CAIXA ECONÓMICA MONTEPIO GERAL
CONSOLIDATED RESULTS
AS AT 31 DECEMBER 2015

Lisbon, 18 March 2016

HIGHLIGHTS

CAPITAL **Solvency Reinforcement**	▪ **Enhanced capital position** either from a core capital standpoint where **CET1 ratio**[1] **improved by +31bp to 8.82%** as well as from a broader capital perspective where Total Capital ratio[1] improved by 107bp to 9.74% (8.51% e 8.67%, respectively, in 2014). ▪ This upgrade reflects the successful outcome in managing the capital base of the bank through a fruitful combination effort to deleverage from rich assets while increasing the core capital base. During 2015 – namely throughout the second half of the year – **the total Risk Weighted Assets (RWA) dropped by EUR 1.143 million (-7.6%) and the Own Funds increased by EUR 51.1 million.** ▪ **In 2016, reinforcement of CEMG's own funds through a capital increase.** Taking into account this new capital level the CET1 ratio[1], as at December 2015, would have reached 10.9%. ▪ **Improvement of the CRDIV/CRR Leverage ratio**[1] reaching 5.73% against 5.60% at the end of 2014.
LIQUIDITY **Improvement condition of the B/S**	▪ **Customers' deposits grew by 3.3%** in the last quarter of the year, **underpinned by a 5.1% increase in term deposits amounting to EUR +489 million**. ▪ **Sound liquidity condition** of its B/S reflected in the comfortable **LCR ratio (Liquidity Coverage Ratio) of 111.4%**, above the minimum required level of 60%. ▪ **Commercial Gap surplus of EUR 338.3 million** resulting in a healthy **transformation ratio (97.7%)**, factoring in total credit and total customers' resources. ▪ **Reduction of 9.4% in ECB funding** (EUR -234.6 million).
ASSET QUALITY **Reduction in the Cost of Risk**	▪ Improvement of the marginal asset quality expressed in the **sharp reduction of the Cost of Credit Risk (-155bp)**, down to 1.59%, as opposed to 3.14%, in 2014. ▪ Significant reduction (-17.3%) of loans tumbling into Non-Performing loans. ▪ **Deleveraging program of real estate assets with a positive balance** for the first time since 2012. ▪ **Positive performance in the asset quality** of retail portfolios allowing a reduction of the amount of Credit-at-Risk in EUR 500,000. ▪ **Sound coverage of Credit-at-Risk** by impairments (51.6%) which increases to 126.9% when taken into account the real estate collaterals.

[1] CRDIV / CRR Phasing-in

EARNINGS

Resilience of the recurring net income

- **Significant drop of Provisions and Impairments losses** by 44.1% (EUR -285.0 million).
- **Moderate reduction in the Commercial Net Interest Income** of EUR 10.7 million (-4.5%) hampered by the decrease of the housing loans portfolio reference interest rates.
- Net Interest Income negatively affected by the sovereign debt securities portfolio (EUR -50.0 million).
- Results from Financial Operations amounted to EUR 138.7 million, negatively affected by the **lower contribution from Portuguese sovereign debt (EUR -279.0 million)**.
- **Control over Operating Expenses** in the domestic activity (+1.6%).
- **Net Income of EUR -243.4 million, undermined by the aforementioned smaller contribution of the public debt securities portfolio (EUR -329.0 million).**

RATING

Overall improvement of the rating grades

- **Upgrade of CEMG's ratings as well as of the securities originated by CEMG.**
- **Moody's upgraded the rating of CEMG's senior unsecured debt to 'B1', in June 2015.**
- **Moody's** upgraded the rating of CEMG's Covered Bonds to 'Baa1', thus reaching the Investment Grade level, in June 2015.
- In the second half of 2015, **Standard & Poor's Ratings Services** affirmed the Investment Grade level of Pelican Mortgages No.2 and Aqua Mortgage No.1 securitization transactions, confirming the high quality of the Residential Mortgage Backed Securities where CEMG acts as originator.
- In January 2016, **Fitch Ratings** also raised the rating of CEMG's Covered Bonds to Investment Grade, assigning them 'BBB-' level.

