2013 and approved by the Bank of Portugal. The eventual detentions of capital T2 from financial institutions subjected to deduction are deducted from this capital.

The Totals Own Funds or Total Capital are constituted by the sum of the three levels previous referred.

Regarding the calculation of risk-weighted assets, in addition to the credit, operational and market risks requirements, a particular reference to the weighting of 250% of deferred tax assets from temporary differences that depend on future earnings and investments that are within the established limit for non-deduction to CET1. It also determined the CVA requirement (credit valuation adjustments).

As previously referred, until 2018 the effects of Basel III's new regulation will gradually being introduced. This process is usually named as Phasing-in. The full assumption of the new regulation, without considering transitory plans, is named as Full Implementation. Phasing-in is actually in process, being verified in this base if determined entity have the amount of own funds superior to the minimum requirement, and properly certifying its capital adequation. This relation is reflected on the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (formerly designated by solvability ratio, represented by the percentage of capital level correspondent to the amount of 12.5 times the own funds requirements). For these ratios, the regulatory are minimums indicated by Bank of Portugal and that for 2015 are 7% for CET1 and 8% for Total Capital.

According to the CRD IV/CRR, since 1 January 2016, institutions must report Common Equity Tier 1 ratios, Tier 1 and totals not below of 7%, 8.5% and 10.5%, respectively, including a conservation buffer of 2.5%.

The resume of the calculation for CEMG's capital requirements as at 31 December 2015 and 2014 is presented as follows:

(Thousand Euros)

	2015	2014
Capital Common Equity Tier 1		
Paid-up capital	1,900,000	1,700,000
Net profit, reserves and retained earnings	(628,250)	(312,029)
Other regulatory adjustments	(297,467)	(282,725)
	974,283	1,105,246
Capital Tier 1		
Other equity instruments	-	6,618
Regulatory adjustments	-	(6,618)
	974,283	1,105,246
Capital Tier 2		
Subordinated loans	131,222	23,431
Regulatory adjustments	18,102	(21,171)
	149,324	2,260
Total own funds	1,123,607	1,107,506
Own funds requirements		
Credit risk	907,389	1,003,604
Market risk	12,890	1,078
Operational risk	51,215	57,358
Other requirements	26,017	30,426
	997,511	1,092,466
Prudential Ratio		
Ratio *Common Equity Tier 1*	7.81%	8.09%
Ratio *Tier 1*	7.81%	8.09%
Total Capital Ratio	9.01%	8.11%

In order to reinforce the prudential situation, by adapting the prudential ratios to the requirements of the CEMG's strategic plan, the increase of the CEMG's own funds was approved, in accordance with the statutory deliberations of the Board of Directors of MGAM, the General and Supervisory Board and the Executive Board of Directors of CEMG, as described in note 58.

52 Accounting standards recently issued

Recently Issued pronouncements already adopted by the CEMG in the preparation of the financial Statements are the following:

IFRIC 21 - Levies

The IASB, issued on 20th May 2013, this interpretation, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. These interpretation was endorsed by EU Commission Regulation 634/2014, 13th July.

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

This interpretation only had impact in the interim financial statements of CEMG.

Improvements to IFRS (2011-2013)

The annual improvements cycle 2011-2013, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40. These amendments were endorsed by EU Commission Regulation 1361/2014, 18th December (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1st January 2015).

• ***IFRS 1 – meaning of "effective IFRS"***
IASB clarifies that if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity's first IFRS financial statements.

• ***IFRS 3 – Scope exceptions for joint ventures***
The amendment excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangement from the scope of IFRS 3. The scope exception only applies to the financial statements of the joint venture or the joint operation itself.

• ***IFRS 13 – Scope of paragraph 52 – portfolio exception***
Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment was to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.

• ***IAS 40 – interrelationship with IFRS 3 when classify property as investment property or owner-occupied property***
The objective of this amendment was to clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

CEMG did not have any material impact on the implementation of these improvements in its financial statements.

CEMG decided to opt for not having an early application of the following standards endorsed by EU:

IAS 19 (Revised) – Defined Benefit Plans: Employee Contributions

The IASB, issued on 21th November 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st July 2014. These amendments were endorsed by EU Commission Regulation 29/2015, 17th December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1st February 2015).

The Amendment clarifies the guidance on attributing employee or third party contributions linked to service and requires entities to attribute the contributions linked to service in accordance with paragraph 70 of IAS 19 (2011). Therefore, such contributions are attributed using plan's contribution formula or on a straight line basis.

The amendment addresses the complexity by introducing a practical expedient that allows an entity to recognise employee or third party contributions linked to service that are independent of the number of years of service (for example a fixed percentage of salary), as a reduction in the service cost in the period in which the related service is rendered.

CEMG expects no impact from the adoption of this amendment on its financial statements.

Improvements to IFRS (2010-2012)

The annual improvements cycle 2010-2012, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st January 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS16, IAS24 and IAS38. These amendments were endorsed by EU Commission Regulation 28/2015, 17th December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1st February 2015).

• ***IFRS 2 – definition of vesting condition***
The amendment clarify the definition of 'vesting conditions' in Appendix A of IFRS 2 Share-based Payment by separate the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clear.

• ***IFRS 3 – Accounting for contingent consideration in a business combination***
The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination, namely: classification of contingent consideration in a business combination and subsequent measurement, taking into account if such contingent consideration is a financial instrument or a non-financial asset or liability.

• ***IFRS 8 – Aggregation of operation segments and reconciliation of the total of the reportable segments' assets to entity's assets***
The amendment clarify the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated.

To achieve consistency, reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker.

• ***IFRS 13 – Short-term receivables and payables***
IASB amends the basis of conclusion in order to clarify that, by deleting IAS 39 AG79, in applying IFRS 3, IASB did not intend to change the measurement requirements for short-term receivables and payables with no interest, that should be discount if such discount is material, noting that IAS 8.8 already permits entities not apply accounting polices set out in accordance with IFRSs when the effect of applying them is immaterial.

• ***IAS 16 & IAS 38 – Revaluation method – proportionate restatement accumulated depreciation or amortization***
In order to clarify the calculation of the accumulated depreciation or amortization at the date of the revaluation, IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38 to clarify that:
(i) the determination of the accumulated depreciation (or amortization) does not depend on the selection of the valuation technique; and (ii) the accumulated depreciation (or amortization) is calculated as the difference between the gross and the net carrying amounts.

• ***IAS 24 – Related Party Transactions – Key management personal services***
In order to address the concerns about the identification of key management personal (KMP) costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that, the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17.

The Group expects no impact from the adoption of this amendment on its financial statements.

Improvements to IFRS (2012-2014)

The annual improvements of the 2012-2014 cycle, issued by the IASB on 25th September, 2014 made changes, with an effective date of application for periods beginning on or after 1st July, 2016 to IFRS 5, IFRS 7, IAS 19, IAS 34. The amendments were not adopted by European Commision Regulation No 2343/2015, of 15th December 2015.

• ***IFRS 5 Non-current Assets held for Sale and Discontinued Operations: Change of Disposal Method***
The Amendments to IFRS 5 clarify that if an entity reclassifies an asset (or disposal group) directly from being 'held for sale' to being 'held for distribution to owners' (or vice versa) then the change in classification is considered a continuation of the original plan of disposal. Therefore, no re-measurement gain or loss is accounted for in the statement of profit or loss or other comprehensive income due to such change.

• ***IFRS 7 Financial Instruments: Disclosures: Servicing contracts***
The Amendments to IFRS 7 Financial Instruments: Disclosures: Servicing contracts clarify – by adding additional application guidance – when servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements in paragraph 42 C of IFRS 7.

• ***IFRS 7 Financial Instruments: Disclosures: Applicability of the Amendments to IFRS 7 on offsetting financial assets and financial liabilities to condensed interim financial statements***
The Amendments to IFRS 7 clarify that the additional disclosures required that were introduced in December 2011 by the Amendments to IFRS 7 –Offsetting Financial Assets and Financial Liabilities – are not required in interim periods after the year of their initial application unless IAS 34 Interim Financial Reporting requires those disclosures.

• ***IAS 19 Employee Benefits: Discount rate: regional market issue***
The Amendments to IAS 19 Employee Benefits clarify that the high quality corporate bonds used to estimate the discount rate should be determined considering the same currency in which the benefits are to be paid. Consequently, the depth of the market for high quality corporate bonds should be assessed at currency level rather than at country level. If such a deep market does not exist, the market yield on government bonds denominated in that currency shall be used.

• ***IAS 34 Interim Financial Reporting: Disclosure of information 'elsewhere in the interim financial report'***
The Amendments clarify that the 'other disclosures' required by paragraph 16A of IAS 34 shall be presented either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or a risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The Amendments to IAS 34 also clarify that if users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete.

CEMG expects no impact from the adoption of these amendments on its financial statements.

• ***IAS 27: Equity Method in Separate Financial Statements***
IASB issued on 12th August, 2014, amendments to IAS 27, with an effective date of application for periods beginning on or after 1st January, 2016, introducing an option for the measurement of subsidiaries, associates or joint ventures the equity method in the separate financial statements.

These amendments were endorsed by EU Commission Regulation 2441/2015, 18th December 2015.

CEMG has not yet taken any decision on a possible adoption of this option in the Group separate financial statements.

Recently issued pronouncements that are not yet effective for CEMG

IFRS 9 – Financial instruments (issued in 2009 and revised in 2010, 2013 and 2014)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces the hedging requirements. IFRS 9 (2014) introduces limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets.

The IFRS 9 requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains three measurement categories for financial assets: amortised, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL). A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding. If the debt instrument that are SPPI are held under a business model whose objective achieved both by collecting contractual cash flows and by selling, the measurement would be at fair value through other comprehensive income (FVOCI), keeping the revenue form interest presenting in profit or loss.

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI (FVOCI). Those amounts recognised in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment.

All other financial assets, either the financial assets held under a business model of trading, either other financial instruments that do not comply with SPPI criteria, would be measured at fair value through profit and loss.

This situation includes Investments in equity instruments, in respect of which an entity does not elect to present fair value changes in OCI that would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety, confirming that exist embedded derivatives, it should be measured at fair value through profit and loss.

The standard eliminates the existing IAS 39 categories of held-to-maturity, available for sale and loans and receivables.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

IFRS 9 (2014) establishes a new impairment model base on "expected losses" that replaces the current "incurred losses" in IAS 39.

Therefore, the loss event will no longer need to be verified before an impairment allowance is recognised. This new model will accelerate recognition of losses from impairment on debt instruments held that are measured at amortized cost or FVOCI.

If the credit risk of financial asset has not increased significantly since its initial recognition, the financial asset will attract a loss allowance equal to 12-month expected credit losses.

If its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses thereby increasing the amount of impairment recognised.

As soon as the loss event occurs (what is current defined as "objective evidence of impairment"), the impairment allowance would be allocated directly to the financial asset affected, which provides the same accounting treatment, from that point, similar to the current IAS 39, including the treatment of interest revenue.

The mandatory effective date of IFRS 9 is for annual periods beginning on or after 1st January 2018.

The CEMG has started the process of evaluating the potential effect of this standard. Considering the nature of the CEMG´s operation, this standard is expected to have a material impact on the CEMG´s financial statements.

IFRS 15 – Revenue from Contracts with Customers

The IASB, issued on May 2014, IFRS 15 Revenue from Contracts with Costumers, effective (with early application) for annual periods beginning on or after 1st January 2017. This standard will revoke IAS 11 Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue- Barter Transactions Involving Advertising Services.

IFRS 15 provides a model based on 5 steps of analysis in order to determine when revenue should be recognised and the amount.

The model specifies that the revenue should be recognised when an entity transfers goods or services to the customer, measured by the amount that the entity expects to be entitled to receive. Depending on the fulfilment of certain criteria, revenue is recognised:

- At a time when the control of the goods or services is transferred to the customer; or
- Over the period, to the extent that represents the performance of the entity.

The Company is still evaluating the impact from the adoption of this standard.

IFRS 14 – Regulatory Deferral Accounts

The IASB issued on 30th January 2014 a standard that defines interim measures for those adopting IFRS for the first time and has activity with regulated tariff.

This standard is not applicable to CEMG.

IFRS 16 - Leases

The IASB, issued on 13th January 2016, IFRS 16 Leases, effective (with early application if applied at the same time IFRS 15) for annual periods beginning on or after 1st January 2019. This new standard replaces IAS 17 Leases. IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee—the lease customer), treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements.

CEMG has not carry out a full analysis of the application of the impact of this standard yet.

Other Amendments

It was also issued by IASB in 2014, and applicable effective by 1st January 2016, the following amendments:

- Amendments to IAS 16 and IAS 41: Bearer Plants (issued on 30th June 2014 and was endorsed by EU Commission Regulation 2113/2015, 23rd November);
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12th May 2014 and was endorsed by EU Commission Regulation 2231/2015, 2nd December);
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued on 6th May 2014 and was endorsed by EU Commission Regulation 2173/2015, 24th November);
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (issued on 18th December);
- Amendments to IAS 1 - Disclosure initiative (issued on 18th December).

CEMG expects no impact from the adoption of these amendments on its financial statements.

Changes to accounting policies to be introduced on 1 January 2016

Impact of IAS 39 - Financial Instruments

The Bank of Portugal on 30 th December 2015 issued Notice No. 5/2015 which states that entities subject to its supervision must prepare their financial statements on an individual basis in accordance with International Financial Reporting Standards, as adopted in each time for the EU Regulation, and repealing the Notice No. 1/2005, which established that the individual financial statements of the Bank should be prepared in accordance with the Adjusted Accounting Standards (NCA's).

The new Notice shall enter into force on 1st January 2016. The impact arising from this change in the financial statements for the opening of the 2016 fiscal year, primarily results from the repeal of Notice No. 3/95 concerning the registration of impairment on portfolio credit and are as follows:

(Thousand Euros)

	2015
Assets	
Loans and advances to credit institutions	501
Loans and advances to customers	96,484
Deferred tax assets	(59,889)
	37,096
Liabilities	
Provisions	(106,030)
Equity	
Reserves and retained earnings	143,126
Total liabilities and equity	37,096

53 Sovereign debt of European Union countries subject to bailout

As at 31 December, the exposure of CEMG to sovereign debt of European Union countries subject to bailout is as follow:

(Thousand Euros)

	2015						
Issuer/portfolio	Book value	Fair value	Fair value reserves	Impairment	Average maturity rate (%)	Average maturity (years)	Fair value measurement level
Greece							
Available-for-sale financial assets	11,169	11,169	-	(7,343)	2.94	22.16	1

The securities value includes the respective accrued interests.

As at 31 December 2014, the exposure of CEMG to sovereign debt of European Union countries subject to bailout is as follows:

(Thousand Euros)

	2014						
Issuer/portfolio	Book value	Fair value	Fair value reserves	Impairment	Average maturity rate (%)	Average maturity (years)	Fair value measurement level
Greece							
Available-for-sale financial assets	9,525	9,525	-	(8,834)	1.26	23.16	1

54 Transfers of assets

CEMG performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The financial assets sold under these transactions are derecognised from the balance sheet of CEMG, since the transactions result in the transfer to the Funds of a substantial portion of the risks and benefits associated with the assets as well as the control on the assets.

The specialized funds that acquire the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its investment throughout the useful life of the Funds.

These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of CEMGs holds more than 50% of the capital of the Funds.

The Funds have a specific management structure (General Partner), fully independent from CEMGs and that is selected on the date of establishment of the Funds.

The management structure of the Funds has as main responsibilities:

- determine the objective of the Funds;
- manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Funds.

The management structure is remunerated through management commissions charged to the Funds.

These funds, in the majority of the transactions (in which CEMG holds minority positions) establish companies under the Portuguese law in order to acquire the loans to CEMGs, which are financed through the issuance of senior and junior bonds.

The value of the senior bonds fully subscribed by the funds that hold the share capital of the companies match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company that holds the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the sale value.

These junior bonds, when subscribed by CEMG, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior bonds plus it related interest.

However, considering that these junior bonds reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the junior bonds are fully provided.

Therefore, following the transactions that occurred, CEMG subscribed:

- Participation units of the Funds, for which the cash-flows that allow the recovery arise mainly from a set of assets transferred from the participant banks (where CEMG has clearly a minority interest). These securities are booked in the available for sale portfolio and are accounted for at fair value based on the market value, as disclosed by the Funds and audited at year end.

- Junior bonds (with higher subordination degree) issued by the companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, CEMG, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, CEMG performed the derecognition of the assets transferred under the scope of IAS 39.20 c (i) and the recognition of the assets received as follows:

(Thousand Euros)

	Dec 2015			Dec 2014		
	Values associated with the transfer of assets			Values associated with the transfer of assets		
	Net assets transferred	Amount received	Accumulated result obtained with the transfer	Net assets transferred	Amount received	Accumulated result obtained with the transfer
Fundo Vega, FCR	20,757	42,202	21,445	-	-	-
Vallis Construction Sector Fund	18,794	20,889	2,095	18,794	20,889	2,095
Fundo de Reestruturação Empresarial, FCR	21,549	21,590	41	21,549	21 590	41
	61,100	84,681	23,581	40,343	42,479	2,136

As at 31 December 2015 and 2014, the assets received under these transactions are as follows:

(Thousand Euros)

	2015				
	Senior Securities	Junior Securities	Total	Junior Impairment	Net Value
Fundo Vega, FCR	27,292	-	27,292	-	27,292
Vallis Construction Sector Fund	16,991	6 153	23,144	(6,153)	16,991
Fundo de Reestruturação Empresarial, FCR	12,489	-	12,489	(255)	12,234
	56,772	6,153	62,925	(6,408)	56,517

(Thousand Euros)

	2014				
	Senior Securities	Junior Securities	Total	Junior Impairment	Net Value
Vallis Construction Sector Fund	16,441	6,153	22,594	(6,153)	16,441
Fundo de Reestruturação Empresarial, FCR	13,389	-	13,389	(219)	13,170
	29,830	6,153	35,983	(6,372)	29,611

The junior securities refers to investment units on the amount of Euro 6,153 thousand (2014: Euro 6,153 thousand), as referred in note 23.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for, in accordance with note 15.

In 2015, CEMG acquired 27,292 investment units in the Fund Vega FCR in the amount of Euro 27,292 thousand. In addition, subscribed supplementary capital contributions in the amount of Euro 14,910 thousand, according to note 31. It should be noted that the supplementary capital contributions are fully provided, as referred in note 16.

In 2014, CEMG transferred credits to Business Restructuring Fund ("Fundo de Reestruturação Empresarial, FCR") in the amount of Euro 17,251 thousand. Although it, was Montepio Investimento S.A. that acquired the participation units related to this transfer.

Still in 2014, CEMG acquired 10,000 participation units from Montepio Investimento S.A. related to Business Restructuring Fund, by Euro 8,779 thousand.

Although the junior bonds are fully provided, CEMG still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of assets transferred by all financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior bonds).

55 Contingencies

In accordance with Decree-Law No. 24/2013 which establishes the modus operandi of the Resolution Fund ('RF'), CEMG has made the mandatory contributions, as provided for in that law, since 2013. Thus, since the inception of the RF, CEMG made the initial contribution, pursuant to Article 3 of that Decree-Law and the periodical contributions in 2013 and 2014, under Article 4 of that Decree-Law.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which it was clarified that the periodic contribution to the RF should be recognized as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in Article 9 of Decree-Law No. 24/2013, of 19 February. CEMG is recognizing as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: "it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to BES. Therefore, the eventual collection of a special contribution appears to be unlikely."

Subsequently, after issuance by the RF of such statement, in the scope of the resolution process of Banco Espírito Santo, S.A., the Bank of Portugal decided, as announced on 29 December 2015, to transfer to the RF the responsibilities arising from the "... possible negative effects of future decisions, resulting from the resolution process (of Banco Espírito Santo, SA), which result in liabilities or contingencies". According to publicly available information, the volume of litigation associated with this process is high, not being duly clarified which amount of losses the RF may incur with these litigations or with the sale of Novo Banco, S.A..

Additionally, the Bank of Portugal decided on 19 and 20 December 2015, to apply a resolution measure to Banif - Banco Internacional do Funchal, SA ('BANIF'), not being clear which amount of losses the RF may incur with this process.

Accordingly, as at 31 December 2015, there is no estimate on the amount of potential losses arising from the sale of Novo Banco, S.A., the above referred litigations associated with the resolution process of BES or potential losses to be incurred by the RF following the resolution of BANIF and the way in which these losses are likely to affect CEMG, as to the amount and timing of future contributions to the RF, or on the reimbursement of the loans granted to RF.

In 2015, following the establishment of the European Resolution Fund, CEMG had to make an initial contribution in the amount of Euro 8,452 thousand, as referred in note 10. The European Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 December 2015.

56 Subsidiary and associated companies of Caixa Económica Montepio Geral

As at 31 December 2015, the subsidiary companies of CEMG, are as follows:

					Group		Bank
Subsidiary Company	Head of Office	Share Capital	Currency	Activity	% of control	% of effective part.	% of direct part.
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI)	Praia	8,996,000	Escudo Cabo Verdiano	Banking	100.00%	100.00%	100.00%
Montepio Holding, S.G.P.S., S.A.	Oporto	175,000,000	Euro	Holding company	100.00%	100.00%	100.00%
Montepio Recuperação de Crédito, ACE	Lisbon	-	-	Several services	93.00%	93.00%	93.00%

As at 31 December 2015, the associated companies of CEMG, held directly or indirectly, are as follows:

Subsidiary Company	Head of Office	Share Capital	Activity	% held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	São Miguel Island	Euros 10,000,000	Tourism	20.00%
Montepio Gestão de Ativos Imobiliários, A.C.E.	Lisbon	Euros 2,449,707	Real Estates Holding Company	26.00%

57 Relevant Facts

Purchase proposal of Visa Europe Ltd by Visa Inc.

As at 2 November 2015, by Visa Inc. announced a purchase proposal of Visa Europe Ltd by Visa Inc.. According to information published by Visa Inc., the transaction values include Euro 16.5 billion paid up-front that may be increased by Euro 4.7 billion paid as cash earn-out at the end of the fourth year after the transaction completion, amounting to Euro 21.2 billion. The up-front values consider Euro 11.5 billion paid in cash and Euro 5 billion in preferred shares convertible into ordinary shares Visa Inc. Class A.