The financial information contained in this document was prepared according to the International Financial Reporting Standards ("IFRS"). The 2015 figures have not yet been audited.

CAPITAL

Caixa Económica Montepio Geral (CEMG) responded favorably to the demanding challenges it was faced with in 2015, namely by focusing on its commercial dynamics which allowed it to regain customers' deposits growth along with the putting in place of strategic measures which lead to risk mitigation and to a smaller capital consumption, thus shoring up the soundness and solvency of its balance sheet.

Therefore, the reinforcement of EUR 51.1 million in Own Funds, coupled with the reduction of EUR 1.143 million in the Risk Weighted Assets (-7.6%), stemming from the management of risk allocation in the credit and debt securities portfolios, translated into the improvement of the phasing-in Common Equity Tier 1 and Total Capital ratios, from 8.51% to 8.82% and from 8.67% to 9.74%, standing in both cases above the minimum required levels by 182bp and 174bp, respectively.

At the end of 2015, the phasing-in CRD IV/CRR Leverage ratio, stood at 5.73%, against 5.60%, on 31 December 2014.

Basileia III - CRD IV/CRR	**2015**	**2014**	Chg.
Total Capital	**1,360**	**1,309**	**+3.9 %**
Eligible instruments to CET1	1,890	1,682	+12.4 %
Common Equity Tier 1 Capital	1,231	1,285	-4.2 %
Tier I Capital	1,231	1,285	-4.2 %
Tier II Capital	137	33	>100 %
Risk Weighted Assets and equivalents	**13,962**	**15,105**	**-7.6 %**
Capital ratios (phasing-in)			
Common Equity Tier 1	8.82%	8.51%	+31 bp
Tier 1	8.82%	8.51%	+31 bp
Total Capital	9.74%	8.67%	+107 bp
Leverage Ratio (Phasing In)	5.73%	5.60%	+13 bp

This positive trend will be reinforced in the current quarter through an increase of the institutional capital (core capital), which would allow, as at December 2015, the Common Equity Tier 1 and the Total Capital ratios to stand at 10.9% and 11.9%, respectively.

LIQUIDITY

Total Net Assets reached EUR 21,145.2 million, a 5.9% decline against 31 December 2014, mainly due to the reduction of the credit portfolio, as a consequence of subdued demand, in a backdrop marked by the slow recovery of the Portuguese economy and the adoption of a more stringent underwriting criteria, coupled with the reduction of the securities portfolio.

At the end of 2015, Customers' Deposits remained as the main source of funding of the activity, representing 61.3% of total funding sources. In the last quarter of 2015, one should highlight the resurgence of Customer's Deposits (+3.3%), with a particular emphasis in the taking of term deposits and savings deposits which went up by 5.1%.

Still in 2015, a CEMG redeemed EUR 628.2 million of outstanding debt securities and reduced by 9.4% (to EUR 2,262.3 million) the reliance on the European Central Bank (ECB) against 2014 and -34,0% against 2013 (i.e., EUR -1,133 million).

The Liquidity Coverage Ratio (LCR) reached 111.4%, above the 60% minimum required level in place on 31 December 2015. Emphasis should also be put in the maintenance of the equilibrium of commercial balance sheet with the loans to deposits ratio, factoring in total credit and customers' resources, standing comfortably at 97.7%, against 92.5% in 2014.

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Institutional Capital: 1,500,000,000 Euros, Registered at the Lisbon Commercial Registry Office, under the same Registration and Tax identification number 500792615

ASSET QUALITY

On an annual basis, Gross Loans to Customers decreased by 4.0%, to EUR 15,944.0 million, mainly arising from the performance of the domestic activity (-4.1%), as a result of the demanding repricing policy coupled with the management of credit risk. The annual performance of the credit portfolio is mainly a reflection of the still decreasing trend in housing loans (-4.5%), a reduction in the construction segment (-26.7%), the decrease in the credit granted to the Third Sector of the economy (-4.2%) and to the stability of the credit granted to companies excluding construction (-1.0%). The domestic activity stands for 98% of the total gross loans portfolio, entailing a reduced exposure to the African market.