As member of Visa Europe Ltd, CEMG will benefit from this transaction.

On this basis and as referred to in notes 23 and 44, the share was valued based on estimated values. These values are still subject to change, and the final values will be released by the end of the first quarter of 2016. According to the indicative timetable of the transaction, the up-front payments should occur by the end of the first half of 2016 although the terms of implementation of this payment is subject to regulatory approvals.

CEMG can still receive payments related to earn-out after the fourth anniversary of the completion of the transaction. This amount will depend on the percentage that each bank will contribute to the business of Visa during the four years following completion of the transaction.

The amounts initially estimated for the payment in cash were recorded in fair value reserves in 2015. Until this date, the asset was carried at cost considering that there was no reliability in the determination of fair value.

58 Subsequent events

As at 18 March 2016, CEMG proceeded to a capital increase carried out by Montepio Geral Associação Mutualista (MGAM), in accordance with the statutory deliberations of the General Council of MGAM, the General and Supervisory Board and Executive Board of Directors of CEMG.

The capital increase was fulfilled by MGAM by conducting institutional capital in cash Euro 270,000,000.

On the same date was also decided by the same organs, proceed with the acquisition of 31,500,000 of investment units held by Montepio Investimento SA with a nominal value of Euro 31,500,000.

In addition, the Executive Board of Directors reports that will be submitted for consideration to the holders of investments units of the fund, the possibility of maintaining proportionality of their property rights, within the agenda of its Annual General Meeting.

These measures help to strengthen the capital of CEMG in the amount of Euro 301,500,000, estimating an increase of capital ratios, as at 31 December 2015 to: (i) Common Equity Tier 1 ratio (CET1) 10.3% and total capital ratio 11.6%.

AUDITORS' REPORT TO THE INDIVIDUAL FINANCIAL STATEMENTS

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AUDITORS' REPORT

(This Report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail))

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report, on the financial information included in the Annual Report of the Board of Directors and in the accompanying financial statements as at and for the year ended 31 December, 2015 of **Caixa Económica Montepio Geral ("CEMG")** which comprise the balance sheet as at 31 December, 2015 (showing total assets of 24,335,247 thousand Euros and total equity of 1,280,023 thousand Euros, including a net loss income of 376,043 thousand Euros) the statements of income, comprehensive income, changes in equity and cash flows for the year then ended and the corresponding notes.

Responsibilities

2 The Board of Directors is responsible for:

a) the preparation of the financial statements in accordance with the Adjusted Accounting Standards ("NCA") issued by the Bank of Portugal, that present fairly, the financial position of CEMG, the results of its operations, the comprehensive income, the changes in equity and its cash flows;

b) the historical financial information prepared in accordance with the NCA that is complete, true, current, clear, objective and lawful as required by the Portuguese Securities Market Code ("CVM");

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant fact that may have influenced its activity of CEMG, its financial position or results.

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., a firma portuguesa membro da rede KPMG, composta por firmas independentes afiliadas da KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG & Associados - S.R.O.C., S.A. Capital Social: 3.916.000 Euros - Pessoa Colectiva Nº PT 502 161 078 - Inscrito na O.R.O.C. Nº 189 - Inscrito na C.M.V.M. Nº 20161489

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KPMG

3 Our responsibility is to verify the financial information included in the documents referred to above, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

Scope

4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly, our audit included:

- verification, on a sample basis, of the information underlying the figures and disclosures contained therein, and an assessment of the estimates, based on judgments and criteria defined by the Board of Directors, used in the preparation of the referred financial statements;
- evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
- assessment of the applicability of the going concern principle;
- assessment of the appropriateness of the overall presentation of the financial statements; and,
- assessment of whether the financial information is complete, true, current, clear, objective and lawful.

5 Our audit also included the verification that the financial information included in the Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of article 451, of the Portuguese Companies Code ("Código das Sociedades Comerciais").

6 We believe that our audit provides a reasonable basis for our opinion.

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Opinion

7 In our opinion, the referred financial statements present fairly, in all material respects, the financial position of **Caixa Económica Montepio Geral**, as at 31 December, 2015, the results of its operations, comprehensive income, cash flows and changes in equity for the year then ended, in accordance with NCA as defined by the Bank of Portugal and the information contained therein is complete, true, current, clear, objective and lawful.

Report on Other Legal Requirements

8 It is also our opinion that the financial information included in the Board of Directors report is consistent with the financial statements and that the Report on Corporate Governance includes the information required by article 245.º-A of the CVM.

Lisbon, 20 April 2016

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Ana Cristina Soares Valente Dourado (ROC n.º 1011)

FINANCIAL
STATEMENTS,
EXPLANATORY NOTES
AND STATEMENTS
2015

STATEMENT OF COMPLIANCE OF THE FINANCIAL INFORMATION ISSUED BY THE EXECUTIVE BOARD OF DIRECTORS

STATEMENT OF COMPLIANCE OF THE FINANCIAL INFORMATION ISSUED BY THE EXECUTIVE BOARD OF DIRECTORS

This statement has been issued under the terms of sub-paragraph c) of No. 1 of article 245 of the Securities Code (CVM).

The Executive Board of Directors is responsible for drawing up the management report, preparing the financial statements and ensuring that they provide a true and appropriate view of the Institution's financial position, the result of its operations, as well as for adopting suitable accounting policies and criteria, and maintaining an appropriate internal control system that prevents and detects possible errors or irregularities.

We confirm, to the best of our knowledge and belief, that:

- All the individual and consolidated financial information in the accounting documents, with reference to 31 December 2015,
- Was prepared in accordance with the applicable accounting standards, and gives a true and appropriate image of the assets and liabilities, financial situation and net income of the Institution and companies included in the consolidation perimeter;
- The management report provides an accurate indication of the evolution of the business, performance and position of the Institution and companies included in the consolidation perimeter, in conformity with the legal requirements.

CHIEF ACCOUNTANT

Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

José Manuel Félix Morgado - CEO

João Carlos Martins da Cunha Neves

Luís Gabriel Moreira Maia Almeida

Fernando Ferreira Santo

João Belard da Fonseca Lopes Raimundo

Jorge Manuel Viana de Azevedo Pinto Bravo

Luís Miguel Resende de Jesus

FINANCIAL STATEMENTS, EXPLANATORY NOTES AND STATEMENTS 2015

COMPLIANCE WITH THE RECOMMENDATIONS REGARDING INFORMATION TRANSPARENCY AND ASSET VALUATION

COMPLIANCE WITH THE RECOMMENDATIONS REGARDING INFORMATION TRANSPARENCY AND ASSET VALUATION

The Banco de Portugal, through circular letter 97/08/DSBDR of 3 December 2008 and 58/09/DSBDR of 5 August 2009, recommends the need for institutions to comply appropriately with the recommendations of the Financial Stability Forum (FSB) and the Committee of European Banking Supervisors (CEBS) relative to the transparency of information and valuation of assets, taking into account the principle of proportionality, by preparing a specific annex to the Annual Report and Accounts aimed at replying to the questionnaire attached to circular letter 46/08/DSBDR of Banco de Portugal on the subject.

This chapter serves the purpose of complying with the recommendation of Banco de Portugal, using references to detailed information in the various chapters of this Annual Report and Accounts, whenever applicable.

I.	Business Model	Document, Chapter and Page
1.	Description of the business model (i.e. reasons for the development of the activities/businesses and respective contribution to the process of value creation) and, if applicable, of any changes made (for example as a result of the period of turbulence);	MR, Business Areas, page 36
2.	Description of strategies and objectives (including those specifically related to the undertaking of securitisation operations and operations with structured products);	MR, Strategy, page 35
3.	Description of the importance of the activities developed and their contribution to the business (including in quantitative terms);	MR, Business Areas, page 36 FSNO, Indicators of the balance sheet and income statement by operatiing segments, page 213
4.	Description of the type of activities developed, including a description of the instruments used, their functioning and qualifying criteria that products/investments have to meet;	MR, Business Areas, page 36, Financial Analysis, page 51 Risk Management, page 64 FSNO, Financial assets held for trading, page 141, Financial assets available for sale, page 145, Hedging derivatives page 150, Held-to-maturity instruments, page 152
5.	Description of the objective and extent of the involvement of the institution (i.e. commitments and obligations assumed) relative to each activity developed;	
II.	**Risks and Risk Management**	
6.	Description of the nature and extent of risks incurred in relation to the activities developed and instruments used;	MR, Risk Management, page 64 FSNO, Risk Management, page 223
7.	Description of risk management practices (including, in particular, under current circumstances, liquidity risk) of relevance to the activities, description of any identified weaknesses and corrective measures that have been adopted;	MR, Risk Management, page 62 FSNO, Risk Management, page 223 CGR, C. Internal Organisation, III Internal Control and Risk Management, page 442
III.	**Impact of the period of financial turbulence on net income**	
8.	Qualitative and quantitative description of net income, with emphasis on losses (when applicable) and impact of write-downs on net income;	MR, Financial Analysis, page 51
9.	Breakdown of write-downs/losses by type of product and instrument affected by the period of turbulence, namely, the following: commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), collateralised debt obligations (CDO) and asset-backed securities (ABS).	MR, Financial Analysis, page 51 FSNO, Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss, page 113, Net gains/(losses) arising from available for sale financial assets, page 114

10.	Description of the reasons and factors responsible for the impact incurred;	MR, Financial Analysis, page 51, Macroeconomic Environment, page 29
11.	Comparison of i) impacts between (relevant) periods; and ii) financial statements before and after the impact of the period of turbulence;	MR, Financial Analysis, page 51 FSNO, Financial Statements, page 85
12.	Breakdown of write-downs between realised and unrealised amounts;	MR, Financial Analysis, page 51 FSNO, Financial assets held for trading, page 141, Financial assets available for sale, page 145, Held-to-maturity instruments, page 152
13.	Description of the influence of the financial turbulence on the entity's share price;	MR, Participation Fund, page 77
14.	Disclosure of maximum loss risk and description of how the institution's situation could be affected by the prolonging or worsening of the period of turbulence or by a market recovery;	MR, Risk Management, page 64 FSNO, Risk Management, page 223
15.	Disclosure of the impact that the evolution of the spread associated to the institution's own liabilities had on net income, as well as the methods used to determine this impact;	MR, Financial Analysis, page 51 FSNO, Fair Value, page 188, Risk Management, page 223
IV.	**Levels and types of exposure affected by the period of turbulence**	
16.	Nominal amount (or amortised cost) and fair values of outstanding exposures;	FSNO, Financial assets held for trading, page 141, Financial assets available for sale, page 145, Held-to-maturity instruments, page 152, Risk Management, page 223
17.	Information on mitigation of credit risk (i.e. through credit default swaps) and the respective effect on existing exposure;	MR, Risk Management, page 64 FSNO, Risk Management, page 223
18.	Detailed disclosure on exposures, with breakdown by: • Seniority level of exposure/tranches held; • Level of credit quality (e.g. ratings, vintages); • Geographic origin; • Activity sector; • Source of the exposure (issued, retained or acquired); • Product characteristics: e.g. ratings, weight/portion of associated subprime assets, discount rates, spreads, funding; • Characteristics of the underlying assets: e.g. vintages, loan-to-value ratio, information on liens, weighted average life of the underlying asset, assumptions on the evolution of situations of prepayment, and expected losses.	MR, Risk Management, page 64 FSNO, Loans and advances to customers, page 125, Financial assets held for trading, page 141, Financial assets available for sale, page 145, Held-to-maturity instruments, page 152, Indicators of the balance sheet and income statement by operational segments, page 213, Risk Management, page 223
19.	Movements that have occurred in exposures between relevant reporting periods and the underlying reasons for these variations (sales, write-downs, purchases, etc.)	MR, Financial Analysis, page 51 FSNO, Financial assets held for trading, page 141, Financial assets available for sale, page 145, Investments held-to-maturity, page 152
20.	Explanation of exposure (including "vehicles" and, in this case, the respective activities) that have not been consolidated (or that have been recognised during the crisis) and the associated reasons;	The CEMG Group consolidates all the exposures in which it holds the majority of the capital or a significant influence. Additional information on Special Purpose Vehicles (SPV) can be found in FSNO, Securitisation of assets.
21.	Exposure to monoline insurers and quality of insured assets: • Nominal value (or amortised cost) of the insured exposure, as well as of the amount of acquired credit protection; • Fair values of outstanding exposures, as well as the related credit protection; • Amount of write-downs and losses, broken down into realised and unrealised amounts; • Breakdown of exposure by rating or counterpart.	Not applicable.

V.	**Accounting policies and valuation methods**	
22.	Classification of the transactions and structured products for accounting purposes and the related accounting treatment;	FSNO, Accounting policies, page 92
23.	Consolidation of the Special Purpose Entities (SPE) and other "vehicles", and their reconciliation with structured products affected by the period of turbulence;	FSNO, Accounting policies, page 92, Securitisation transactions, page 208
24.	Detailed disclosures on fair values of financial instruments: • Financial instruments to which fair value is applied; • Fair value hierarchy (a breakdown of all exposures at fair value by different levels of the fair value hierarchy and a breakdown between cash and derivative instruments, as well as disclosures on migrations between the different levels); • Treatment of day 1 profits (including quantitative information); • Use of the fair value option (including its conditions for use) and related amounts (with appropriate breakdowns);	FSNO, Accounting policies, page 92
25.	Disclosures on the modelling techniques used for the valuation of financial instruments, including information about: • Modelling techniques and the instruments to which they are applied; • Valuation processes (including in particular the assumptions and inputs on which the models are based); • Types of adjustment applied to reflect model risk and other valuation uncertainties; • Sensitivity of the fair value (namely to variations in key assumptions and inputs); • Stress scenarios.	MR, Risk Management, page 64 FSNO, Risk Management, page 223
VI.	**Other relevant aspects in disclosures**	
26.	Description of the disclosure policies and principles used in the reporting of disclosures and in financial reporting.	CGR, C. Internal Organisation, III Internal Control and Risk Management, page 442

FINANCIAL STATEMENTS, EXPLANATORY NOTES AND STATEMENTS 2015

ACTIVITY REPORT AND STATEMENT OF THE GENERAL AND SUPERVISORY BOARD

ACTIVITY REPORT AND STATEMENT OF THE GENERAL AND SUPERVISORY BOARD

Report of the Activity of the General and Supervisory Board - 2015

I - INTRODUCTION

The General and Supervisory Board is a supervisory body whose mission is to monitor and continually assess the activity of Caixa Económica Montepio Geral, without prejudice to the powers inherent to the other supervisory body, the Statutory Auditor.

The scope of activity of the General and Supervisory Board is defined in article 20 of the Articles of Association of Caixa Económica Montepio Geral and in its Internal Regulations, fully complying with the duties defined under the law, the articles of association and regulations applicable to the Board.

Duties

The Supervisory Board has, among others, the following duties:

- Playing an advisory role and continually assessing the institution, especially in relation to the definition of the strategy and general policies of the institution, of the corporate structure of the group and of the decisions that must be considered strategic due to their amount, risk or their special characteristics;

- Analysing the financial reporting documents and the minutes of the meetings of the Executive Board of Directors;

- Supervising the risk and financial reporting policies;

- Monitoring the financial performance and budget implementation;

- Ensuring that the Executive Board of Directors establishes and maintains an adequate and effective internal control, particularly in the areas of reporting of financial and operational risks, of compliance with the law, regulations and internal policies, of operational efficiency and of asset security;

- Controlling and ensuring the effectiveness of the internal audit function, of the related action plan and budgets, as well as of its reports and relations with the external auditor and with the supervisory authorities;

- Analysing and discussing the reports of the external auditors;

- Ensuring that the Executive Board of Directors adopts the necessary corrective measures for satisfactory compliance with the recommendations and warning calls from the external and internal auditors, in a timely manner;

- Controlling the non-conformities with the legal rules, Articles of Association and established policies;

- Ensuring that the weaknesses identified by the supervisory authorities are corrected in a timely manner;

- Proposing the election of the Statutory Auditor;

- Preparing and issuing an opinion on the management report and financial statements for the year;

- Analysing and issuing an opinion on the action plan and budget.

Composition of the General and Supervisory Board and meetings in 2015

In 2015, until the end of the month of September, under the terms of article 20, No. 1 of the Articles of Association of Caixa Económica Montepio Geral, the composition of the General and Supervisory Board remained the same as in the second half of 2014:

- José de Almeida Serra, Chairman
- Eduardo José da Silva Farinha
- Carlos Vicente Morais Beato
- Vítor José Melícias Lopes
- Álvaro João Duarte Pinto Correia
- Gabriel José dos Santos Fernandes
- Luísa Maria Xavier Machado
- Maria Manuela Silva
- Eugénio Óscar Garcia Rosa
- António Gonçalves Ribeiro

(10 members due to the resignation of the Member Álvaro Cordeiro Dâmaso in the first half of 2014)

On 1 October 2015, following the election of the corporate bodies of Caixa Económica Montepio Geral, at the Extraordinary General Meeting held on 5 August 2015, the members elected for the term of office that will end on 31 December 2018 took up duties, and the Supervisory Board now consists of eleven members:

- Álvaro João Duarte Pinto Correia, Chairman
- Fernando Lopes Ribeiro Mendes
- António Fernando Menezes Rodrigues
- José António Arez Romão
- Virgílio Manuel Boavista Lima
- Vítor Manuel do Carmo Martins
- Francisco José Fonseca da Silva
- Acácio Jaime Liberado Mota Piloto
- Luís Eduardo Henriques Guimarães
- Luísa Maria Xavier Machado, substituted by Rui Pedro Brás de Matos Heitor from December 2015 onwards
- Eugénio Óscar Garcia Rosa

In December 2015, Rui Pedro Brás de Matos Heitor took up duties following his election as workers representative on 27 October 2015, substituting Luisa Maria Xavier Machado.

Following the election of the Board of Directors of Montepio Geral - Associação Mutualista, Fernando Lopes Ribeiro Mendes and Virgílio Manuel Boavista Lima resigned as members of the General and Supervisory Board, effective from 6 January 2016.

In line with article 20, No. 3 of the Articles of Association of Caixa Económica Montepio Geral, the General and Supervisory Board must hold meetings on at least a monthly basis and, in addition, in sufficient number to comply with its obligations. In 2015, fifteen meetings were held.

Under the terms of article 20, No. 5 of the Articles of Association of Caixa Económica Montepio Geral, the members of the Executive Board of Directors (EBD) of Caixa Económica Montepio Geral attended various meetings to present and discuss more relevant matters.

At these meetings, by invitation of the General and Supervisory Board, the Head of the Audit Department, the Head of the Risk Department, the Head of the Credit Analysis Department, the Head of the Planning and Control Department, the External Auditor and the Statutory Auditor participated on a regular basis.

Attendance Summary - General and Supervisiory Board	
2015	
January / September	
José de Almeida Serra	12 / 12
Eduardo José da Silva Farinha	12 / 12
Carlos Vicente Morais Beato	12 / 12
Vítor José Melícias Lopes	9 / 12
Álvaro João Duarte Pinto Correia	11 / 12
Gabriel José dos Santos Fernandes	12 / 12
Luísa Maria Xavier Machado	12 / 12
Maria Manuela Silva	11 / 12
Eugénio Óscar Garcia Rosa	10 / 12
António Gonçalves Ribeiro	12 / 12
October / December	
Álvaro João Duarte Pinto Correia	3 / 3
Fernando Lopes Ribeiro Mendes	3 / 3
António Fernando Menezes Rodrigues	2 / 3
José António Arez Romão	3 / 3
Virgílio Manuel Boavista Lima	3 / 3
Vítor Manuel do Carmo Martins	3 / 3
Francisco José Fonseca da Silva	2 / 3
Acácio Jaime Liberado Mota Piloto	2 / 3
Luís Eduardo Henriques Guimarães	2 / 3
Luísa Maria Xavier Machado	3 / 3
Eugénio Óscar Garcia Rosa	3 / 3

II - ACTIVITIES UNDERTAKEN IN 2015

The Supervisory Board, throughout the year, in articulation with the various departments of the organic structure of Caixa Económica Montepio Geral, conducted a detailed analysis of the themes related to the powers conferred on it.

1- Information System of the General and Supervisory Board

The model of the information system approved at the meeting held on 7 April 2014 with the favourable vote of all the Members, and whose revision was unanimously approved at the session held in November 2014, remained in force.

The documents are made available by the various areas of Caixa Económica Montepio Geral and of the companies consolidated therein on the intranet website of Caixa Económica Montepio Geral and to which all the members have access via web.

2- Issue of an Opinion on the Management Report and Financial Statements

The Supervisory Board appraised the Management Report and the individual and consolidated Financial Statements relative to the closure of the accounts of 31 December 2014. The Board's appraisal considered the opinion issued by the Financial Affairs Committee on the theme indicated above and issued a favourable opinion regarding its approval by the General Meeting of Caixa Económica Montepio Geral.

A specific work meeting was held to analyse the report indicated above, which was attended by the Chairman of the Executive Board of Directors of Caixa Económica Montepio Geral who presented the results and provided the requested clarifications.

3- Appraisal of the Financial Information

In 2015, the General and Supervisory Board paid particular attention to the process of preparation and disclosure of the quarterly reports of Caixa Económica Montepio Geral, as well as of the respective financial statements and all the information made available to the supervisory entities, the market, and the customers and associates of Montepio Geral Associação Mutualista.

In the exercise of its duties, the General and Supervisory Board considered the opinions issued by the Financial Affairs Committee and held meetings with the External Auditor, the Statutory Auditor, the Head of the Department of Strategic Planning, Control and Accounting and the Chairman of the Executive Board of Directors of Caixa Económica Montepio Geral.

4- Relationship with the External Auditor and the Statutory Auditor

The External Auditor and the Statutory Auditor were present in five of the fifteen meetings held by the General and Supervisory Board. However, the activity undertaken by the External Auditor and by the Statutory Auditor was closely monitored by the Financial Affairs Committee, within the scope of its competencies.

In this context, the reports prepared by the External Auditor and the Statutory Auditor were analysed by the General and Supervisory Board.

5- Appraisal of the Risk, Compliance and Audit Functions

Within the scope of its competencies and responsibilities relative to the operational procedures of Caixa Económica Montepio Geral and Group companies, the General and Supervisory Board took into consideration the guidelines defined in Banco de Portugal Notice No. 5 / 2008 and had access to, as the main source of information, the reports of the duties indicated above and prepared by the respective areas.

In addition, supplementary information and clarifications were collected through presentations made in plenary sessions by the Heads of those areas.

6. Appraisal of the Internal Control System

Following on from the work undertaken in 2014, the internal control system was continuously assessed, with this theme having constituted one of the main pillars of activity of the General and Supervisory Board. This assessment was mainly based on the information prepared by the Internal Control function.

As outlined in its meetings plan for 2015, the General and Supervisory Board carried out various actions relative to the monitoring and assessment of the operation and suitability of the internal control systems, namely of the weaknesses identified by the internal and external audit and the measures taken for their mitigation.

Regarding compliance with the reporting obligations to Banco de Portugal and considering the work undertaken by the Financial Affairs Committee, the General and Supervisory Board issued opinions on:

- The suitability and efficacy of the Internal Control System of Caixa Económica Montepio Geral and Group companies, in compliance with Banco de Portugal Notice No. 5 / 2008;
- The quality of the respective Internal Control System and the Prevention of Money Laundering and Financing of Terrorism of Caixa Económica Montepio Geral, as provided for in Banco de Portugal Notice No. 9 / 2012 .

The General and Supervisory Board considers that the Executive Board of Directors of Caixa Económica Montepio Geral has continued to give increasing and sustained importance to the development and improvement of the internal control and risk management system of Caixa Económica Montepio Geral and companies integrated in its consolidation perimeter.

7. Appraisal of Prudential and Other Reports

Throughout 2015, and at various meetings, the General and Supervisory Board analysed some reports for the supervisor, among which the following stand out due to their significance:

- Resolution Plan;
- Operational Risk Report;
- ICAAP – Internal Capital Adequacy Assessment Process.

8- Appraisal of operations involving credit granted to owners of qualified holdings

In compliance with applicable legal rules, the General and Supervisory Board verified the framework for credit operations undertaken within the scope of article 109 of the General Regime of Credit Institutions and Financial Companies.

In its analysis, the General and Supervisory Board verified whether all the operations presented were within the limits defined in the abovementioned article, having issued a favourable opinion on them.

9- Monitoring of the Activity of the Executive Board of Directors

During 2015, and within the scope of the competencies of the Financial Affairs Committee, the latter monitored the functioning of the Executive Board of Directors, in meetings held between the Coordinator of the Committee and the Chairman of the Executive Board of Directors and through the reading and analysis of the minutes of the meetings of that Committee.

10 - Appraisal of the Guidelines and Action Plan and Budget for 2016

The General and Supervisory Board appraised the Action Plan and Budget for 2016, and the opinion issued by the Financial Affairs Committee about said programme, and issued a favourable opinion regarding its approval by the General Meeting of Caixa Económica Montepio Geral, with one vote against.

III – CONCLUSION

Upon concluding its third annual report, the General and Supervisory Board continues to demonstrate the fruitful relations established with the Executive Board of Directors (both with the outgoing members and the members that took up duties in August 2015), with the Departments belonging to the organic structure of Caixa Económica Montepio Geral, with the External Auditor and with the Statutory Auditor.

The General and Supervisory Board also highlights the appropriateness and timeliness of all the written and oral information, provided by the abovemementioned entities, which constitutes an indispensable support for the competencies and responsibilities inherent to the activity of the General and Supervisory Board.

Lisbon, 18 March 2016

Álvaro João Duarte Pinto Correia

António Fernando Menezes Rodrigues

José António Arez Romão

Vítor Manuel do Carmo Martins

Francisco José Fonseca da Silva

Acácio Jaime Liberado Mota Piloto

Luís Eduardo Henriques Guimarães

Rui Pedro Brás de Matos Heitor

Eugénio Óscar Garcia Rosa

STATEMENT OF THE GENERAL AND SUPERVISORY BOARD – 2015

Opinion of the Supervisory Board

Management Report and Individual and Consolidated Accounts relative to 2015

Under the legal and statutory terms, namely the provisions in article 20 of the Articles of Association of Caixa Económica Montepio Geral (CEMG), the General and Supervisory Board is responsible for issuing an opinion on the management report and the individual and consolidated accounts for 2015, prepared by the Executive Board of Directors.

1. For the preparation of the opinion and having heard the Executive Board of Directors of CEMG, the General and Supervisory Board analysed and debated the favourable opinion issued by the Financial Affairs Committee, which and concerning the closing of accounts:

a. appraised the work carried out by the Statutory Auditor and by the External Auditor, KPMG & Associados – Sociedade de Revisores Oficiais de Contas S.A., namely with respect to: i) Balance Sheets; ii) Income Statements; iii) Cash Flows; iv) Changes in Net Worth and Comprehensive Income for the financial year of 2015 and the corresponding Explanatory Notes;

b. met with the Statutory Auditor and External Auditor, requesting all the relevant information for the performance of their duties, namely, the required verification regarding compliance with the legal requirements in force and the recommendations of Banco de Portugal;

c. examined the Legal Certification of Accounts and Audit Reports on the individual and consolidated financial statements relative to the financial year of 2015, both issued without reservations or emphases, dated 20 April 2016.

2. Concerning 2015, we highlight the following indicators, on a consolidated basis, which illustrate the way that the year progressed:

a. Negative net income of 243.4 million euros, while this figure stood at -187.0 million euros in the previous year. This outcome reflects the lower contribution of earnings generated from the sale of the Portuguese public debt portfolio, with combined impact on net interest income and results from financial operations, compared to 2014, of the value of -329.0 million euros;

b. Consolidated operating expenses stood at 359.4 million euros, corresponding to a net change of 5.2%, in relation to the same period of 2014. This value is due to the increased personnel expenses (+5.1%) and general administrative overheads (+6.8%) induced by the international activity, and following alterations of the consolidation perimeter.

c. Net assets amounted to 21,145.2 million euros, showing a 5.9% reduction compared to the end of 2014, with particular reduction of the credit portfolio by 668.0 million euros (-4%).

d. Net liabilities stood at 19,801.1 million euros, reflecting a decrease of 1,257.9 million euros in relation to the previous year. This evolution was influenced by the reduction of resources derived from central banks (-8.8%), liabilities represented by securities (5.4%) and customer deposits (-9.4%);

e. The cost of Credit Risk shifted from 3.14% to 1.59%.

3. As a result of the work undertaken and, as far as it is aware, the General and Supervisory Board considers that the financial information analysed was prepared in conformity with the applicable accounting rules, enables an adequate understanding of the net worth of CEMG and its participated companies included in the consolidation as at 31 December 2015, and the way that the consolidated net income for the year was formed.

4. Considering the work undertaken, the opinion of the Financial Affairs Committee and the content of the Legal Certification of Accounts issued by KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., the General and Supervisory Board agrees with the Management Report and the Individual and Consolidated Financial Statements of Caixa Económica Montepio Geral, drawn up by the Executive Board of Directors relative to 31 December 2015.

5. In view of the losses recorded for 2015, and as a supervening fact at the end of the year, the shareholder increased the Institution's equity, on 18 March 2016, by the amount of 301.5 million euros, of which 270 million euros correspond to an increase of share capital, in order to maintain its balance pursuant to the prudential ratios required by the Supervision, including adequate slack.

The aforesaid equity value follows the strategy to endow CEMG with the necessary means to pursue the objectives of increasing its revenue base and rationalise its cost structure, competition and security imperatives, which derive from the current atmosphere of the European banking market.

6. In view of the above, the General and Supervisory Board gives its favourable opinion that the General Meeting of Caixa Económica Montepio Geral should approve:

a) The management report and all the individual and consolidated financial statements, relative to the financial year ended on 31 December 2015;

b) The Executive Board of Directors' proposal to transfer the negative net income, determined in the individual activity relative to the financial year of 2015, of the value of -376,043 thousand euros, to Retained Earnings.

Lisbon, 20 April 2016

The Chairman of the General and Supervisory Board

Álvaro João Pinto Correia

Montepio

Valores que crescem consigo.

CAIXA ECONÓMICA MONTEPIO GERAL
CAIXA ECONÓMICA BANCÁRIA
PUBLICLY LISTED COMPANY

Registered Office: Rua Áurea, 219-241, Lisboa
Institutional Capital: 1,770,000,000 Euros

Registered at the Lisbon Commercial Registry Office, under the same Registration and Tax Identification Number: 500 792 615

www.montepio.pt
www.montepio.pt/investors

Montepio

CAIXA ECONÓMICA
MONTEPIO GERAL

CORPORATE GOVERNANCE REPORT

Montepio

CAIXA ECONÓMICA
MONTEPIO GERAL

CORPORATE GOVERNANCE REPORT

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Introduction

Part I - Information on Shareholder Structure, Organisation and Corporate Governance

Part II - Corporate Governance Assessment

Annex I

Annex II

Introduction

1. Introduction

Article 245-A of the Portuguese Securities Code, which is titled «Annual Information on Corporate Governance», imposes on issuers of shares admitted to trading on a regulated market the disclosure of information referred to therein on the structure and practices of corporate governance.

The application to CEMG of the aforementioned article 245-A and of the Regulation implementing said article is based on a double analogy, which imposes the placement of this entity under a legal regime designed for corporate type institutions wherein listed shares and the financial instruments representative of the participation fund are treated as identical.

The questionnaire to assess compliance with the mentioned obligations was designed in accordance with an orthodox model of corporate organisation, such that there are numerous cases in which the replies given are only understood within the framework of the nature of the CEMG and the units it has issued.

2. Statutory Framework of the CEMG Group

2.1. Nature of Caixa Económica Montepio Geral

Affiliated savings banks - type of savings bank which CEMG falls under - are the product of a long historical evolution which brought together the statutory rights solutions that surpassed statutory law and the latter which gradually consolidated and progressed towards these solutions. Setting aside the autonomous or independent savings banks that were close in nature to associative movements with a strong social solidarity motivation, or to corporate models and focusing on affiliated savings banks, we shall consider the contexts under which they were initially set up with a structure similar to undivided aggregations of assets. Such banks ended up obtaining the recognition of their legal personality, which set them apart from the founding entity, in spite of collaborating on the achievement of its objectives and collaborating closely with said entity in terms of organisation. These characteristics give savings banks, which were designated as affiliated, a nature similar to that of foundations.

They are foundations of a special nature, since their activity does not aim to benefit society, nor an extended number of people. Rather, its objective is to benefit the founder or, better said, contribute towards achieving its socially relevant objectives, and in this regard they are similar to some binding institutions of the old regime.

Savings banks, of the model which CEMG falls under, have no partners or associates. The associates of the institutions to which they are attached are not associates of the savings bank, nor are they entitled to receive profits or dividends from them, whose main recipient is the entity to which the savings bank is affiliated, with whom the holders of the units of the participation fund, who may not be associated to the latter, will compete.

It is true that Montepio Geral – Associação Mutualista (MGAM) is represented in the general meeting of CEMG, but not as a shareholder, since if this was the case it would be represented by a single person. It is represented by a set of its associates which during the meeting do not intervene as representatives of MGAM, but rather express their own and autonomous will, although they are duty bound not to pursue individual interests but to defend a collective institutional interest which is that of the mutual association. They are therefore trustees of a collective interest.

The results of the activity of CEMG are earmarked for the affiliated institution, in the present case MGAM, not as dividends but for the satisfaction of its institutional purposes.

All of this demonstrates the founding nature of the CEMG and the peculiarity of its legal status.

2.2 Participation Fund

The Participation Fund, governed by article 8 of the Articles of Association of CEMG, was incorporated in the statutory regulations in the reform that was concluded at the general meeting held on 6 September 1990. It was subsequently subject to changes in the law through the reform made in 2013, not having been subject to any subsequent amendments. Inspired by the participatory interests in Spanish savings banks and in the participation funds of the Italian savings banks, its origins in national statutory law lie in the partnership association (joint venture) contract, governed by Decree-Law No. 231/81 of 28 July.

In fact, the fundamental characteristics of the mentioned partnership association (joint venture) contract are laid down in article 8 of the Articles of Association, namely: i) association, without acquiring the status of partner, of a person to an economic activity undertaken by another, with the latter participating in the profits that result from that activity for the former, ii) participation of an associate or of various mutually independent associates,
iii) contributions made by the associate to the assets of the associating party shall accrue to it, iv) possibility of the associate being a legal person.

This was the adopted model and not the model of equity securities provided for in Decree-Law 321/85 of 5 August, which could only be issued by public companies or public limited liability companies that are majority State-owned. The idea was to create, alongside the institutional capital, which could only be funded by contributions from MGAM, founder of CEMG, and by incorporation of reserves from CEMG itself, a source of capital inflow available for third parties, but from which MGAM would also not be excluded. By opening up CEMG's capital to contributions from the general public, some limitations were established concerning the holding of securities by third parties, namely the definition of a maximum subscription limit of 10% of the total participation units per holder, with exception of Private Social Solidarity Institutions, for which the established limit was 30%.

Holders of participation units of CEMG's Participation Fund are attributed a series of economic rights, namely: a) the right to receive an annual remuneration when, in view of sufficient net income, the General Meeting decides so based on the proposal of the Executive Board of Directors; ii) the right to reimbursement of the participation units in the case of dissolution of CEMG, receiving the final balance of the settlement with MGAM, after payment of all the other creditors, including those holding other subordinated credit, with MGAM being entitled to its proportional share of this balance, corresponding to the amount of institutional capital and to the holders of participation units the remaining part, divided among them in proportion to the participation units which they hold; iii) the right to have their participation in the Participation Fund increased, so as not to dilute the equity stake of each holder, in the event of any future institutional capital increases, whether by entry of new capital or by incorporation of reserves of CEMG.

PART I – Information on Shareholder Structure, Organisation and Corporate Governance

A. Shareholder Structure

I. Capital Structure

1. Capital structure (share capital, number of shares, distribution of the capital among the shareholders, etc.), including indication of the non-tradable shares, different categories of shares, their inherent rights and duties and percentage of share capital that each category represents (Art. 245-A, No. 1, sub-paragraph a))

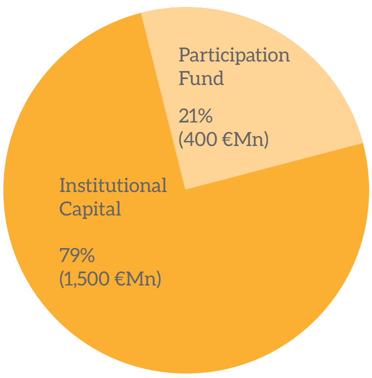
The capital of CEMG is divided between Institutional Capital, in the amount of 1,500,000,000 euros, as at 31 December 2015, fully paid in and allotted to Montepio Geral - Associação Mutualista, and the Participation Fund, in the amount of 400,000,000 euros, represented by 400,000,000 Participation Units, with a nominal value of 1 euro each, which are admitted to trading on Lisbon Euronext (ISIN Code: PTCMHUIM0015).

In accordance with article 6 of the Articles of Association of CEMG, the institutional capital and the Participation Fund are capital items and funds of CEMG. However, as specified in the introductory part (point 2. Statutory Framework of the CEMG Group), these Participation Units do not entitle their holders to any voting rights.

In 2016, the Institutional Capital of CEMG was reinforced by 270,000,000 euros, fully paid-in by Montepio Geral – Associação Mutualista, which came to 1,770,000,000 euros.

Capital of CEMG

1,900 €Mn



2. Restrictions to the transferability of the shares, such as clauses of consent for sale or limitations to the ownership of shares (Art. 245-A, No. 1, sub-paragraph b))

The Public Subscription Offer for the Participation Fund resulted in the opening of the capital of CEMG to public investment, such that the Participation Units have, since 17 December 2013, been admitted to trading on a regulated market (NYSE Euronext Lisbon). This complex financial instrument is an (atypical) equity security, for the purposes of article 1, sub-paragraph g), of the Securities Code (Code SC).

The transfer of Participation Units, between accounts integrated in the CSD, are undertaken in conformity with the procedures for this purpose in force at Interbolsa. The initial and subsequent registrations in individual registries are made based on the written request from the transferor or through documents sufficient to prove the registration.

When the petitioner does not deliver any written document and this is not required to validate or to prove the transmission, the Financial Intermediary affiliated to Interbolsa, responsible for the registration, should provide a written note to justify the registration.

3. Number of treasury shares, percentage of corresponding share capital and percentage of voting rights to which the treasury shares would correspond (Art. 245-A, No. 1, sub-paragraph a))

CEMG held on 31 December 2015, through the subsidiary Montepio Investimento SA, a total of 31,580,918 Units of the Participation Fund of CEMG, correponding to 7.90% of the respective Participation Fund of CEMG.

It is important to point out that the Participation Units do not entitle their holders to any voting rights, as outlined in article 8 of the Articles of Association of CEMG and explained in the introductory part (point 2. Statutory Framework of the CEMG Group).

4. Significant agreements of which the company is a party and which enter into force, able of being altered or that cease to be in force following a public tender offer, as well as the respective effects, unless, due to their nature, their disclosure would seriously harm the company, except if the company is specifically obliged to disclose this information due to other legal requirements (art. 245-A, No. 1, sub-paragraph j))

The existence of such agreements are not allowed under the statutory framework of the CEMG Group, as specified in the introductory part (point 2. Statutory Framework of the CEMG Group) of this Report.

5. System which is subject to renewal or repeal of defensive measures, particularly those which limit the number of votes which can be held or the exercising by a sole shareholder in an individual manner or jointly with other shareholders

The existence of such agreements are not allowed under the statutory framework of the CEMG Group, as specified in the introductory part (point 2. Statutory Framework of the CEMG Group) of this Report.

6. Shareholder agreements which the company is aware of and which could lead to restrictions regarding the transfer of securities or voting rights (art. 245-A, No. 1, sub-paragraph g))

There are no shareholder agreements which CEMG is aware of.

II. Shareholdings and Bonds Held

7. Identification of natural or legal persons which, directly or indirectly, own qualified holdings (art. 245-A, No. 1, sub-paragraphs c) and d) and art. 16), with detailed information on the percentage of capital and attributable votes and the source and causes of such attribution.

The institutional capital of CEMG is characterised as a capital endowment fund regarding which only Montepio Geral – Associação Mutualista has economic interests, as explained in the introductory part (point 2. Statutory Framework of the CEMG Group) of this Report.

However, following the public offer and admission to trading on a regulated market of the Units representing the Participation Fund of CEMG, it became subject to a specific legal regime and is now identified as a “publicly listed company”.

In this context, the list of holders of qualified holdings, relative to the units representing the Participation Fund of CEMG, with reference to 31 December 2015, is the following:

Ownership	PUs	% of total amount of issued PUs
Montepio Geral - Associação Mutualista	207,260,984	51.82
Montepio Investimento SA	31,580,918	7.90
Paulo Jorge Veríssimo Guilherme	13,387,968	3.35
Eurico Hélder Reis Sousa Brito	10,834,076	2.71

Note: Stakes bearing Units representing more than 2% of the Participation Fund of CEMG registered at the CSD.

It is important to point out that the Participation Units do not entitle their holders to any voting rights, as outlined in article 8 of the Articles of Association of CEMG and explained in the introductory part (point 2. Statutory Framework of the CEMG Group).

8. Information on the number of shares and bonds held by members of the management and supervisory bodies

Held on 31 December 2015	Quantity of PUs
Executive Board of Directors	
Luís Gabriel Moreira Maia Almeida	45,190
General and Supervisory Board	
Francisco José Fonseca da Silva	45,190
Fernando Lopes Ribeiro Mendes [7]	4,563
Vítor Manuel do Carmo Martins	4,563
António Fernando Menezes Rodrigues	4,563
Rui Pedro Brás de Matos Heitor	500

9. Special powers of the management body, namely with regard to resolutions on share capital increases (art. 245-A, No. 1, sub-paragraph i)), with information on the resolutions referring to the date on which they were attributed, time limit until such competence may be exercised, maximum quantitative limit on share capital increase, amount already issued under the attribution of such powers and method of applying the powers attributed.

In accordance with the Articles of Association of CEMG, the competence for deliberating on the increase of the institutional capital of an amount in excess of 1,500 million euros lies with the General Meeting, on a proposal from the Executive Board of Directors and based on a previous opinion from the General and Supervisory Board.

In accordance with the articles of association, deliberation on the issue of participation units representing the Participation Fund up to the amount equivalent to the institutional capital comes under the competence of the Executive Board of Directors, upon advice from the General Meeting.

7 Resignation from the position taking effect from 6 January 2016

10. Information on any significant business relationships between the holders of qualified holdings and the company.

Credit granted to owners of qualified holdings is monitored within the scope of art. 109 of the General Regime of Credit Institutions and Financial Companies.

As at 31 December 2015, the credit granted to the owners of qualified holdings, belonging to the Montepio Geral - Associação Mutualista Group, came to 138.7 million euros, influenced by the amount to be received from the sale of Montepio Seguros SGPS of 45 million euros, having been settled on 31 March 2016. Excluding this amount, credit granted came to 93.7 million euros. The financial statements show that there are no loans granted to natural persons holding qualifying stakes (Participation Units representing CEMG's Participation Fund), further identified in the table of point 7, as at 31 December 2015.

B. Corporate Bodies and Commissions

I. General Meeting

a) Composition of the Board of the General Meeting

11. Details and position of the members of the Board of the General Meeting and respective term of office

Following the amendment to the Articles of Association of CEMG, undertaken in January 2013, the CEMG bodies elected for the three-year period 2013- 2015 were: the General Meeting; the General and Supervisory Board; the Executive Board of Directors; the Remuneration Committee and the Statutory Auditor.

The members of the Board of the General Meeting were reelected at the Extraordinary General Meeting held on 5 August 2015, for the term of office that ends on 31 December 2018:

Board of the General Meeting	
Chairman	Vítor José Melícias Lopes [8]
1st Secretary	António Dias Sequeira [8]
2nd Secretary	Maria Leonor Loureiro Gonçalves de Oliveira
Alternate	António Miguel Lino Gaio

In order to perform his duties, the Chairman of the Board of the General Meeting is provided with the necessary human and logistic resources, as well as the support of the Institution's General Secretariat's Office.

Another one of the changes is in regard to the inclusion of new institutional bodies, such as: the Remuneration Committee (which replaces the so-called Remuneration Commission), the Assessment Committee and the Risk Committee.

b) Exercising the right to vote

12. Any restrictions on the right to vote, such as limitations on voting rights depending on ownership of a certain number or percentage of shares, deadlines for exercising voting rights or systems highlighting ownership rights (Art. 245-A, No. 1, sub-paragraph f))

In accordance with article 6 of the Articles of Association of CEMG, the institutional capital and the Participation Fund are capital items and funds of CEMG.

According to the Prospectus of the Public Offering for Subscription and Admission to Trading made available, at the time of the initial offer, to the potential subscribers of the Units of the Participation Fund of CEMG, "The Units do no entitle their holders to intervene in the CEMG bodies". As a result, Montepio Geral - Associação Mutualista, as the sole shareholder of the institutional capital of CEMG, holds the exclusive right to intervene in the previously mentioned institutional bodies of CEMG.

In the General Meeting of CEMG, voting rights are exercised in person, with each member having one vote, on the resolutions that deal exclusively with the issues included in the call notice and are adopted by simple majority, except in cases of resolutions on the reform of or alteration to the articles of association, merger, demerger, transformation, dissolution and other special cases provided for in article 15 of the Articles of Association.

13. Indication of the maximum percentage of voting rights that may be exercised by a single shareholder or by a group of shareholders that are related to the latter as set forth in No. 1 of art. 20.

The existence of more shareholders is not allowed under the statutory framework of the CEMG Group, as specified in the introductory part (point 2. Statutory Framework of the CEMG Group) of this Report.

8 Resignation from the position on 31 December 2015

14. Details of the shareholder decisions which, pursuant to the articles of association, can only be made by a qualified majority, in addition to those provided for by law, specifying these majorities

In accordance with article 15, No. 2 of the Articles of Association of CEMG, the resolutions adopted at extraordinary meetings, implying increases in costs or decreases in revenues or with reference to the reform of or alteration to the Articles of Association, merger, demerger, dissolution and incorporation of or in Caixa Económica, or that authorise it to make demands on the members of the corporate bodies, are only valid if approved by two thirds of the votes of those present and their efficacy depends on ratification by the General Meeting of Montepio Geral. The same applies with reference to transformation projects, according to article 33 which makes reference to article 32.

II. Management and Supervision

a) Composition

15. Details of the adopted corporate governance model

The CEMG Group is made up of the following companies, which have a group and/or controlling relationship with CEMG:

In force since 2015, the governance model of CEMG, being a two-tier governance model, comprises the following bodies:

a) The General Meeting;

b) The General and Supervisory Board;

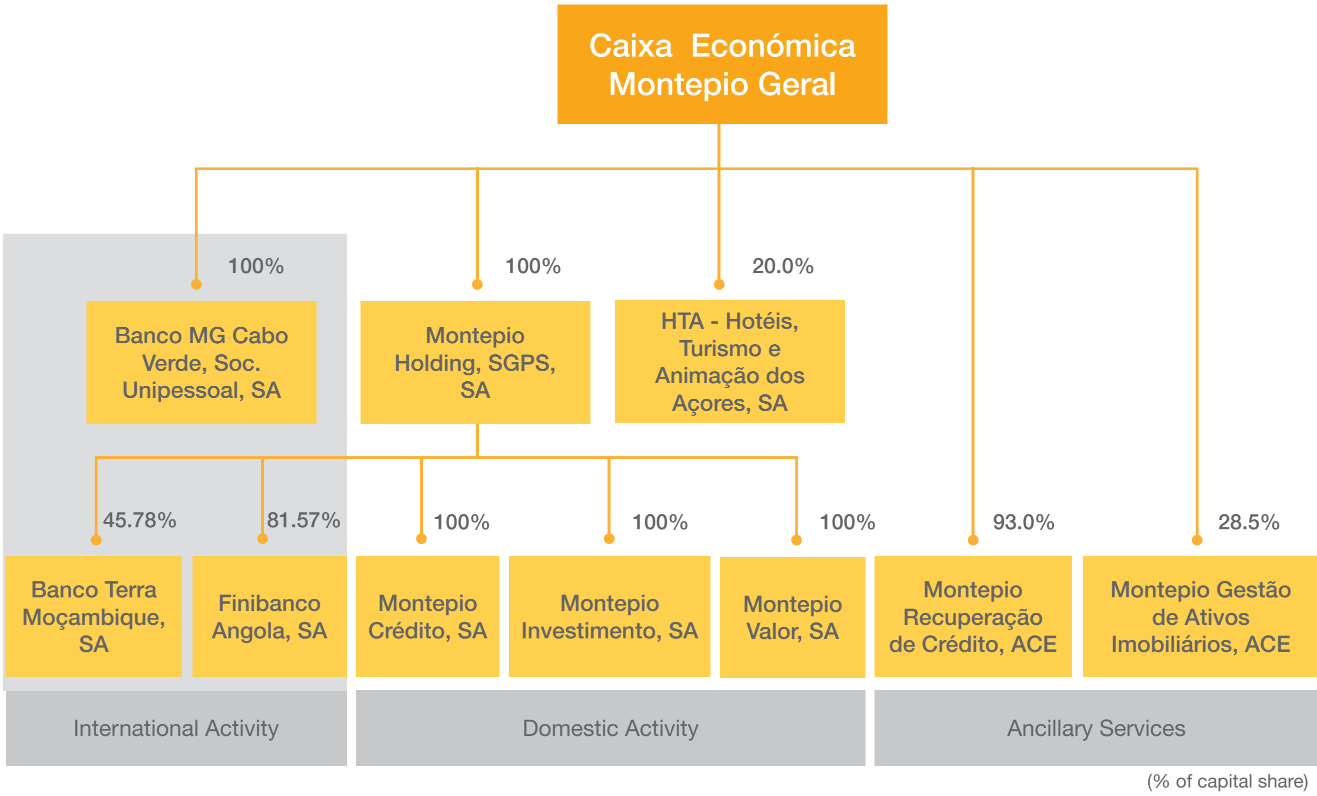
c) The Executive Board of Directors;

d) The Remuneration Committee;

e) The Assessment Committee;

f) The Risk Committee;

g) The Statutory Auditor.



The governance model of CEMG may be presented in schematic terms as follows:

General Meeting

General and Supervisory Board

- Financial Affairs Committee
- Strategic Affairs Committee

Executive Board of Directors

- ALCO (Assets and Liabilities Committee)
- Internal Control Committee
- Business Committee
- Costs and Investments Committee
- Risk Committee
- Human Resources Committee
- Pension Fund Monitoring Commission
- Real Estate Risk Committee

Remuneration Committee

Assessment Committee

Risks Committee

Statutory Auditor

16. Articles of association rules on the procedural requirements and issues governing the appointment and replacement of members of the Executive Board of Directors and of the General and Supervisory Board

At the extraordinary General Meeting held on 19 February 2013, the Executive Board of Directors was elected for the three-year period 2013-2015.

Subsequently, at the General Meeting held on 30 April 2015, continued on 27 May 2015, the partial alteration of the articles of association of CEMG was approved, with the articles of association having been ratified at the General Meeting of Montepio Geral – Associação Mutualista held on 25 June 2015, in conformity with article 36, No. 8.

One of the key alterations introduced to the articles of association refers to the way in which the members of the bodies are elected. According to the new version of the articles of association, all the members of the governing bodies are elected at the General Meeting of the CEMG, i.e. all the members of the General and Supervisory Board are no longer ex-officio appointed.

As at 5 August 2015 and for the term of office that ends on 31 December 2018, the Executive Board of Directors and the General and Supervisory Board were elected.

According to the Articles of Association, the Executive Board of Directors (EBD) functions as a body, being able to deliberate provided the majority of its members is present. The EBD's resolutions are adopted by a majority of the members present, and the Chairman has a casting vote. It may also establish proxies to represent CEMG in any acts and contracts, defining the extent of their powers.

Prior to taking up office, the members of the Executive Board of Directors must become associates of Associação Mutualista (if they are not yet) and the number of members of the EBD can be altered by a qualified majority of two thirds of the General Meeting. It is also important to note that the candidates to membership of this body who, in addition to having to comply with some prior requirements defined in the Articles of Association and in the General Regime of Credit Institutions and Financial Companies, are subject to prior assessment by Banco de Portugal, must declare, in the application for membership, that they will terminate any functions considered incompatible with the performance of their duties.

Regarding the General and Supervisory Board, its members are elected at the General Meeting of CEMG, which also appoints the Chairman.

17. Composition of the General and Supervisory Board (GSB) and the Executive Board of Directors (EBD), specifying the minimum and maximum number of members, term of office, number of permanent members, inauguration date and end date of each member's term of office, in accordance with the articles of association.

The General and Supervisory Board is composed of 11 members elected at the General Meeting of CEMG, which also appoints the Chairman.

CEMG's Executive Board of Directors is composed of a Chairman and up to six members, with the Chairman being appointed by the General Meeting.

The members of the bodies of CEMG perform their duties for three-year periods, and may be elected for successive three-year terms, without prejudice to the legal limitations.

The table below presents the composition of the members of the General and Supervisory Board and the Executive Board of Directors with the statutory term of office, date of first appointment and date of end of mandate.

Members of the General and Supervisory Board			
Name	Position	Date of first appointment	Date of end of mandate
José de Almeida Serra	Chairman	2013-02-19	2015-10-01
Vítor José Melícias Lopes	Member	2013-02-19	2015-10-01
Eduardo José da Silva Farinha	Member	2013-02-19	2015-10-01
Carlos Vicente Morais Beato	Member	2013-02-19	2015-10-01
Álvaro João Duarte Pinto Correia	Member	2013-02-19	2015-10-01
Gabriel José dos Santos Fernandes	Member	2013-02-19	2015-10-01
Luísa Maria Xavier Machado	Member	2013-02-19	2015-11-30
Maria Manuela Silva	Member	2013-02-19	2015-10-01
António Gonçalves Ribeiro	Member	2013-02-19	2015-10-01
Eugénio Óscar Garcia Rosa	Member	2013-02-19	2015-10-01

From 1 October 2015 onwards:

Members of the General and Supervisory Board			
Name	Position	Date of first appointment	Date of end of mandate
Álvaro João Duarte Pinto Correia	Chairman	2015-10-01	2018-12-31
Fernando Lopes Ribeiro Mendes [9]	Member	2015-10-01	2016-01-06
António Fernando Menezez Rodrigues	Member	2015-10-01	2018-12-31
José António Arez Romão	Member	2015-10-01	2018-12-31
Virgílio Manuel Boavista Lima [9]	Member	2015-10-01	2016-01-06
Vítor Manuel do Carmo Martins	Member	2015-10-01	2018-12-31
Francisco José Fonseca da Silva	Member	2015-10-01	2018-12-31
Acácio Jaime Liberado Mota Piloto	Member	2015-10-01	2018-12-31
Luís Eduardo H. Guimarães	Member	2015-10-01	2018-12-31
Luísa Maria Xavier Machado [10]	Member	2013-02-19	2018-12-31
Eugénio Óscar Garcia Rosa	Member	2015-10-01	2018-12-31

Members of the Executive Board of Directors			
Name	Position	Date of first appointment	Date of end of mandate
António Tomás Correia	Chairman	2008-05-01	2015-08-07
Jorge Humberto Barros Luís	Member	2013-02-19	2015-08-07
Pedro Miguel de Almeida Alves Ribeiro	Member	2013-02-19	2015-08-07
Fernando Paulo Pereira Magalhães	Member	2013-02-19	2015-08-07
João Carlos Martins da Cunha Neves (*)	Member	2014-12-10	2015-08-07

(*) Re-elected at the Extraordinary General Meeting of 5 August 2015.

At the Extraordinary General Meeting held on 5 August 2015, the members of the Executive Board of Directors and of the General and Supervisory Board were elected for the term of office that ends on 31 December 2018, and took up duties on 7 August:

Members of the Executive Board of Directors			
Name	Position	Date of first appointment	Date of end of mandate
José Manuel Félix Morgado	Chairman	2015-08-07	2018-12-31
João Carlos Martins da Cunha Neves	Member	2014-12-10	2018-12-31
Luís Gabriel Moreira Maia Almeida	Member	2015-08-07	2018-12-31
Fernando Ferreira Santo	Member	2015-08-07	2018-12-31
João Belard da Fonseca Lopes Raimundo	Member	2015-08-07	2018-12-31
Jorge Manuel Viana de Azevedo Pinto Bravo	Member	2015-08-07	2018-12-31
Luís Miguel Resende de Jesus	Member	2015-08-07	2018-12-31

18. Distinction between executive and non-executive members of the Board of Directors and, regarding the latter, identification of members who can be considered independent or, when applicable, identification of independent members of the General and Supervisory Board.

All the members of the EBD of CEMG are executive members, none of whom are independent.

The independent members of the GSB are as follows:

- Vítor Manuel do Carmo Martins
- Francisco José Fonseca da Silva
- Acácio Jaime Liberado Mota Piloto
- Luís Eduardo H. Guimarães
- Eugénio Óscar Garcia Rosa

19. Professional qualifications and other relevant curricular information of each member of the General and Supervisory Board and Executive Board of Directors

The *curricula* of each of the members referred to is presented in Annex I of this Report.

20. Regular and significant family, professional or business relationships of members of the General and Supervisory Board and Executive Board of Directors with shareholders that are assigned qualified holdings that are greater than 2% of the voting rights.

The existence of family, professional or business relationships with shareholders that are assigned qualified holdings that are greater than 2% of the voting rights, due to the foundational nature of the institutional capital, is not allowed under the statutory framework of the CEMG Group, as specified in the introductory

9 Resigned from the position taking effect from 6 January 2016.
10 Replaced by Rui Pedro Brás de Matos Heitor on 1 December 2015.

part of this report (point 2. Statutory Framework of the CEMG Group). There are no family, professional or business relations, that are habitual and significant, among the members of the General and Supervisory Board and Executive Board of Directors and the holders of qualifying stakes in the Participation Fund, identified in point 7.

21. Organisational charts or flowcharts concerning the allocation of powers between the various corporate bodies, committees and/or departments within the company, including information on the delegation of powers, particularly with regard to the delegation of the day-to-day management of the company

The General and Supervisory Board (GSB) is responsible for:

a) Playing an advisory role and ensuring the ongoing assessment of the Institution;

b) Analysing the financial reporting documents and the minutes of the meetings of the Executive Board of Directors;

c) Supervising the risk and financial reporting policies;

d) Monitoring the financial performance and budget implementation;

e) Analysing and discussing the reports of the external auditors;

f) Controlling and ensuring the effectiveness of the internal audit function;

g) Issuing an opinion on the Report and Accounts for the financial year to be submitted for deliberation at the General Meeting;

h) Presenting the proposal of the Statutory Auditor for deliberation at the General Meeting;

i) Providing an opinion on the action plan and budget;

j) Controlling the non-conformities with the legal rules, Articles of Association and established policies.

The Chairman of the GSB represents this body, namely in the relations with other institutional bodies, such as with the statutory auditor and the external auditor, in addition to convening and presiding over the meetings and ensuring the correct execution of its resolutions.

The Executive Board of Directors is the body responsible for the management of CEMG, and namely:

- Annually preparing the report and accounts for the financial year and the proposed distribution of net income;

- Preparing the proposed three-year Strategic Guidelines and their reviews to be submitted to the General Meeting, as well as the action plan and annual budget;

- Deliberating on the increase in institutional share capital and on the issue of securities representing units of the participation fund, within the limits set by the articles of association;

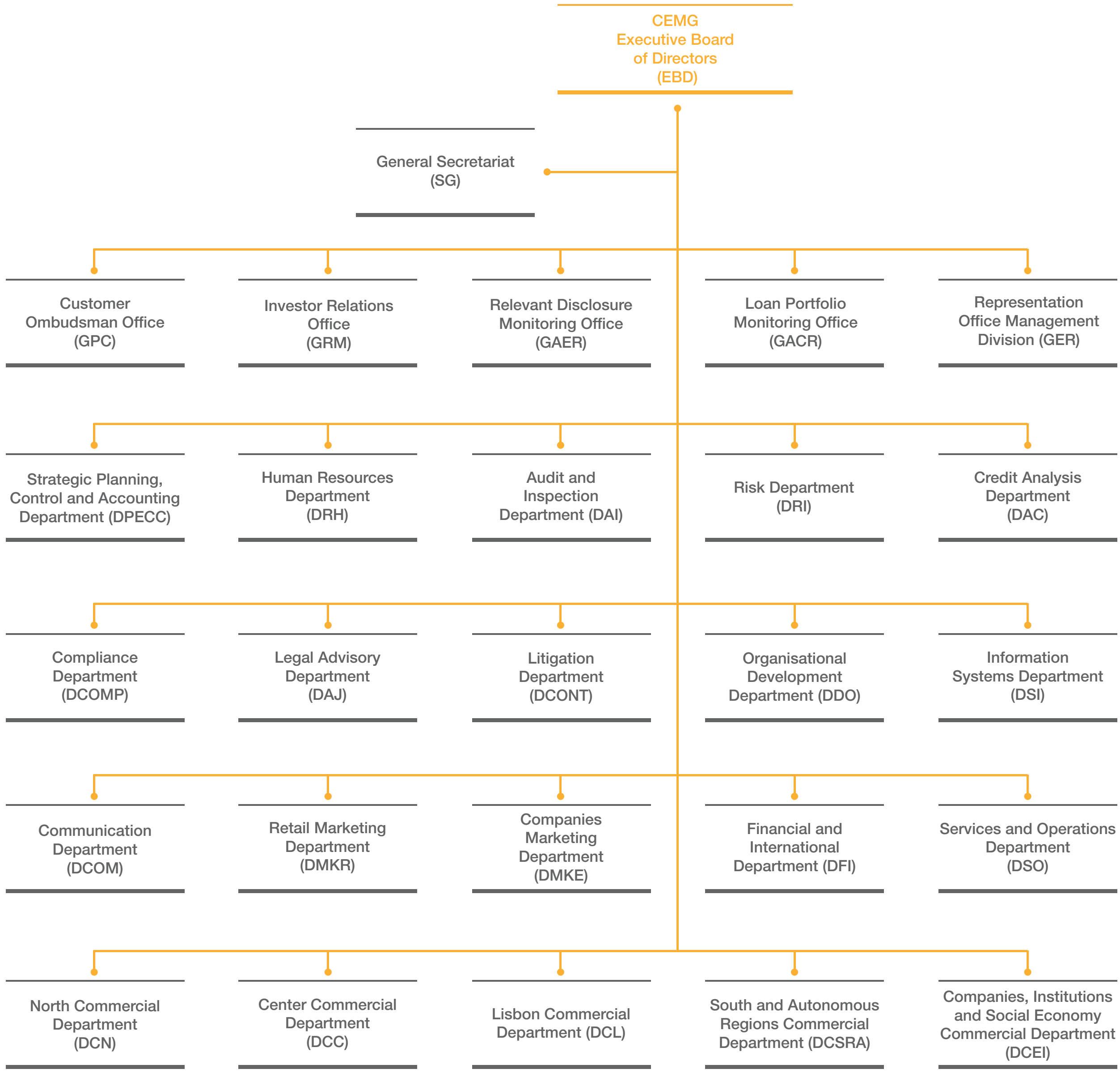
- Deliberating on the opening and closing of branches and of any other form of representation;

- Deliberating on the acquisition, disposal and encumbrance of immovable property;

- Setting, in general terms, the interest rates, commissions and prices for banking operations and provision of services.

The organisational model and the allocation of functions and duties between the different organic units is the responsibility of the EBD, which defines the organisational structure model and the allocation of functions between the various organic units. In turn, the organic units form first-line bodies, Divisions, Departments and Offices that report directly to the EBD.

Whenever necessary, adjustments are made to the organic structure, with the adaptations and improvements deemed essential.



The responsibilities of the organic units of CEMG and of subsidiary companies, where the members of the EBD of CEMG exercise supervision and/or perform duties as members of the respective management bodies, are distributed as follows:

José Félix Morgado (alternate: João Neves)

- Human Resources Department;
- Communication Department;
- Audit and Inspection Department;
- Compliance Department;
- Ombudsman Office;
- General Secretariat.

Subsidiary companies:

- Montepio Recuperação de Crédito, ACE;
- Finibanco Angola, SA;
- BTM, SA.

João Neves (alternate: João Lopes Raimundo)

- Financial and International Department;
- Strategic Planning, Control and Accounting Department;
- Investor Relations Office.

Subsidiary companies:

- Banco MG Cabo Verde, Soc. Unipessoal, SA;
- Montepio Holding SGPS, SA.

Luís Almeida (alternate: João Lopes Raimundo)

- North Commercial Department;
- Centre Commercial Department;
- Lisbon Commercial Department;
- South and Autonomous Regions Commercial Department;
- Retail Marketing Department;
- Representation Office Management Division;
- Loan Portfolio Monitoring Office.

Subsidiary companies:

- Montepio Crédito, Instituição Financeira de Crédito, SA.

João Lopes Raimundo (alternate: Luís Almeida)

- Companies, Institutions and Social Economy Commercial Department;
- Companies Marketing Department.

Subsidiary companies:

- Montepio Investimento, SA.

Fernando Ferreira Santo (alternate: Jorge Bravo)

- Legal Advisory Department;
- Litigation Department.

Subsidiary companies:

- Montepio Valor, SG Fundos de Investimento, SA;
- Montepio Gestão de Activos Imobiliários, ACE.

Jorge Bravo (alternate: Fernando Ferreira Santo)

- Services and Operations Department;
- Information Systems Department;
- Organisational Development Department.

Luís Jesus (alternate: João Neves)

- Risk Department;
- Credit Analysis Department;
- Relevant Disclosure Monitoring Office.

In turn, each area of responsibility has alternate members. Whenever an organic reorganisation occurs, responsibilities are redistributed.

The Remuneration Committee is composed of three members elected at the General Meeting, which also appoints the Chairman. The members of the Remuneration Committee should be independent from the members of the EBD of CEMG and, in general, from matters on which they deliberate and include at least one member with knowledge and experience in matters of remuneration policy. The Remuneration Committee is responsible for the exercise of the functions defined by Law, in compliance with the remuneration policy approved at the General Meeting.

The Assessment Committee is composed of three independent members with powers for the exercise of the functions concerned, elected at the General Meeting, which also appoints the Chairman. The Evaluation Committee is responsible for the exercise of the functions related to the internal policy of selection and evaluation of the members of the corporate bodies.

The Risk Committee is composed of three members of the General and Supervisory Board elected for this function at the General Meeting, which also appoints the Chairman. The Risk Committee is responsible for the exercise of the functions defined by Law.

b) Functioning

22. Availability and place where the rules on the functioning of the General and Supervisory Board and the Executive Board of Directors may be consulted.

In addition to the provisions applicable under the law, the articles of association and regulations, all the activities undertaken by the Institution also comply with the resolutions of the governing bodies, internal rules, rules of conduct and ethical standards.

On the internal portal, Intranet, the Internal Standards, disclosed to all employees, contain an entire set of documents classified in accordance with objectives and corresponding contents, as well as a set of rules regarding professional and ethical uses. With reference to compliance with the prudential standards in force and the respective reporting periods for external entities, there are Internal Regulations with a view to ensuring compliance with the duty of information.

On the Institution's website www.montepio.org, general information on CEMG can be consulted, including the regulations on the functioning of the General and Supervisory Board, the Strategic Affairs Committees and the Financial Affairs Committee.

23. Number of meetings held and the attendance report for each member of the General and Supervisory Board and the Executive Board of Directors.

The Articles of Association of CEMG establish that the GSB must hold meetings at least once a month and, in addition, in accordance with its internal regulations, any time a meeting is convened by the Chairman or a request for a meeting is made to the Chairman by any member for justified reasons.

During 2015, the GSB met fifteen times with the following attendance:

Members	Physical Attendance/ Total
January to September	
José de Almeida Serra	12/12
Eduardo José da Silva Farinha	12/12
Carlos Vicente Morais Beato	12/12
Vítor José Melícias Lopes	9/12
Álvaro João Duarte Pinto Correia	11/12
Gabriel José dos Santos Fernandes	12/12
Luísa Maria Xavier Machado	12/12
Maria Manuela Silva	11/12
Eugénio Óscar Garcia Rosa	10/12
António Gonçalves Ribeiro	12/12
October to December	
Álvaro João Duarte Pinto Correia	3/3
Fernando Lopes Ribeiro Mendes	3/3
António Fernando Menezes Rodrigues	2/3
José António Arez Romão	3/3
Virgílio Manuel Boavista Lima	3/3
Vítor Manuel do Carmo Martins	3/3
Francisco José Fonseca da Silva	2/3
Acácio Jaime Liberado Mota Piloto	2/3
Luís Eduardo Henriques Guimarães	2/3
Luísa Maria Xavier Machado	3/3
Eugénio Óscar Garcia Rosa	3/3

During 2015, the EBD met 102 times with the following attendance:

Members	Physical Attendance/ Total
January to August	
António Tomás Correia	64/66
Jorge Humberto Barros Luís	58/66
Pedro Miguel de Almeida Alves Ribeiro	58/66
Fernando Paulo Pereira Magalhães	63/66
João Carlos Martins da Cunha Neves	59/66
August to December	
José Manuel Félix Morgado	33/36
João Carlos Martins da Cunha Neves	34/36
Luís Gabriel Moreira Maia Almeida	36/36
Fernando Ferreira Santo	32/36
João Belard da Fonseca Lopes Raimundo	36/36
Jorge Manuel Viana de Azevedo Pinto Bravo	34/36
Luís Miguel Resende de Jesus	35/36

24. Details of the bodies which are competent to carry out the performance assessment of the executive directors

Without prejudice to the powers of the GSB, the body that is competent to carry out the performance assessment of the executive directors is the General Meeting. An Assessment Committee was created on 5 August 2015.

25. Pre-defined criteria for the assessment of the performance of the executive directors

The assessment of the performance of the management body, as well as the other members of the corporate bodies of CEMG, has been founded on a careful judgement criteria based on the experience of the actual institution, on the observation of what occurs in analogous entities, and in line with the global strategy of the Institution approved by the General Meeting.

The pre-determined criteria which cover the remuneration policy of members of the institutional bodies are subject to approval, in their broad outlines, by the General Meeting and then implemented by the Remuneration Committee elected by that same body. This internal selection and evaluation policy was aproved at the General Meeting of 2015, in compliance with the:

a) General Regime of Credit Institutions and Financial Companies;

b) Legal System for Savings Banks, approved by Decree-Law No. 136/79, of 18 May, as amended;

c) Companies Code, approved by Decree-Law No. 262/86, of 2 September, as amended;

d) Guidelines of the European Banking Authority (EBA) GL44, of 27 September 2011, on the internal governance of the instiutions, and EBA/GL/2012/06, of 22 November 2012, on the assessment of the suitability of members of the management and supervisory body and of those that perform essential functions.

The predetermined criteria to assess the performance of the executive directors are presented in point 69 and Annex II. This statement on the policy of remuneration of the management and supervision bodies policy describes the applicable remuneration status.

26. The availability of each member of the General and Supervisory Board and Executive Board of Directors, and details of the positions held simultaneously in other companies within and outside the Group, and other relevant activities undertaken by members of these boards throughout the financial year

The positions held by the EBD in subsidiary companies are described in detail in Annex I of this Report.

c) Committees within the management or supervisory body and board delegates

27. Details of the committees created within the General and Supervisory Board and the Executive Board of Directors

The GSB, within the scope of its competencies, appointed from among its members the Financial Affairs Committee and the Strategic Affairs Committee.

Within the Executive Board of Directors, with a view to supporting this body in the strategic management process of the Institution, eight Committees have been created:

COMMITTEE	Coordinator [11]	Members / Organic Units
Alco (Assets and Liabilities Committee)	João Carlos Martins da Cunha Neves	Executive Board of Directors; Strategic Planning, Control and Accounting Department [12]; Risk Department; Financial and International Department; Audit and Inspection Department; Compliance Department.
Internal Control	José Manuel Félix Morgado	Executive Board of Directors; Audit and Inspection Department [12]; Strategic Planning, Control and Accounting Department; Risk Department; Compliance Department; Organisational Development Department; Information Systems Department; Other non-permanent elements [13].
Business	Luís Gabriel Moreira Maia Almeida	Executive Board of Directors; Retail Marketing Department [12]; Companies Marketing Department; Information Systems Department; Strategic Planning, Control and Accounting Department; Organisational Development Department; Risk Department; Legal Advisory Department; Compliance Department.
Costs and Investments	Jorge Manuel Viana de Azevedo Pinto Bravo	Executive Board of Directors; Strategic Planning, Control and Accounting Department [12]; Organisational Development Department; Other non-permanent elements [14].
Risk	Luís Miguel Resende de Jesus	Executive Board of Directors; Risk Department [12]; Strategic Planning, Control and Accounting Department; Credit Analysis Department; Relevant Disclosure Monitoring Office; Montepio Recuperação de Crédito, ACE; Other non-permanent elements [15].
Human Resources	José Manuel Félix Morgado	Executive Board of Directors; Human Resources Department [12]; Legal Advisory Department; Strategic Planning, Control and Accounting Department;
Monitoring of the Pension Fund	João Carlos Martins da Cunha Neves	Two Directors. (Risk area and Planning and Accounting area)
Real Estate Risk	Fernando Ferreira Santo	Executive Board of Directors: Montepio Gestão de Activos Imobiliários, ACE [12]; Strategic Planning, Control and Accounting Department; Risk Department; Montepio Valor; Montepio Recuperação de Crédito, ACE.

11 Member of the Executive Board of Directors with the respective area of responsibility.
12 Secretary
13 Representatives of the entities of the consolidation perimeter covered by the Internal Control System, according to the agenda of those meetings.
14 Various Organic Units will, on a case by case basis, be called to each Committee according to the agenda that is defined.
15 Commercial Directors and Financial and International Department.

The Support Committees are coordinated by a member of the EBD (Member with the respective area of responsibility) that promotes the Committee meetings deemed necessary, calling and chairing the meetings, as well as deciding on all the issues regarding its functioning. For each Committee a Secretary is appointed from among its members, who is responsible, under the guidance of the Coordinator, for scheduling and calling the meetings and circulating the respective agendas and documents for appreciation, preparing and presenting the minutes in each meeting, preparing and presenting the activity report of the Committee and other documents and assisting the Coordinator with whatever is requested.

28. Composition, if applicable, of the Executive Committee and/or details of the board delegates

The existence of an Executive Committee is not allowed under the statutory framework in the CEMG Group, since the actual Board of Directors is only composed of executive members.

29. Description of the powers of each of the committees and summary of activities undertaken in exercising said powers

Financial Affairs Committee

The commissions providing support to the GSB allow this governing body to monitor the activity of the CEMG in an overall and multi-purpose manner: financial and strategic affairs.

The Financial Affairs Committee is responsible for, namely, and in accordance with its operating regulations, monitoring and assessing the internal procedures with reference to audit, internal control, risk control and accounting; monitoring the activity of the statutory auditor and the external auditor.

At these meetings, by invitation of the Financial Affairs Committee, the Heads of the CEMG for the Strategic Planning, Control and Accounting Department, and the Credit Analysis Department, the External Auditor and the Statutory Auditor attended on a regular basis.

This Comittee established as a priority, in 2015, the monitoring of the activities of the EBD, the External Auditor and the Statutory Auditor, of the effectiveness of the Internal Control System and of the Risk Management System, and of the evolution of the loan portfolio.

Strategic Affairs Committee

The Strategic Affairs Committee is responsible for, namely, and in accordance with its operating regulations, assessing the situation of CEMG within the sectorial context; assessing the annual and pluriannual plans; monitoring the application of regulatory measures and the analysis of the prudential ratios.

In 2015, this Committee focused its activity on the updating of the suporting documentation to support the GSB.

The committees providing support to the EBD of the CEMG are structures under the latter, without decision-making competencies unless otherwise indicated, constituting themselves as forums of debate and to support decision-making, through the formulation of proposals and recommendations to the EBD, in the areas within its scope of intervention.

ALCO (Assets and Liabilities Committee)

ALCO is responsible for monitoring the risk profile of CEMG, assessing the risk management strategy and policies, including those related to liquidity and capital management, in order to guarantee that these contribute towards the sustainability of CEMG in the medium and long-term, as well as for analysing the current and prospective behaviour of the results generated by the activity undertaken, with a view towards the identification of opportunities to optimise the balance sheet structure, the operating costs or the redefinition of the risk-return relationship. As a result of the actions undertaken in compliance with its duties, ALCO issues proposals or fomulates recommendations for the EBD.

This Committee held 7 meetings in 2015.

Internal Control System

The Internal Control System is responsible for formulating proposals or issuing recommendations to the EBD with a view towards the optimisation of the internal control system and the improvement of the operational risk levels and the implementation of the corrective or improvement measures in accordance with the schedule laid down. During 2015, the following functions of the Committee are noteworthy:

- Verifying the alignment of the internal control system with the strategy and policies of CEMG and that its compliance is ensured by the employees of the institution;
- Verifying if the internal control functions have sufficient and adequate material and human resources for the execution of their responsibilities;
- Assess if the organisational structure is based on a coherent, clear and objective definition of the competencies and responsibilities of each structural unit and/ or function, of the reporting lines and lines of authority;

- Monitor the implementation of the corrective or improvement measures identified by the internal control functions or by third parties;
- Monitor the operational risk profile of CEMG.

This committee has a bi-monthly periodicity.

Business Committee

The Business Committee has defined in its functions the development of new products and services and changes to existing products and services, as well as guaranteeing the operationalisation and marketing processes through the commercial networks. Since the competencies of this committee were reviewed in the last quarter of 2015, this monitoring body of the EBD has not initiated its activity.

Costs and Investments Committee

The competencies of the Costs and Investments Committee involve assessing, approving and monitoring cost optimisation and return on investment programmes, in conformity with the strategic objectives defined. The Committee intensified its operations in 2015, particularly in the last four months of the year, having outlined, together with the heads of all the institutional bodies, a plan of measures to reduce costs and investments to support the budgeting exercise. The Committee monitors costs and investments on a monthly basis, and optimises the contracts for the acquisition of those goods and services considered more relevant and presents proposals to the EBD, in order to obtain results according to the budgetary targets.

Since the end of December 2015, the Costs and Investments Committee has delegated powers of decision on costs and investments.

The Costs and Investments Committee held 36 meetings in 2015, 34 of which in the last four months of the year.

Risk Committee

The risk comittee is responsible for evaluating the evolution of the overall risk profile to which CEMG is exposed, through the monitoring of various types of risk, and analysing the compatibility of risk exposure with the financial resources available and the strategies approved for the development of the activity, as well as analysing and following-up the policies, methodologies, models and quantification limits of the relevant risks for the activity of CEMG.

In this way, this committee also monitors the suitability of the governance models, processes and procedures, methodologies and systems of risk identification, quantification, monitoring and reporting. During 2015, this committee held 7 face-to-face sessions.

Human Resources Committee

The Human Resources Committee, within the scope of its functions, is responsible for the definition of the Human Resources policy, as well as the promotion of talent management, including the definition of the performance assessment, promotion and career plans system. It periodically assesses the levels of professional satisfaction of employees and defines the annual training plans of the operational areas. This monitoring body of the EBD has not initiated its activity.

Pension Fund Monitoring Commission

The Pension Fund Monitoring Commission is responsible for monitoring the management of the Pension Fund and issuing an opinion on any proposals to change the management policy in force at any given time.

Monitoring is undertaken at the level of its total liabilities, non-required or deferred liabilities, minimum liabilities to be financed, value of the pension fund assets, coverage of minimum and total liabilities, movements undertaken during periods of analysis and monitoring with an impact on the value of the fund (contributions to the Fund, actual return on assets, payment of pensions). The portfolio structure, return and benchmark by asset class is also monitored by this Commission.

The Pension Fund Monitoring Commission is permanently composed of two members of the Executive Board of Directors. Other heads of institutional bodies are called to participate in the Commission according to the subjects being considered. The Pension Fund Monitoring Commission held 1 meeting in 2015.

Real Estate Risk Committee

The real estate risk committee monitors the implementation of the "Plan to reduce the exposure to real estate risk", assesses the strategy, organisation and management of the real estate business and promotes an effective link between the various structures involved and an integrated approach. At the same time, the committee monitors and analyses compliance with the guideline measures of the real estate business strategy, assesses the evolution of financial holdings in companies or vehicles with underlying real estate assets and the incentive structure in real estate marketing, in terms of distribution channels, customers and products.

As a result of the actions and functions undertaken, the Real Estate Risk Committee is responsible for drafting proposals or issuing recommendations to the EBD of CEMG, with a view to promoting an optimised management of real estate risk in line with the defined general objectives. Said objective and duties were met in 2015, with the commission having acted in accordance with the principles underpinning its creation.

The Real Estate Risk Committee, set up in September 2015, has a quarterly periodicity and involves face-to-face meetings. The first meeting was held in December 2015 and the items on the agenda included: "Presentation on the evolution of the exposure to real estate risk until 2015, implemented strategy and results achieved; "Strategic objectives and guidelines for 2016-2018."

III. SUPERVISION

a) Composition

30. Details of the supervisory body representing the adopted model

According to the Institution's governance model, the General and Supervisory Board is the body responsible for the supervision, monitoring and counselling of the Institution's activity.

31. Composition of the General and Supervisory Board or of the Financial Affairs Committee, specifying the minimum and maximum number of members, term of office, number of permanent members, inauguration date and end date of each member's term of office, in accordance with the articles of association. Reference may be made to the point of the report where this information is already provided, in accordance with No. 17

Regarding the composition of the GSB, see Part II - Management and Supervision, point 17.

With regards to the Financial Affairs Committee, composed of a minimum of three and a maximum of five Members, its members are designated by the GSB, and the respective terms of office have the same duration as the term of office of the General and Supervisory Board that appoints them (which in the current case is the three-year period in progress).

With regards to the Strategic Affairs Committee, composed of a minimum of three and a maximum of five elements, its members are also appointed by the General and Supervisory Board, and the respective terms of office coincide, in terms of duration, with the terms of office of the Board that appointed them.

The composition of each of the Committees is as follows:

COMPOSITION OF THE FINANCIAL AFFAIRS COMMITTEE	
	End of the term of office on 30 September 2015
Coordinator	Álvaro João Duarte Pinto Correia
	Gabriel José dos Santos Fernandes
	Luísa Maria Xavier Machado
	Eugénio Óscar Garcia Rosa
	Starting duties on 1 October 2015
Coordinator	Virgílio Manuel Boavista Lima
	Vitor Manuel do Carmo Martins
	Eugénio Óscar Garcia Rosa

COMPOSITION OF THE STRATEGIC AFFAIRS COMMITTEE	
	End of the term of office on 30 September 2015
Coordinator	António Gonçalves Ribeiro
	Maria Manuela Silva
	Vítor José Melícias Lopes
	Carlos Vicente Morais Beato

32. Details of the members of the General and Supervisory Board or the Financial Affairs Committee considered to be independent under the terms of art. 414, No. 5 of the Commercial Companies Code. Reference may be made to the point of the report where this information is already provided, in accordance with No. 18

Some members are independent, as noted in point 18.

33. Professional qualifications of the members of the General and Supervisory Board or the Financial Affairs Committee and other relevant background information. Reference may be made to the point of the report where this information is already provided, in accordance with No. 21

The qualifications and curricula of the members of the GSB are presented in Annex I of this Report.

b) Functioning

34. Availability and place where the rules on the functioning of the General and Supervisory Board or of the Financial Affairs Committee may be consulted. Reference may be made to the point of the report where this information is already provided, in accordance with No. 22

The Rules on the functioning of the GSB and the Committees is available for consultation on the website of the Institution (www.montepio.org).

35. Number of meetings held and the attendance report for each member of the General and Supervisory Board and of the Financial Affairs Committee. Reference may be made to the point of the report where this information is already provided, in accordance with No. 23.

During 2015, the GSB held fifteen meetings and the respective attendance is detailed in point 23 of this Report.

The Financial Affairs Committee held eighteen meetings and the respective attendance was 100%.

36. Availability of each member of the General and Supervisory Board or of the Financial Affairs Committee, and details of the positions held at the same time in other companies within and outside the Group, and other relevant activities undertaken by members of these bodies throughout the financial year. Reference may be made to the point of the report where this information is already provided, in accordance with No. 26.

This information is available in Annex I of this Report.

c) Powers and duties

37. Description of the procedures and criteria applicable to the intervention of the supervisory body for the purposes of hiring additional services from the external auditor

The various audit services are hired under authorisation granted by the EBD, upon advice from the GSB.

38. Other duties of the supervisory bodies and, if applicable, of the Financial Affairs Committee

The GSB can also issue a prior opinion, when requested by the EBD, on any matter that is deemed convenient and urgent. The Committees already mentioned in this Report are available to the GSB, which may, on the initiative of its Chairman, organise working groups for the analysis and supervision of specific matters.

The GSB is the supervisory body that controls and ensures the effectiveness of the internal audit function, its action plans and budget, and controls the non-conformities with the legal rules, Articles of Association and established policies, pursuant to article 20, No. 4, subparagraphs f) and i) of the Articles of Association of CEMG.

The Financial Affairs Committee is responsible for, namely, monitoring and assessing the internal audit, internal control, risk control and accounting procedures; monitoring the activity of the statutory auditor and of the external auditor and assessing the internal control, compliance, audit, certification of accounts reports and their presentation to the GSB, accompanied by the corresponding draft opinion.

In turn, the Strategic Affairs Committee assesses the situation of the Institution in the sectorial context and the hiring or expansion policies, among others.

IV. STATUTORY AUDITOR

39. Details of the statutory auditor and the partner that represents the same

The Statutory Auditor of CEMG is KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA, represented by Jean-Éric Gaign, ROC No. 1013, until 30 December 2015.

At the Extraordinary General Meeting held on 30 December 2015, KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA, represented by Ana Cristina Soares Valente Dourado, ROC No. 1011, was elected for the term of office that ends on 31 December 2018.

40. Indication of the number of years that the statutory auditor consecutively carries out duties with the Institution

KPMG & Associados – SROC, SA has conducted the legal certification of accounts since 2002. At every three-year period, the term of office is assessed at the General Meeting of CEMG.

41. Description of other services that the statutory auditor provides to the Institution

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA, as Statutory Auditor of CEMG performs the duties of external auditor at this Institution. The services provided in addition to the statutory auditor services are presented in point 47.

V. EXTERNAL AUDITOR

42. Identification of the external auditor appointed for the purposes of art. 8 and the partner representing it in fulfilling these duties, including the respective CMVM registry number

The Statutory Auditor of CEMG is KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA, represented by Jean-éric Gaign, ROC No. 1013, until 30 December 2015, and by Ana Cristina Soares Valente Dourado, ROC No. 1011, for the term of office that ends on 31 December 2018.

43. Indication of the number of years that the external auditor and the partner representing it in fulfilling these duties have performed these duties consecutively for the company and/or group

KPMG & Associados – SROC, SA. has conducted the legal certification of accounts at CEMG since 2002. At every three-year period, the term of office is assessed at the General Meeting of CEMG.

The statutory auditor, Ana Cristina Soares Valente Dourado, began duties on 30 December 2015 as a representative of KPMG & Associados, SROC, SA.

44. Policy and frequency for rotating the external auditor and partner representing it in fulfilling these duties

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA has provided external audit services to CEMG under contracts for the provision of services since 2002. The provision of services by KPMG, governed by general terms and conditions, under a specific contract letter “Engagement Letter”, has been extended every year.

The representation of the Audit Firm has been changed, namely by the regular substitution of the Statutory Auditor, with the last change having taken place on 30 December 2015.

A policy of implementation of rotation of the external auditor is currently under appraisal in view of the parameters defined by the New Audit Guidelines.

45. Indication of the body responsible for assessing the external auditor, and frequency of assesment

The GSB is the body of CEMG that analyses and discusses the reports of the external auditors, controls and is responsible for the relations with the external audit. Within GSB it is the Financial Affairs Committee that, within the scope of its duties, monitors the activity of the external auditor, at least, on a quarterly basis.

46. Details of works, other than auditing, carried out by the external auditor for the company and/or companies controlled by it, internal procedures for approving the hiring of these services and reasons for doing so

The KPMG contracted services are provided functionally and hierarchically independent in relation to CEMG, in accordance with the applicable regulatory and professional standards.

The legal review of accounts and other reliability services account for approximately 71% of the remuneration attributed to KPMG & Associados, SROC, SA.

Services other than legal review of accounts approved previously by the Executive Board of Directors include technical support services, namely for the interpretation and review of the necessary procedures for CEMG’s submission of an application to use the internal ratings based approach for purposes of calculation of solvency ratios.

47. Details of the annual remuneration paid by the company and/or legal persons in a control or group relationship to the auditor and other natural or legal persons pertaining to the same network and the percentage breakdown relating to the following services (for the purposes of this information, the “network” concept results from European Commission Recommendation No. C (2002) 1873, of 16 May):

During 2015, the fees charged by KPMG & Associados – SROC, SA, in relation to the services provided to the CEMG Group, mainly audit services, came to 3,680,101 euros, which are broken down in the table below:

Composition of the remuneration attributed to KPMG	AMOUNT (€)	%
By CEMG		
Legal accounts review services	940,000	25.5
Other guarantee and reliability services	1,189,500	32.3
Tax consultancy services	172,010	4.7
Services other than accounts legal review services	810,000	22.0
Subtotal	**3,111,510**	**84.5**
By Group entities [17]		
Legal accounts review services	268,969	7.3
Other guarantee and reliability services	209,329	5.7
Tax consultancy services	62,293	1.7
Services other than accounts legal review services	28,000	0.8
Subtotal	**568,591**	**15.5**
Total	**3,680,101**	**100.0**

C. INTERNAL ORGANISATION

I. Articles of Association

48. Rules applicable to the amendment of the articles of association of the company (art. 245-A, No. 1, sub-paragraph h))

Depending on the type of amendment to the articles of association, the favourable deliberation of the General Meeting or the simple deliberation of the EBD may be sufficient.

The Articles of Association of CEMG may only be amended in accordance with the provisions of chapter VIII, article 36 of said Articles of Association, whose requirements stem from CEMG's foundational and not corporate nature.

As such:

- If the General Meeting of Montepio Geral - Associação Mutualista approves by a majority of at least two thirds of the members present, the proposal presented, duly substantiated, a Committee composed of 5 members shall be elected to prepare the respective project or issue an opinion on the specific terms of the proposal.

- The project or opinion of the Committee shall then be submitted to the chairman of the Board of the General Meeting of CEMG within a maximum of three months, who will convene the extraordinary General Meeting within a period of no longer than one month.

- Once the process has been concluded, the General Meeting of CEMG will deliberate on the proposed amendment.

Following the conclusion of the process, the General Meeting of Montepio Geral - Associação Mutualista will ratify the approved amendments.

II. Reporting of Irregularities

49. Means and policy for reporting irregularities at the company

CEMG reviewed its irregularities reporting policy, having defined a circuit whereby the reporting will be made directly to the supervisory body.

Irregularities refer to acts and omissions related to accounting organisation, management, and internal auditing showing solid evidence of infringement of duties set forth in applicable legislation, regulations, statutes and other rules in force; situations that may place the institution in a situation of financial imbalance, causing damage to customers or shareholders' assets, and reputational damage to the institution.

According to the abovementioned policy, employees that become aware of any irregularities and, in particular, by reason of their duties, namely in the areas covering internal audit, risk management or control of compliance with legal and regulatory obligations, have a duty to report them.

III. Internal Control and Risk Management

50. Individuals, bodies or committees responsible for the internal audit and/or the implementation of the internal control systems

The EBD is responsible for the implementation and maintenance of an adequate and effective internal control system that guarantees the fulfilment of the performance, information and compliance objectives.

The GSB ensures that the EBD establishes and maintains an adequate and effective internal control, and that it ensures and controls the effectiveness of the internal audit function. For this purpose, it has a Financial Affairs Committee which, within the scope of its duties, monitors and assesses the internal audit, internal control, risk control and accounting procedures, and the respective reports and submits them to the GSB accompanied by the corresponding draft opinion.

17 Includes Montepio Recuperação de Crédito, ACE., Montepio Holding, SGPS, Montepio Investimento, SA, Montepio Crédito – Instituição Financeira de Crédito, SA, Montepio – Capital de Risco, SCR, SA, Montepio Valor – Sociedade Gestora de Fundos de Investimento, SA and Finibanco Angola, SA.

The internal audit function is ensured by the Audit and Inspection Department and is an integral part of the monitoring of the internal control system process and, as the third line of defence, executes complementary autonomous assessments of the controls performed, identifying any deficiencies and recommendations, which are documented and reported to the management body. These situations are continually monitored by the internal audit function, in order to guarantee that the necessary measures are taken and managed adequately.

The Risk Management function is ensured by the Risk Department, which supports the EBD in decision making associated to the management of the different types of risk inherent to the activity, within the CEMG Group. As a second line of defence of the risk management structure, the Risk Department is responsible for the identification, quantification and monitoring of risk, the definition of limits and the assessment of its compliance. The organic statute of the Risk Department includes in its structure: the Global Risks Department, the Business Risks Department and the Risks Modelling Department, in accordance with the management of liquidity, market and interest rate risks and of solvency levels; the management of credit and operational risk; and the development of risk classification systems to support the credit analysis and decision and of its validation independently from the development function.

51. Details, even if the organisational chart is included, of hierarchical and/or functional dependency in relation to other bodies or committees

The internal audit, compliance and risk management functions depend hierarchically and functionally on the EBD under supervision of the GSB.

52. Other functional areas responsible for risk control

The Risk Committee, as a body provided for in the articles of association of CEMG, assumes with independence its responsibility in controlling the risks of the institution.

The Risk Comittee of CEMG initiated its duties in October 2015, having undertaken three sessions during the year, in which specific focus was given to the monitoring of the liquidity and capital risk, credit risk, real estate risk and market risk. With the aim of correctly integrating its functions of monitoring and control of the risk strategy of CEMG, namely through access to adequate information relative to the management and control of the different types of risk that the activity of CEMG is subject to, the Committee participated in some of the meetings of the supporting Committees of the EBD, namely of ALCO.

The Risk Committee also prepared and approved its Internal Regulation, a document that defines the duties and rules of functioning of this body of CEMG.

53. Identification and description of the main economic, financial and legal risks to which the company is exposed during the exercise of its activity

The main financial and non-financial risks of the activity of CEMG are:

- Credit – Associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

- Market – Reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them as well as the respective volatility.

- Liquidity - Reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

- Real Estate - Results from possible negative impacts on the results or capital level of CEMG, due to oscillations in the market price of real estate assets.

- Operational – Understood to be the potential loss resulting from failures or inadequacies in internal procedures, persons or systems, and also the potential losses resulting from external events.

It should be noted that the risk monitoring and supervision system of CEMG also recognises other relevant non-financial risks to the activity of CEMG, with emphasis on reputational risk, legal risk and information systems risk.

54. Description of the procedure for identification, assessment, monitoring, control and management of risks

In the Management Report, in a separate chapter ("Risk Management"), there is a detailed description of the principles, methodologies and instruments adopted in the management of the various risks.

55. Core details on the internal control and risk management systems implemented in the Institution regarding the procedure for reporting financial information (art. 245-A, No. 1, sub-paragraph m))

The EBD is responsible for annually preparing the report and accounts for the year and the proposed distribution of net income, to be presented to the GSB and, with the opinion of the latter, submitted for appreciation at the General Meeting to be held until 31 May.

The Investor Relations Office supports the EBD in the fulfilment of its financial reporting duties.

The Statutory Auditor is reponsible for issuing an opinion on the suitability and efficacy of the internal control system underlying the process involving the preparation and disclosure of the individual and consolidated financial information (financial reporting).

IV. Investor Assistance

56. Department responsible for investor assistance, composition, duties, information provided by said department and contact details

The mission of the Investor Relations Office of CEMG, the body that reports directly to the EBD of CEMG, is to ensure compliance with the duties of communication and provision of information to investors, rating agencies and the market in general, within the scope of the legal and regulatory obligations applicable to publicly traded companies.

Throughout 2015, in compliance with the duties of provision of information to investors and the market, the Investor Relations Office disclosed 147 press releases reporting relevant facts occurred in the CEMG Group.

Within the scope of the provision of financial information, the Investor Relations Office prepared 47 clarifications for investors or the press, and replied to institutions and rating agencies, having carried out 61 presential presentations or presentations by conference call, which were attended by members of the Executive Board of Directors of CEMG.

The Investor Relations Office is composed of three full-time members, with suitable qualifications and experience in financial and regulatory affairs. In 2016, the team was strengthened with one more member.

All the public information on the CEMG Group may be requested from the Investor Relations Office, by:

- Telephone (+351 213 249 841),
- Email (investors@montepio.pt) or
- Post (Rua do Carmo, 42, 9.º A, 1200-094 Lisboa)

57. Representative for market relations

Following the election of João Carlos Martins Cunha Neves as member of the Executive Board of Directors, Artur Jorge Correia Gama was appointed on 17 March 2015, in his stead, as the Representative for Investor Relations and for Relations with the CMVM.

58. Data on the extent and deadline for replying to the requests for information received throughout the year or pending from previous years

Within the scope of its functions, the Investor Relations Office ensures a swift response to the requests for information made by holders of the Units of the Participation Fund of CEMG, rating agencies and investors in general.

The Investor Relations Office received and replied, during 2015, to a reduced number of internal and external requests for information that had a maximum response time of 3 days.

Within the scope of the Complaints Management Policy, the Ombudsman Office, in 2015, replied to 132 new complaints related with Financial Instruments (FI) and the Participation Fund of CEMG (PF), which represented 3% of the total volume of complaints, 1.2% of which were related with the Participation Fund of CEMG.

Based on the nature of the requests and the quantity of contributions to be obtained from the organic units of the CEMG Group, the average response time to the complaints related with FI and PF came to 16.5 days, with the fact that 42% of the processes were replied to within 8 days being noteworthy.

It is also important to mention that, with respect to the total number of complaints in 2015, the average response time of the Ombudsman Office came to 8.8 days, with 69% of the complaints having been replied to within 8 days.

V. Internet Site

59. Address(es)

Information on the institution is available in both Portuguese and English on CEMG's Internet site, whose address is www.montepio.org.

60. Place where information on the firm, public company status, registered office and other details referred to in article 171 of the Commercial Companies Code is available.

The Units of the Participation Fund of CEMG (ISIN PTCMHUIM0015) have been, since 17 December 2013, admitted to trading on a regulated market (NYSE Euronext Lisbon), which resulted in the opening of the capital of CEMG to public investment.

CEMG makes available information through the addresses www.montepio.pt\investidores (version in Portuguese) and www.montepio.pt\investors (version in English), which is essential to ensure an adequate knowledge of its activity.

61. Place where the articles of association and regulations on the functioning of the bodies and/or committees are available.

This information may be consulted at the following address: www.montepio.pt/SitePublico/pt_PT/institucional/grupo/sobre/governacao.page?altcode=900GOVERN

62. Place where information is available on the identity of members of the corporate bodies, investor relations representative, investor support office or equivalent, their respective duties and contact details.

This information may be consulted at the following address:

http://www.montepio.pt/SitePublico/en_GB/institutional/about/caixa-economica-montepio-geral/investor-relations.page?altcode=CEMGIREN01

63. Place where the documents relating to financial accounts reporting are available, and which should be accessible for at least five years, as well as the calendar on company events published at the start of each half-yearly period, including general meetings of shareholders and disclosure of annual, half-yearly and quarterly results, if applicable.

CEMG makes available information through the addresses www.montepio.pt\investidores (version in Portuguese) and www.montepio.pt\investors (version in English), which is essential to ensure an adequate knowledge of its activity.

64. Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed.

This information may be consulted at the following address:

https://www.montepio.pt/SitePublico/pt_PT/institucional/grupo/sobre/governacao/assembleias-gerais.page?altcode=AGERAIS

The convening notice and information included in the agenda are also disclosed in the area designated as "news".

65. Place where the historical archive on the resolutions passed at the company's General Meetings, represented share capital and voting results referring to the previous three years are available

This information may be consulted at the following address:

https://www.montepio.pt/SitePublico/pt_PT/institucional/grupo/sobre/governacao/assembleias-gerais.page?altcode=AGERAIS

D. REMUNERATION

I. Power to Establish

66. Details of the powers for establishing the remuneration of the corporate bodies, members of the executive committee or chief executive officer and directors of the company

The duties of the Remuneration Committee include presenting to the General Meeting a proposed update of the remuneration policy of the members of corporate bodies of CEMG, where appropriate, and the obligation to submit for approval to the General Meeting a declaration on the remuneration policy of the members of the management and supervisory bodies.

This Committee must be represented at the General Meeting by at least one of its members.

II. Remuneration Committee

67. Composition of the Remuneration Committee, including identification of the natural or legal persons hired to give it support, and statement on the independence of each member and advisor.

The Remuneration Committee, elected at the General Meeting for the three-year period 2015-2018, is composed of the following members:

Chairman: Álvaro João Duarte Pinto Correia

Voting Member: Fernando Lopes Ribeiro Mendes [18]

Voting Member: José António Arez Romão

None of the members of the Committee is a member of the management body, his/her spouse, relative or related in line of descent until the third degree.

And, in accordance with the articles of association, the members of the Remuneration Committee are independent relative to members of the management body.

In addition, CEMG did not contract any natural or legal person to support the Remuneration Committee and neither did the Committee choose to do so.

68. Knowledge and experience of members of the Remuneration Committee regarding remuneration policy issues

The members of the Remuneration Committee have knowledge and experience in remuneration issues and hold or held management positions.

They have no employment, service provision, supply or credit contract with CEMG, with the exception of any credits for the purchase of private housing or for the payment of health expenses.

III. Remuneration Structure

69. Description of the remuneration policy of the management and supervisory bodies referred to in article 2 of Law No. 28/2009, of 19 June

As a result of the amendment to the articles of association and the entry into force of the new corporate governance model of CEMG, the remuneration policy was drawn up for the three-year period 2013-2015, with its maintenance being reconfirmed, or not, each year.

The remuneration policy of the management and supervisory bodies is approved by the Remuneration Committee which presents, every year, for approval by the General Meeting, the "declaration on the remuneration policy".

This Declaration thus constitutes a «mandate» conferred upon the Remuneration Committee to set the remunerations of the members of the management and supervisory bodies, as well as of the other bodies.

The "declaration relative to the remuneration policy of the members of the management and supervisory bodies relative to 2016", to be submitted to the General Meeting of 5 May 2016, is presented in annex to this report (Annex II).

70. Information on how remuneration is structured so as to permit the alignment of the interests of the members of the management body with the long-term interests of the institution, and how it is based on the assessment of performance and discourages excessive risk taking

The remuneration policy is structured taking into consideration the objectives, structure and dimension of the Institution, nature of duties and market practices.

Remuneration consists of the following components:

i. A fixed component paid on a monthly basis;

ii. A variable component which may or may not be attributed.

These two remuneration components are based on objective and transparent criteria, consistent with the remuneration practice of the Institution and in keeping with the remuneration structure and chain of responsibilities, as well as compatible with national remuneration standards.

In addition to these two remuneration components, remuneration may be attributed in the form of subsistence expenses to be paid to the EBD in the same terms in which they are due to employees.

Although the payment of a variable remuneration to executive directors is provided for in the articles of association, the Institution has adopted a more restrictive policy, setting a maximum ceiling of variable remuneration dependent on the result of the individual performance appraisal and on the Institution's performance, thus preventing excessive risk taking behaviour.

18 Resignation from the position with effect from 6 January 2016

71. Reference, where applicable, to there being a variable remuneration component and information on any impact of the performance appraisal on this component.

The remuneration structure of the executive directors has, in addition to a fixed component, a possible variable component based on specific measurable criteria and predetermined assumptions.

This variable component, approved by the General Meeting following a proposal of the Remuneratiopn Committee, may not exced 20% of the respective annual fixed remuneration, may only be attributed in financial years in which CEMG has not posted any losses and shall be dependent on a multiannual assessment of the performance of each member.

The Remuneration Committee, with reference to the financial year of 2015, maintained its decision not to attribute any variable remuneration.

72. Deferral of the payment of the variable remuneration component, mentioning the period of deferral

When the General Meeting decides to attribute a variable remuneration amount to members of the EBD, 70% of that remuneration is deferred for a period of three years as of the date of the decision to attribute said remuneration.

73. Criteria underlying the attribution of variable remuneration in shares as well as on the holding, by the executive directors, of the shares, on any signing of contracts relative to these shares, namely, hedging or risk transfer contracts, the respective limit, and their relation to the value of the annual total remuneration.

The amount of the variable remuneration that is not subject to deferral is paid in cash, and the remaining value is paid in units of the Participation Fund of CEMG with reference to its nominal value on the date of the decision to attribute the variable remuneration, with no hedging or risk transfer contracts having been concluded.

74. Criteria underlying the attribution of variable remuneration in options and indication of the deferral period and price for exercise of the option

Due to the actual nature of the financial instrument, it cannot be placed in the statutory context of the CEMG Group, as specified in the introductory part (point 2. Statutory Framework of the CEMG Group) of this Report.

75. The main parameters and grounds for any annual bonus scheme and any additional non-financial benefits

No provisions have been made in the remuneration policy of CEMG for the existence of prizes, annual bonuses or non-financial benefit schemes.

76. Main characteristics of the supplementary pension or early retirement schemes for directors and date when said schemes were approved at the general meeting, on an individual basis

The members of the EBD are entitled to a retirement pension, by application, by analogy, of the regime in force for employment contracts.

The retirement conditions for Directors should be approved at the General Meeting. Members of the Executive Board of Directors, who are participants in CEMG's pension plan, managed by Futuro, SA, are attributed a supplementary pension to the Social Security general arrangement.

IV. Remuneration Disclosure

77. Indication of the amount relating to the annual remuneration paid as a whole and individually to members of the Institution's management bodies, including fixed and variable remuneration and as regards the latter, reference to the different components that comprise the same

The remuneration earned by the members of the EBD, in 2015, was as follows:

(euros)

	Fixed Remuneration	Variable Remuneration	Total Remuneration
António Tomás Correia (*)			
Jorge Humberto Barros Luís	254,284.59		254,284.59
Pedro Miguel de Almeida Alves Ribeiro	254,284.59		254,284.59
Fernando Paulo Pereira Magalhães	254,284.59		254,284.59
João Carlos Martins da Cunha Neves	254,284.59		254,284.59

(*) The remuneration of the Chairman of the Executive Board of Directors, in the amount of 447,924.67 euros, was paid exclusively by MGAM

After the new members of the EBD took up duties on 7 August:

			(euros)
	Fixed Remuneration	Variable Remuneration	Total Remuneration
José Manuel Félix Morgado	159,023.00		159,023.00
João Carlos Martins da Cunha Neves	(a)		
Luís Gabriel Moreira Maia Almeida	100,446.50		100,446.50
Fernando Ferreira Santo	100,446.50		100,446.50
Jorge Manuel Viana de Azevedo Pinto Bravo	100,446.50		100,446.50
Luís Miguel Resende de Jesus	100,446.50		100,446.50
João Belard da Fonseca Lopes Raimundo	100,446.50		100,446.50

(a) Member of the EBD reelected on 5 August

78. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or that are subject to a common control

No remuneration is due for the exercise of duties in subsidiary companies, whether paid by said subsidiaries or by CEMG.

The members of the EBD that accumulate positions in entities integrated in the consolidation perimeter of the CEMG Group, or in which the latter owns a qualified holding, can earn an amount of not more than 10% of the monthly fixed remuneration.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded

In 2015, no variable remuneration was attributed.

80. Compensation paid or owed to former executive directors relative to their termination of office during the financial year

During 2015, indemnities to former directors are not payable and have not been paid.

81. Indication of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory bodies for the purposes of Law no. 28/2009, of 19 June

The table below presents the remuneration earned by the previous General and Supervisory Board of CEMG, in office up to 1 October 2015, and by the current General and Supervisory Board elected in August 2015 and in office from 1 October 2015:

General and Supervisory Board (up to 1 October 2015)	
José de Almeida Serra[19]	-
Eduardo José da Silva Farinha[19]	-
Álvaro Cordeiro Dâmaso[19, 20]	-
Vítor José Melícias Lopes	5,000
Carlos Morais Beato[19]	-
Álvaro João Duarte Pinto Correia	5,000
Gabriel José dos Santos Fernandes	5,000
Luísa Maria Xavier Machado	5,000
Maria Manuela da Silva	5,000
António Gonçalves Ribeiro	5,000
Eugénio Óscar Garcia Rosa	5,000

General and Supervisory Board (after 1 October 2015)	
Álvaro João Duarte Pinto Correia	5,000
Fernando Lopes Ribeiro Mendes[21]	5,000
António Fernando Menezes Rodrigues	5,000
José António Arez Romão	5,000
Virgílio Manuel Boavista Lima[21]	5,000
Vitor Manuel do Carmo Martins	5,000
Francisco José Fonseca da Silva	5,000
Acácio Jaime Liberado Mota Piloto	5,000
Luís Eduardo Henriques Guimarães	5,000
Luísa Maria Xavier Machado[22]	5,000
Eugénio Óscar Garcia Rosa	5,000

The remuneration earned by the Statutory Auditor has already been referred to in point 46 and 47.

82. Indication of the remuneration in said year of the Chairman of the Board of the General Meeting

The Chairman of the Board of the General Meeting earned a total amount of 3,741.25 euros in 2015.

V. Agreements with Remuneration Implications

83. Reference to the contractual restraints for compensation payable for unfair dismissal of a director and the relevance thereof to the variable component of the remuneration

Under the terms of the remuneration policy of the members of the EBD, in case of termination of office without just cause, the director is entitled to compensation, whose maximum value corresponds to the fixed monthly remunerations that he is currently earning from the date of dismissal until the end of the planned term of office.

19 Not earning any remuneration as members of CEMG bodies, but as members of the Board of Directors of Montepio Geral – Associação Mutualista (MGAM).
20 Resigned from office taking effect from 1 July 2014.
21 Resigned from office following his election to the Board of Directors of MGAM, taking effect as of 6 January 2016.
22 Replaced by Rui Pedro Brás de Matos Heitor on 1 December 2015.

84. Reference to the existence and description, with indication of the amounts involved, of agreements between the company and members of the management body and directors, in observance of no. 3 of article 248-B of the Securities Market Code which establish compensation in the case of resignation, dismissal without fair grounds or termination of the work relation following a change of control of the company. (art. 245-A, No. 1, sub-paragraph l))

There are no agreements with members of the board of directors or managers that envisage compensation in the event of resignation, unfair dismissal or termination of employment following a takeover bid.

VI. Share-allocation or Stock Option Plans

85. Identification of the plan and of the respective beneficiaries

Is not allowed under the statutory framework of the CEMG Group, as specified in the introductory part (point 2. Statutory Framework of the CEMG Group) of this Report.

86. Description of the plan (eligibility conditions, inalienability of shares clauses, criteria regarding share prices and the price for exercising options, time frame during which options can be exercised, characteristics of the shares or options to be attributed, existence of incentives to acquire shares and/or exercise options).

Is not allowed under the statutory framework of the CEMG Group, as specified in the introductory part (point 2. Statutory Framework of the CEMG Group of this Report.

87. Option rights attributed for the acquisition of shares (stock options) regarding which the company's employees and workers are the beneficiaries.

Is not allowed under the statutory framework of the CEMG Group, as specified in the introductory part (point 2. Statutory Framework of the CEMG Group) of this Report.

88. Control mechanisms established for any system of participation of the workers in the share capital to the extent that voting rights are not exercised directly by them (art. 245-A, No. 1, sub-paragraph e))

Is not allowed under the statutory framework of the CEMG Group, as specified in the introductory part (point 2. Statutory Framework of the CEMG Group) of this Report.

E. Related Parties Transactions

I. Control Mechanisms and Procedures

89. Mechanisms implemented for the purpose of controlling transactions with related parties (for said purpose, reference is made to the concept resulting from IAS 24)

The members of the management and supervisory bodies and the entities considerd as related parties, i.e. entities and holders, directly or indirectly, of qualified holdings or with which they are in a control or group relationship under the terms of art. 20 of the Securities Code, are identified and marked in the records of the central system of the institution, with ongoing updating.

In addition to the applicable rules laid down by law, regulatory mechanisms and the articles of association for compliance with the relevant accounting standards, namely IAS 24, there are specific regulations relative to the concession of credit to owners of qualified holdings, complementary to the procedural rules for each type of credit and issuing of guarantees. These regulations define the specific procedures for processing the proposals relative to these operations, which includes the issuing of an opinion by the supervisory body - GSB - and the approval, by a qualified majority of at least two thirds, by the EBD.

These operations are monitored on a regular basis by the Risk Department, based on the monthly control reports.

90. Details of transactions that were subject to control in 2015

During 2015, the GSB assessed, under the terms of article 109 of the General Regime of Credit Institutions and Financial Companies, the transactions with reference to the concession of credit or review of the limits of exposure to related entities. All the credit operations and transactions were subject to control by the Risk Department.

Within the scope of article 85 of the General Regime of Credit Institutions and Financial Companies, during 2015, there were no significant economic transactions between the institution and members of the management and supervisory bodies.

91. Description of the procedures and criteria applicable to the intervention of the supervisory body for the purposes of the prior evaluation of the business to be carried out between the institution and owners of the qualified holdings or entities which are in any relationship with it, under the terms of article 20 of the Securities Market Code

Operations between the institution and owners of qualified holdings, or with entities with which they have a relationship, under the terms of article 20 of the Securities Code, must comply with specific procedures which requires the opinion of the GSB as mentioned in point 89. The opinion of the General and Supervisory Board is issued prior to the opinions of the Credit Analysis Department, the Commercial Departments involved and the Risk Department, mentioning the conformity with the legal and regulatory provisions and internal regulations, accompanied by information relative to the integrated exposures and the foreseeable trend.

II. Data on Business Deals

92. Details of the place where the financial accounts reporting documents including information on business deals with related parties are available, in accordance with IAS 24, or alternatively a copy of said data

Note 54 of the notes to the financial statements of 2015 describes the overall amounts of assets, liabilities, net income and non-balance sheet liabilities relative to operations with related parties, in conformity wih IAS 24.

PART II – Corporate Governance Assessment

1. Identification of the Adopted Corporate Governance Code

This Corporate Governance Report reflects the governance structure followed by the Institution, directly associated to its organisational performance and in conformity with the governance principles and practices adopted by the Institution, in compliance with the Corporate Governance Code, of July 2013, available on the CMVM website, and with the recommendations of the CMVM.

In addition to the provisions applicable under the law, the articles of association and regulations, all the activities undertaken also comply with the resolutions of the corporate bodies, internal rules, rules of conduct and ethical standards.

Lastly, it is important to point out that this document must be read as an integral part of the Annual Report relative to the financial year of 2015.

2. Analysis of Compliance with the Corporate Governance Code

Under the terms of article 245-A, No. 1, sub-paragraph o) the level of compliance with the recommendations of the Corporate Governance Code is presented:

RECOMMENDATIONS	Adopted	Not applicable	Reference in the Corporate Governance Report
I. Voting and Corporate Control			
I.1. Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically.		✓	Introduction, 2. Statutory Framework of the CEMG Group (Page 424)
I.2. Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.		✓	Introduction, 2. Statutory Framework of the CEMG Group (Page 424)
I.3. Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.		✓	Introduction, 2. Statutory Framework of the CEMG Group (Page 424)
I.4. The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without super quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction.		✓	Introduction, 2. Statutory Framework of the CEMG Group (Page 424)
I.5. Measures that require payment or assumption of fees by the company in the event of change of control or change in the composition of the management body and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of management body members, shall not be adopted.		✓	Introduction, 2. Statutory Framework of the CEMG Group (Page 424)
II. Supervision, Management and Oversight			
II.1. Supervision and Management			
II.1. Within the limits established by law, and except for the small size of the company, the board of directors shall delegate the daily management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.		✓	Introduction, 2. Statutory Framework of the CEMG Group (Page 424)
II.1.2. The Board of Directors shall ensure that the company acts in accordance with its objectives, and shall not delegate its responsibilities as regards the folowing: i) the definition of the strategy and general policies of the company; ii) the definition of the Group's business structure; iii) decisions which should be considered strategic due to their amount, risk or special characteristics.	✓		B. Corporate Bodies and Commissions, II. Management and Supervision - Point 21 (Page 432)
II.1.3. The General and Supervisory Board, in addition to its supervisory duties supervision, shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall enshrine the requirement for this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the Group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company.	✓		B. Corporate Bodies and Commissions, II. Management and Supervision - Point 21 (Page 432)

RECOMMENDATIONS	Adopted	Not applicable	Reference in the Corporate Governance Report
II.1.4. Unless as a result of the small size of the company, the Board of Directors and General and Supervisory Board, according to the adopted model, should create the committees which prove necessary for: a. Ensuring a competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees; b. Reflecting on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their improvement.	✓		B. Corporate Bodies and Commissions, II. Management and Supervision - Point 15 (Page 429) and Point 27 (Page 436)
II.1.5. The Board of Directors or the General and Supervisory Board, depending on the applicable model, should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	✓		C. Internal Organisation, III. Internal Control and Risk Management (Page 442)
II.1.6. The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the management body.		✓	Introduction, 2. Statutory Framework of the CEMG Group (Page 424)
II.1.7. Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to: a. Having been an employee at the company or at a company holding a controlling or group relationship within the last three years; b. Having, in the past three years, provided services or established commercial relationship with the company or company with which it is in a control or group relationship, either directly or as a partner, board member, manager or director of a legal person; c. Being paid by the company or by a company with which it is in a control or group relationship besides the remuneration arising from the exercise of the functions of a board member; d. Living with a partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings; e. Being a qualifying shareholder or representative of a qualifying shareholder.		✓	Introduction, 2. Statutory Framework of the CEMG Group (Page 424)
II.1.8. When requested by other members of the governing bodies, the directors performing executive duties should provide, in due time and in a form appropriate to the request, any information requested by them.	✓		B. Corporate Bodies and Commissions, II. Management and Supervision - Points 16 to 18 (Pages 430 and 431)
II.1.9. The Chair of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chair of the Board of Directors, the Chair of the Supervisory Board, the Chair of the Audit Committee, the Chair of the General and Supervisory Board and the Chair of the Financial Affairs Committee, the convening notices and minutes of the relevant meetings.	✓		B. Corporate Bodies and Commissions, II. Management and Supervision - Point 21 (Page 432)
II.1.10. If the chair of the board of directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that these can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.		✓	Introduction, 2. Statutory Framework of the CEMG Group (Page 424)
II.2. Supervision			
II.2.1. Depending on the applicable model, the Chair of the Supervisory Board, the Audit Committee or the Financial Affairs Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.	✓		B. Corporate Bodies and Commissions, II. Management and Supervision - Point 29 (Page 437)
II.2.2. The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	✓		B. Corporate Bodies and Commissions, III. Supervision - Point 37 (Page 440)
II.2.3. The supervisory body shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.	✓		B. Corporate Bodies and Commissions, V. External Auditor - Point 44 (Page 441)
II.2.4. The supervisory body shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	✓		C. Internal Organisation, III. Internal Control and Risk Management - Point 50 (Page 442)
II.2.5. The Audit Committee, the General and Supervisory Board and the Supervisory Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential improprieties.	✓		C. Internal Organisation, II. Reporting of Irregularities - Point 49 (Page 442)

RECOMMENDATIONS	Adopted	Not applicable	Reference in the Corporate Governance Report
II.3. Remuneration Setting			
II.3.1. All members of the Remuneration Committee or equivalent should be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.	✓		D. Remuneration, II. Remuneration Committee - Point 67 (Page 446)
II.3.2. Any natural or legal person that provides or has provided services in the past three years, to any structure that is directly responsible to the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	✓		D. Remuneration, II. Remuneration Committee - Point 68 (Page 446)
II.3.3. A statement on the remuneration policy of the management and supervisory bodies referred to in article 2 of Law no. 28/2009 of 19 June, shall also contain the following:: a. Identification and details of the criteria for determining the remuneration paid to the members of the governing bodies; b. Information regarding the maximum potential, in individual terms, and the maximum potential, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable; c. Information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.	✓		Annex II (Page 467)
II.3.4. Approval of plans for the allotment of shares and/or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said plan.		✓	Introduction, 2. Statutory Framework of the CEMG Group (Page 420)
II.3.5. Approval of any retirement benefit scheme established for members of corporate bodies shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said scheme.	✓		Annex II (Page 467)
III. Remuneration			
III.1. The remuneration of the executive members of the board shall be based on actual performance and shall discourage excessive risk-taking	✓		D. Remuneration, II. Remuneration Committee - Point 70 (Page 446)
III.2. The remuneration of non-executive board members and the remuneration of the members of the supervisory board shall not include any component whose value depends on the performance of the company or of its value.	✓		D. Remuneration, II. Remuneration Committee - Point 70 (Page 446)
III.3. The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits should be set for all components.	✓		D. Remuneration, II. Remuneration Committee - Point 70 (Page 446)
III.4. A significant part of the variable remuneration should be deferred for a period of not less than three years, and the right of way payment shall depend on the continued positive performance of the company during that period.	✓		D. Remuneration, II. Remuneration Committee - Point 70 (Page 446)
III.5. Members of the Board of Directors shall not enter into contracts with the company or with third parties which intend to mitigate the risk inherent to remuneration variability set by the company.	✓		D. Remuneration, IV. Remuneration Disclosure - Point 78 (Page 448)
III.6. Executive board members shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on the gains of said shares, until the end of their term of office.	✓		D. Remuneration, III. Remuneration Structure (Page 446)
III.7. When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years.		✓	Introduction, 2. Statutory Framework of the CEMG Group (Page 424)
III.8. When the removal of a board member is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is yet due on inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable.	✓		D. Remuneration, IV. Remuneration Disclosure (Page 447)
IV. Auditing			
IV.1. The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems of the corporate bodies as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company.	✓		D. Remuneration (Page 445)
IV.2. The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. Where there are motives for the contracting of such services - which should be approved by the supervisory body and explained in its Annual Corporate Governance Report - they cannot represent a figure above 30% of the total value of the services provided to the company	✓		B. Corporate Bodies and Commissions, V. External Auditor - Point 46 (Page 441)

RECOMMENDATIONS	Adopted	Not applicable	Reference in the Corporate Governance Report
IV.3. Companies shall support auditor rotation after two or three terms whether four or three years, respectively. Its continuance beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of the auditor's independence and the benefits and costs of its replacement.	✓		B. Corporate Bodies and Commissions, V. External Auditor - Point 44 (Page 441)
V. Conflicts of Interest and Related Party Transactions			
V.1. The company's business with holders of qualifying holdings or entities with which they are in any type of relationship pursuant to article 20 of the Portuguese Securities Code, shall be conducted during normal market conditions.	✓		E. Related Parties Transactions, I. Oversight Mechanisms and Procedures - Point 89 (Page 449)
V.2. The supervisory or oversight board shall establish procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings - or entities with which they are in any of the relationships described in no. 1 of article 20 of the Portuguese Securities Code – thus significant relevant business is dependent upon prior opinion of that body.	✓		E. Related Parties Transactions, I. Oversight Mechanisms and Procedures - Point 89 (Page 449)
VI. Information			
VI.1. Companies shall provide, via their websites in both the Portuguese and English languages, access to information on their progress as regards the economic, financial and governance state of play.	✓		E. Related Parties Transactions, II. Data on Business Deals - Point 92 (Page 450)
VI.2. Companies shall ensure the existence of an investor assistance and market liaison office, which responds to requests from investors in a timely fashion, and a record of the submitted requests and their processing shall be kept.	✓		C. Internal Organisation, IV. Investor Assistance (Page 444)

3. Other Information

With regards to other quantitative information and following the approval, by the Executive Board of Directors, of the remuneration policy of the "employees" that covers the senior managers that perform duties that can have an impact on the risk profile of the Institution, officers in control functions and other employees which, in remuneration terms, are assimilated to senior managers, the remunerations earned in 2015 by these employees is presented below:

Year 2015	
Number of Directors	23
Number of Assistant Directors	1
Number of Sub-Directors	1
Total Fixed Remuneration	2,920,943.87€
Total Variable Remuneration	0.00€
Total Remuneration	**2,920,943.87€**

This remuneration policy is the one that is applied to the Employees of Caixa Económica Montepio Geral in general and is based on the existence of remuneration composed of two components: a fixed component and a variable component.

The variable remuneration attributed to senior managers, and those that in remuneration terms are assimilated to them, complies with specific rules and limits.

ANNEX I

CAIXA ECONÓMICA
MONTEPIO GERAL

ANNEX I

ACADEMIC QUALIFICATIONS AND POSITIONS HELD BY MEMBERS OF THE GENERAL AND SUPERVISORY BOARD AND OF THE EXECUTIVE BOARD OF DIRECTORS

General and Supervisory Board (Term of Office: 2013-2015)

José de Almeida Serra

Academic qualifications:

Licentiate Degree in Economics from ISCEF and post-graduation from the Massachusetts Institute of Technology

Professional activities performed over the last few years:

Member of the Board of Directors of Montepio Geral - - since 2004;
Chairman of the General and Supervisory Board of Caixa Económica Montepio Geral - since 6 May 2013.
Positions held in subsidiary companies, as at 31 December 2014
Chairman of the Board of Directors of Montepio Gestão de Ativos – SGFI, SA
Chairman of the Board of Directors of Futuro – Soc. Gestora de Fundos de Pensões, SA
Chairman of the Board of Directors of Lestinvest, SGPS, SA
Chairman of the Board of Directors of Montepio Imóveis – Soc. Imobiliária de Serv. Auxiliares, SA
Chairman of the Board of Directors of Montepio Gestão de Activos Imobiliários, ACE.
Member of the Remuneration Committee of SAGIES – – Segurança, Higiene e Saúde no Trabalho, SA
Member of the Remuneration Committee of Clínica CUF Belém, SA

Vitor José Melícias Lopes

Academic qualifications:

Licentiate Degree in Canon Law and Civil Law

Professional activities performed over the last few years:

Chairman of the Board of the General Meeting of Montepio Geral – since 2008;
Chairman of the Board of the General Meeting of Caixa Económica Montepio Geral, as part of his functions - - since 6 May 2013.

Eduardo José da Silva Farinha

Academic qualifications:

Licentiate Degree in Finance from ISCEF

Professional activities performed over the last few years:

Member of the Board of Directors of Montepio Geral - since 2004;
Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions - since 6 May 2013.
Positions held in subsidiary companies, as at 31 December 2014
Chairman of the Board of the General Meeting of Montepio Gestão de Ativos – SGFI, SA
Chairman of the Board of Directors of MG Investimentos Imobiliários, SA
Chairman of the Board of Directors of Bolsimo – – Gestão de Ativos, SA
Chairman of the Board of Directors of Lusitania – – Companhia de Seguros, SA
Chairman of the Board of Directors of Lusitania Vida – – Companhia de Seguros, SA
Chairman of the Board of Directors of Montepio Seguros, SGPS, SA
Voting Member of the Board of Directors of Clínica CUF Belém, SA
Voting Member of the Board of Directors of Lestinvest, SGPS, SA
Voting Member of the Board of Directors of SAGIES – – Segurança, Higiene e Saúde no Trabalho, SA
Chairman of the Remuneration Committee of Bolsimo – – Gestão de Ativos, SA
Member of the Remuneration Committee of Futuro – – Soc. Gestora de Fundos de Pensões, SA
Member of the Remuneration Committee of Montepio Valor – Soc. Gestora de Fundos de Investimento,SA
Member of the Remuneration Committee of Montepio Gestão de Ativos, SGFI, SA

Carlos Vicente Morais Beato

Academic qualifications:

Licentiate Degree in Management from Instituto Superior de Gestão

Professional activities performed over the last few years:

Member of the Board of Directors of Montepio Geral - - since 2013;
Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions - since 6 May 2013.

Positions held in subsidiary companies, as at 31 December 2014
Chairman of the Board of Directors of Residências Montepio, Serviços de Saúde, SA

Álvaro João Duarte Pinto Correia

Academic qualifications:

Civil Engineer

Professional activities performed over the last few years:

Chairman of the Supervisory Committee of Instituto de Seguros de Portugal (Portuguese Insurance Institute);
Chairman of the Fundação Cidade de Lisboa (City of Lisbon Foundation);
Chairman of the Supervisory Board of Montepio Geral - - since 2013;
Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions - since 6 May 2013.

Gabriel José dos Santos Fernandes

Academic qualifications:

Licentiate Degree in Economics
Statutory Auditor

Professional activities performed over the last few years:

Chairman of the Supervisory Board of Finangeste;
Voting Member of the Supervisory Board of Montepio Geral - since 2007;
Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions - since 6 May 2013.

Luísa Maria Xavier Machado

Academic qualifications:

Licentiate Degree in Management

Professional activities performed over the last few years:

Head of the Budget and Control Department of Caixa Económica Montepio Geral – from 2010 to May 2014;
Head of the Compliance Office since June 2014;
Member of the Supervisory Board of Montepio Geral - - since 2013;
Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of her functions - since 6 May 2013.

Maria Manuela Silva

Academic qualifications:

Licentiate Degree in Economics

Professional activities performed over the last few years:

Member of the General Board of Montepio Geral - - since 2007;
Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of her functions - since 6 May 2013.

António Gonçalves Ribeiro

Academic qualifications:

Lieutenant General

Professional activities performed over the last few years:

Member of the General Board of Montepio Geral - - since 2013;
Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions - since 6 May 2013.

Eugénio Óscar Garcia Rosa

Academic qualifications:

Licentiate Degree in Economics and PhD from ISEG

Professional activities performed over the last few years:

Member of the Research Office of CGTP-IN and of the Technical Office of the National Federation of Public Sector Trade Unions, representative of CGTP in the Monitoring Committees of the Human Potential and Competitiveness Factors Operational Programmes;
Member of the General Board of Montepio Geral - - since 2013;
Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions - since 6 May 2013.

General and Supervisory Board (Term of Office: 2015-2018)

Álvaro Duarte Pinto Correia

Academic qualifications:

Civil Engineer from Instituto Superior Técnico.

Professional activities performed over the last few years:

Director of Caixa Geral de Depósitos from March 1985 to February 2000.
Chairman of the Board of Directors of Companhia de Seguros Fidelidade, SA from March 1992 to April 2000.
Chairman of the Board of the General Meeting of the Portuguese Association of Insurers from March 1994 to March 2000.
Chairman of the Supervisory Committee of ISP – Instituto de Seguros de Portugal since December 2004.

Chairman of the Supervisory Board of Montepio Geral since 2013.
Member of the General and Supervisory Board of Caixa Económica Montepio Geral since 6 May 2013.

Fernando Lopes Ribeiro Mendes (*)

Academic qualifications:

PhD in Economic Sciences from Institut d'Etudes Politiques de Paris (1993).
Master's in Social Demography from Universidade Nova de Lisboa (1988) and licentiate degree in Economics from Universidade Técnica de Lisboa (1977).

Professional activities performed over the last few years:

He has been Chairman of the Inatel Foundation since 2012 and Professor of the Management Department of Instituto Superior de Economia e Gestão da Universidade de Lisboa (ISEG) since 1995.
Permanent member of the General Board of Associação Mutualista from 2012 to October 2015.
Elected to the General and Supervisory Board of Caixa Económica Montepio Geral at the Extraordinary General Meeting held on 5 August 2015. Prior to that he held various positions and duties, namely: Chairman of the Committees to Evaluate Tenders from Public-Private Partnerships in the Health Care area (Hospitals of Cascais, Braga, Loures, Vila Franca de Xira and Centro de Medicina Física e de Reabilitação do Algarve - 2005-10); Expert at the DG Employment and Social Affairs of the European Commission (2008-12); State Secretary for Industry, Commerce and Services of the 14th Constitutional Government (2001-02); President of the Governing Board of the Instituto de Gestão Financeira e Patrimonial da Justiça [Justice Services' Financial and Asset Management Institute] (2000-01); State Secretary for Social Security of the 13th Constitutional Government (1995-99).

(*) Resigned as member of the General and Supervisory Board following his election to the Board of Directors of MGAM.

António Fernando Menezes Rodrigues

Academic qualifications:

Business manager, attended the Finance course at Universidade Técnica de Lisboa.

Professional activities performed over the last few years:

Has been, in the area of business associations, Chairman of ASFAC – Associação de Instituições de Crédito Especializado (Association of Specialised Credit Institutions) since 1991 and member of the Executive Committee of EUROFINAS – European Federation of Finance Houses Association.

In Mutual and Social associativism, he has been a member of the General Board of Montepio (AM) since 2003 and President of Leões de Portugal, IPSS since 2012.
He has been Chairman of the Supervisory Board of G.E. Capital, SGPS since 2012; Chairman of the General Board of ULTRA, SGPS since 2004 and Chairman of the Board of Directors of Realtransfer – Instituição de Pagamento, SA.
He was elected to the General and Supervisory Board of Caixa Económica Montepio Geral, at the Extraordinary General Meeting held on 5 August 2015.

José António Arez Romão

Academic qualifications:

Licentiate Degree in Law from the Faculty of Law of Lisbon in 1967, complementary training in Insurance Management at St. Gall Graduate School for Economics and at the Centre Européen pour la Formation Profissionelle dans l'Assurance – Paris.

Professional activities performed over the last few years:

He previously held duties as Director at Mundial Confiança (1978-1986) and as Chief Executive Officer of Lusitania, Companhia de Seguros (1986-2012). He currently holds the following duties: Chairman of the Board of the General Meeting of Sociedade Gestora de Imóveis da Rua do Prior; Chairman of the Board of Directors of SPA - Sociedade Portuguesa de Administrações; Chief Executive Officer of SIQ - - Sociedade Imobiliária da Quinta das Pedreiras, SA.
He has been a member of the General Board of Montepio Geral - Associação Mutualista since 2014.
Elected to the General and Supervisory Board of Caixa Económica Montepio Geral at the Extraordinary General Meeting held on 5 August 2015.

Virgílio Manuel Boavista Lima (*)

Academic qualifications:

Licentiate Degree in Business Organisation and Management from ISE – Instituto Superior de Economia (currently ISEG – Instituto Superior de Economia e Gestão).
MBA and Master's in Management from ISEG - - Instituto Superior de Economia e Gestão.

Professional activities performed over the last few years:

Elected to the General and Supervisory Board of Caixa Económica Montepio Geral at the Extraordinary General Meeting held on 5 August 2015.
Voting member of the Board of Directors of Lusitania, Companhia de Seguros, SA since 2008, and Chairman of N Seguros, SA since 2010.

(*) Resigned as member of the General and Supervisory Board following his election to the Board of Directors of MGAM.

Vítor Manuel do Carmo Martins

Academic qualifications:

Licentiate Degree in Finance from ISCEF - Instituto Superior de Ciências Económicas e Financeiras (1973); Preparation Course for Statutory Auditors (1978); Courses of the Portuguese Institute of Statutory Auditors within the context of continuous training (1986 to 2015); Financial Accounting at Arthur Andersen & Co. Madrid (1973); Auditing at Hautes Études Commerciales em Jouy-en-Josas – France (1973); Analysis of Industrial Projects – I.P.E. (1980).

Professional activities performed over the last few years:

Statutory Auditor in companies operating in various sectors of economic activity, namely industrial, commercial, SPGS and financial (from 1983 to 2015). Elected to the General and Supervisory Board of Caixa Económica Montepio Geral at the Extraordinary General Meeting held on 5 August 2015.

Francisco José Fonseca da Silva

Academic qualifications:

PhD from the University of Estremadura, Spain. Post-graduation in MBA from Universidade Lusíada de Lisboa; Post-graduation in European Studies, from the Faculty of Human Sciences of Universidade Católica Portuguesa; Licentiate Degree in Economics, from the Faculty of Economics of Universidade Nova de Lisboa.

Professional activities performed over the last few years:

He is currently Chairman of the Board of Directors of Food4Kings, SA. Elected to the General and Supervisory Board of Caixa Económica Montepio Geral at the Extraordinary General Meeting held on 5 August 2015.

Acácio Jaime Liberado Mota Piloto

Academic qualifications:

Licentiate Degree in Law, from the Faculty of Law of Universidade de Lisboa.
Holder of a scholarship from the Hanns Seidel Foundation, Munich, Post-graduation in Economic Law at Ludwig Maximilian University, Post-graduation in Community Competition Law at the Max Planck Institut (1984/1985). Insead Executive Program (1999).

Professional activities performed over the last few years:

Between 1988 and 2012 he worked for Banco Comercial Português (Millennium bcp), as General Director, having also performed, among others, the following duties: Chairman of AF Investimentos Fundos Mobiliários and AF Investimentos Fundos Imobiliários, 1996; Director of Millennium bcp Investimento from 2000 to 2010; Group Treasurer of Millennium bcp, 2006 to 2009; Director of Millennium Gestão de Activos from 2010 to 2012. He is currently non-executive Director and Member of the Nomination and Remuneration Committee of EDP Renováveis, SA. Elected to the General and Supervisory Board of Caixa Económica Montepio Geral at the Extraordinary General Meeting held on 5 August 2015.

Luís Eduardo H. Guimarães

Academic qualifications:

Licentiate Degree in Finance from Instituto Superior de Economia (ISCEF) of Universidade Técnica de Lisboa; Post-graduation in Corporate Finance from Universidade de Direito de Lisboa.

Professional activities performed over the last few years:

Performed the duties of Invited Lecturer at Instituto Superior de Economia; Manager Financial Controller (2nd VP) of The Chase Manhattan Bank; Financial Manager of Sofinloc - Soc. Leasing; Manager of Project Finance at Banco CISF; Financial Manager of Banco Investimento Imobiliário; Member of the Senior Management of BCP MILLENNIUM - Coordinator of the Corporate Network and Novarede; He is currently member of the Board of Directors of GENERG SGPS. Elected to the General and Supervisory Board of CEMG at the Extraordinary General Meeting held on 5 August 2015.

Rui Pedro Brás de Matos Heitor

Academic qualifications:

Licentiate Degree in Law from the Faculty of Law of Universidade de Lisboa (2002). Completed the modules of the Post-graduation in Arbitrage at the Faculty of Law of Universidade Nova de Lisboa, namely Arbitration Agreement, Arbitration Court, Applicable Law, Arbitration Process, Arbitration Decision (2009).

Professional activities performed over the last few years:

Began his professional career at Montepio in 2005, where he worked as a lawyer in the Credit Recovery Department and Litigation Department of CEMG. Since 2012 he has been responsible for the Lawyers

Area of Montepio Recuperação de Crédito – ACE.
Member of the General and Supervisory Board of Caixa Económica Montepio Geral, for the three-year period 2016-2018, as the representative of the workers of CEMG and elected by them.

Eugénio Óscar Garcia Rosa

Academic qualifications:

Licentiate Degree in Economics from Instituto Superior de Economia e Gestão (1976); Post-graduation in Labour and Social Security Law (Universidade Nova de Lisboa 2005); Post-graduation in Insurance and Pension Fund Management (Instituto Superior de Economia e Gestão 1998); Master's in Multimedia Educational Communication (Open University 2000- - 2002); Master's in Communication, Culture and Information Technologies (ISCTE 2003-2005).

Professional activities performed over the last few years:

Member of the Board of Directors of the insurance company "Sagres" (2000-2008). Member of the General Board of Montepio (2006-2013). Consultant of CGTP-IN and of the National Federation of Public Administration Trade Unions, and representative on the community programmes POEFDS, POPH and Competitiveness Factors Operational Programme and on the Board of Directors of CEDEFOP (EU) from 2004 to 2013, having suspended the activity while he was a member of the Portuguese Parliament (2005 to 2008). Member of the General Board of Montepio Geral since 2013. Member of the General and Supervisory Board of Caixa Económica Montepio Geral since 6 May 2013.

Executive Board of Directors (Term of Office: 2013-2015)

António Tomás Correia

Academic qualifications:

Licentiate Degree in Law from Universidade Clássica de Lisboa

Professional activities performed over the last few years:

Chairman of the Board of Directors of Montepio Geral - - since 2008;
Chairman of the Executive Board of Directors of Caixa Económica Montepio Geral - since 18 March 2013.
Positions held in subsidiary companies, in December 2015
Chairman of the Board of Directors of Finibanco Angola, SA
Chairman of the Board of Directors of Montepio Holding, SGPS, SA
Chairman of the Board of Directors of Montepio Investimento, SA
Member of the Remuneration Committee of Montepio Valor – Soc. Gestora de Fundos de Investimento, SA
Member of the Remuneration Committee of Futuro – – Soc. Gestora de Fundos de Pensões, SA
Member of the Remuneration Committee of Montepio Gestão de Ativos, SGFI, SA

Jorge Humberto Barros Luís

Academic qualifications:

Licentiate Degree in Economics from ISCEF

Master's in Economics (specialisation in Monetary and Financial Economics) from ISEG
Advanced Management Program (AMP), Harvard Business School
PhD in Economics from University of York

Professional activities performed over the last few years:

Manager of the Risk Department of Caixa Económica Montepio Geral from 2004 to 2013;
Member of the Executive Board of Directors of Caixa Económica Montepio Geral - since 18 March 2013.
Positions held in subsidiary companies, in December 2015
Chairman of the Board of Directors of Montepio Valor – – Soc. Gest.de Fundos de Investimento, SA
Chairman of Montepio Crédito – Instituição Financeira de Crédito, SA
Member of the Board of Directors of Montepio Holding, SGPS, SA
Member of the Board of Directors of Montepio Gestão de Activos Imobiliários, ACE.

Pedro Miguel de Almeida Alves Ribeiro

Academic qualifications:

Licenciate Degree in Economics from the Faculty of Economics of Universidade de Coimbra
PAGESF – Post-graduation from Universidade Católica de Lisboa

Professional activities performed over the last few years:

Director of Accenture – 2001 to 2013;
Member of the Executive Board of Directors of Caixa Económica Montepio Geral - since 18 March 2013.
Positions held in subsidiary companies, in December 2015
Voting Member of the Board of Directors of Montepio Holding, SGPS, SA
Voting Member of the Board of Directors of Montepio Investimento, SA
Voting Member of the Board of Directors of SIBS – Soc. Interbancária de Serviços, SA
Voting Member of the Board of Directors of UNICRE – – Instituição Financeira de Crédito, SA
Voting Member of the Board of Directors of Montepio Crédito – Instituição Financeira de Crédito, SA

Fernando Paulo Pereira Magalhães

Academic qualifications:

University Degree in Marketing Management from Instituto Superior de Gestão e Marketing

Professional activities performed over the last few years:

Sales Manager of Caixa Económica Montepio Geral from 2009 to 2013;
Member of the Executive Board of Directors of Caixa Económica Montepio Geral - since 18 March 2013.
Positions held in subsidiary companies, in December 2015
Chairman of the Board of Directors of Banco Montepio Geral – Cabo Verde, Soc. Unipessoal, SA
Voting Member of the Board of Directors of Montepio Holding, SGPS, SA
Voting Member of the Board of Directors of Montepio Crédito – Instituição Financeira de Crédito, SA

João Carlos Martins da Cunha Neves

Academic qualifications:

Licentiate degree in Economics from Universidade Católica Portuguesa
PhD in Economics from University of York
Master's in Applied Economics from Universidade Nova de Lisboa

Professional activities performed over the last few years:

Corporate Credit Analysis Manager at Caixa Económica Montepio Geral from 2006 to 2010;
PMO – Banca Invest at Caixa Económica Montepio Geral between 2009 and 2010;
Manager of Strategic Planning, Control and Accounting at Caixa Económica Montepio Geral from 2010 to 2014;
Member of the Executive Board of Directors of Caixa Económica Montepio Geral - since 10 December 2014.

Executive Board of Directors (Term of Office: 2015-2018)

José Manuel Félix Morgado

Academic qualifications:

Licentiate Degree in Business Management from Universidade Católica Portuguesa; Specialisation in Assets and Liabilities Management (ALM) from INSEAD Fontainebleau.

Professional activities performed over the last few years:

Chairman of the Executive Committee from 2007 to 2015 and Vice-Chairman of the Board of Directors from 2010 to 2015 at INAPA IPG.
President of the Council of EUGROPA – European Paper Merchant Association from May 2012 to July 2015.
Chairman of the Executive Board of Directors of Caixa Económica Montepio Geral since 7 August 2015.
Positions held in subsidiary companies, in December 2015
Chairman of the Board of Directors of Montepio Recuperação de Crédito ACE
Chairman of the Board of Directors of Finibanco Angola, SA.
Voting Member of the Board of Directors of Banco Terra Moçambique, SA.

João Carlos Martins da Cunha Neves

Academic qualifications:

Licentiate Degree in Economics from Universidade Católica Portuguesa.
PhD in Economics from University of York.
Master's in Applied Economics from Universidade Nova de Lisboa.

Professional activities performed over the last few years:

Corporate Credit Analysis Manager at Caixa Económica Montepio Geral from 2006 to 2010.
PMO – Banca Invest at Caixa Económica Montepio Geral from 2009 to 2010.
Manager of Strategic Planning, Control and Accounting of Caixa Económica Montepio Geral from 2010 to 2014.
Member of the Executive Board of Directors of Caixa Económica Montepio Geral since 10 December 2014.
Positions held in subsidiary companies, in December 2015
Voting Member of the Board of Directors of Finibanco Angola, SA.

Luís Gabriel Moreira Maia Almeida

Academic qualifications:

PAGEB – Universidade Católica/ Faculty of Economic and Corporate Sciences.
GOAR – Universidade Católica/ Faculty of Economic and Corporate Sciences; PEN - Universidade Católica/ Faculty of Economic and Corporate Sciences.

Professional activities performed over the last few years:

President of the Association of Banks of Guinea-Bissau APBEF-GB Guinea-Bisau and UEMOA from 2006 to 2008.
Director of Banco de África Ocidental, SA – Guinea-Bissau from May 2006 to May 2013.
Sales Manager of Caixa Económica Montepio Geral from 2008 to 2013; Director of Finibanco Angola from May 2013 to August 2015; Member of the Executive Board of Directors of Caixa Económica Montepio Geral since 7 August 2015.
Positions held in subsidiary companies, in December 2015
Member of the Board of Directors of Montepio Crédito– – Instituição Financeira de Crédito, SA

Fernando Ferreira Santo

Academic qualifications:

Civil Engineer from Instituto Superior Técnico (1974).

Professional activities performed over the last few years:

Member of the Portuguese Engineers Order and Specialist in Construction Management; Member of the Board of Directors of Caixa Económica Montepio Geral since 7 August 2015.
Executive Director of Montepio Gestão de Activos Imobiliários since May 2014.
State Secretary for Property and Equipment Management of the Ministry of Justice between June 2011 and December 2013.
Chairman of the Portuguese Order of Engineers between 2004 and 2010 and President of the National Council of Professional Orders, during the same period.
Post-graduation teacher of Real Estate Valuation and Management at Instituto Superior de Economia e Gestão since 2001.
Positions held in subsidiary companies, on 31 December 2015: Voting Member of Montepio Gestão de Activos Imobiliários, ACE; Voting Member of Montepio Recuperação de Crédito, ACE.

João Belard da Fonseca Lopes Raimundo

Academic qualifications:

Licentiate Degree in Business Management from Universidade Católica Portuguesa de Lisboa and an MBA from INSEAD (Fontainebleau, France).

Professional activities performed over the last few years:

Between 2006 and 2011, Member of the Board of Directors of Banco Millennium BCP de Investimento, SA. and General Manager of Banco Comercial Português, SA.
Up until 2010, Vice-Chairman of the Board of the General Meeting of Millennium Angola.
From 2009 to 2010, was appointed Vice-Chairman and CEO of Millenniumbcp Bank, NA (USA).
From 2009 to 2012, Member of the Board of Directors of CIMPOR–Cimentos de Portugal, SGPS, SA.
From 2011 to 2014, Head of the Investment Banking Division of Millenniumbcp.
Up to August 2015, Chairman of the Executive Commitee and Member of the Board of Directors of BCP Capital – Sociedade de Capital de Risco, SA and Chairman of the Board of Directors of BCP Holdings (USA), Inc. and Member of the Board of Directors of OMIP – Operador do Mercado Ibérico (Portugal) SGPS, SA. He was also a Member of the Investment Boards of the Fundo Revitalizar Norte, FCR (managed by Explorer Investments, SCR, SA), of the Fundo Revitalizar Centro, FCR (managed by Oxy Capital, SCR, SA) and of the Fundo Revitalizar Sul, FCR (managed by Capital Criativo, SCR, SA). Member of the Executive Board of Directors of Caixa Económica Montepio Geral since 7 August 2015. He also performs duties as Voting Member of the Board of Directors at SIBS, SGPS, SA and SIBS FPS – Forward Payment Solutions, SA as a representative of CEMG and Member of the Board of Directors of Montepio Recuperação de Crédito.
He is also Member of the Board of Directors of EDP Renováveis, SA.
Positions held in subsidiary companies, in December 2015: Chairman of Montepio Capital de Risco, SRC, SA; Voting Member of the Board of Directors of Montepio Recuperação de Crédito, ACE

Jorge Manuel Viana de Azevedo Pinto Bravo

Academic qualifications:

Licentiate Degree in Engineering from Instituto Superior de Engenharia de Lisboa, Post-graduation in Management and Marketing from Stockley Park Management Center.
Positions held in subsidiary companies, in December 2015; Partner in-charge of Risk Advisory Services at KPMG Portugal between 1998 and 2005.
Vice - Chairman of the Board of Directors of Reditus Gestão, SA between 2009 and 2010. Director of Grupo Tecnidata between October 2007 and 2010. Managing Director Financial Services Iberia of Logica (currently CGI) between January 2006 and July 2007. Director/manager of companies of the Inapa Group. Member of the Executive Board of Directors of Caixa Económica Montepio Geral since 7 August 2015.

Luís Miguel Resende de Jesus

Academic qualifications:

Licentiate Degree in Economics from Universidade Lusíada (1993-1998). Post-graduation in Risk Management and Derivatives (2005-2006).
Positions held in subsidiary companies, in December 2015.
Member of the Executive Board of Directors of Caixa Económica Montepio Geral since 7 August 2015.
Associate Partner at KPMG Portugal – Advisory (Financial Services), from October 2014 to August 2015. Manager at KPMG Portugal – Advisory Department – Financial Services in the Financial Risk Management area in Portugal and Angola (October 2012 to September 2014). Senior Manager at KPMG Portugal – Auditing Department – Financial Services (October 2006 to September 2012).
Positions held in subsidiary companies, in 31 December 2015; Member of the Board of Directors of Montepio Recuperação de Crédito, ACE.

ANNEX II

CAIXA ECONÓMICA
MONTEPIO GERAL

ANNEX II

STATEMENT ON THE REMUNERATION POLICY OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES OF CEMG FOR 2016

1. The general and fundamental rules of remuneration policy are set by the General Meeting and applied to specific situations by a Remuneration Committee, elected under the terms of article 23 of the Articles of Association of CEMG, on 5 August 2015, with no use being made of external consultants in these matters.

2. The Articles of Association of CEMG, in article 11 No. 1, provide that the following are institutional bodies of Caixa Económica: the General Meeting; the General and Supervisory Board; the Executive Board of Directors; the Remuneration Committee; the Assessment Commitee, the Risk Committee and the Statutory Auditor.

3. The performance of the management and supervisory body is assessed by the General and Supervisory Board and, ultimately, by the General Meeting.

4. The remuneration statute of the members of the Executive Board of Directors is composed of:

a) A monthly fixed remuneration, paid in double in the months of January (holiday bonus) and November (Christmas bonus);

b) Subsistence expenses, in the event of travel, paid under conditions identical to those for staff members;

c) This variable remuneration may never exceed 20% of the fixed annual remuneration, may only be attributed in financial years in which CEMG has not posted any losses and shall be dependent on a multiannual assessment of the performance of each member, in compliance with the document "Remuneration Policy of the management and supervisory bodies of Caixa Económica Montepio Geral and of the members of other institutional bodies";

d) The remuneration referred to in a) and b) may be reviewed annually under the same conditions applicable to the review of the remuneration of staff members;

e) The members of the General and Supervisory Board and of the Executive Board of Directors are entitled to the following benefits:

1. A retirement pension, assigned in accordance with the Retirement Plans of the Executive Board members, as approved by the General Meeting;

2. Compensation for any damage resulting from work accidents and professional diseases, as per clause 38 of the Collective labour agreement;

3. A health insurance policy with a coverage similar to the one provided for in clause 144 of the Collective labour agreement, if they do not have direct access to this protection.

5. The members of the General and Supervisory Board earn a fixed monthly remuneration, paid in double in the months of January (holiday bonus) and November (Christmas bonus).

6. The members of the Board of the General Meeting, pursuant to No. 1 of art. 17 of the Articles of Association, earn a fixed remuneration paid as a single lump sum, in June of each year.

7. The Statutory Auditor earns a fixed remuneration set annually.

The Remuneration Committee

Montepio

Valores que crescem consigo.

CAIXA ECONÓMICA MONTEPIO GERAL
CAIXA ECONÓMICA BANCÁRIA
PUBLICLY LISTED COMPANY

Registered Office: Rua Áurea, 219-241, Lisboa
Institutional Capital: 1,770,000,000 Euros
Registered at the Lisbon Commercial Registry Office, under the same Registration and Tax Identification Number: 500 792 615

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www.montepio.pt/investors