During 2015, there was a 17.3% year-on-year decrease in the number of new retail Non-Performing Loans (NPL[2]). Credit quality is being hampered by the Top20 Credit-at-Risk (CaR) which, nonetheless, has a wide coverage ratio by impairments and related collateral reaching 118.1%. Excluding the negative contribution of these set of customers a favorable trend in Credit-at-Risk would have been registered (EUR -500.000).

Therefore, the trend of the Top 20 CaR, coupled with the still very difficult condition of both households and companies, hampered the trend of the credit-at-risk ratio which stood at 14.3%, whereas the credit more than 90 days overdue ratio stood at 7.73%. Nevertheless, one should emphasize the stability of the coverage of total credit-at-risk at 56.1%, against 69.4% in 2014. Taking into account the related real estate collateral, this coverage ratio increases to 126.9% (136.5%, in 2014).

EARNINGS

Net Income at the end of 2015 was EUR -243.4 million, affected by the lower contribution of results arising from the sale of Portuguese public debt (EUR -329.0 million) and by the reduction of impairments of EUR 285.0 million (-44.1%).

Net Interest Income stood at EUR 227.5 million, against EUR 336.5 million in 2014, heavily affected by the EUR 50.0 million year-on-year reduction in the contribution from the public debt securities portfolio, as a result of the lower yields and the sale of these assets in 2014. Net Interest Income for 2015 was further hampered by the decrease in the volume of the credit portfolio and by the behavior of Euribor rates standing at historically minimum levels.

The Results from Financial Operations totaled EUR 138.7 million, against EUR 352.2 million in 2014. This trend was determined by the smaller contribution of the sale of Portuguese public debt securities which reached EUR 364.2 million in 2014, against EUR 85.2 million in 2015, implying a decrease of EUR 279.0 million. It is worth noting that, excluding the impact of the sale of the said securities, the Results from Financial Operations had an annual growth of EUR 65.6 million.

Therefore, the contribution of the Portuguese public debt portfolio in 2014 affected significantly the Net Banking Income in 2015, which stood at EUR 455.5 million, against EUR 784.5 million in 2014. Excluding this contribution, which entailed an annual change of EUR -329.0 million, Net Banking Income was stable in comparison to 2014.

As far as the Operating Expenses are concerned, there was a restraint of the level of domestic activity (1.6%) which, coupled with the increase observed in the international activity, resulted in a global increase of 5.2%. Nevertheless, considering that the acquisition of Banco Terra, S.A. occurred only in December 2014, the consolidated Operating Costs, on a comparable basis, increased by only 2.6%.

Total impairment flow decreased by 44.1% on an year-on-year basis, with the cost of credit risk diminishing to 1.59%, against 3.14% observed at the end of 2014, resulting from the reduction of the respective impairment, which decreased 50.7%, on an year-on-year basis. In the domestic market that reduction reached 52.5%.

In what concerns the international activity of CEMG's Group, Banco MG Cabo Verde, Sociedade Unipessoal, S.A. posted a net income of EUR 1.2 million, against EUR 0.2 million in 2014, benefiting from the increase of EUR 0.9 million in net banking income, underpinned by the 20.6% growth in net interest income, and by the 12.5% reduction in operating expenses.

The activity in Angola, carried out by Finibanco Angola, S.A., attained a positive net income of EUR 9.1 million, against EUR 12.8 million in 2014. This trend was marked by the contribution of 1.3% of net

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[2] Overdue loans by more than 90 days and falling due.

banking income, boosted by the 3.9% increase in net interest income, which, nevertheless, was not enough to offset the 21.0% growth in operating expenses and the 9.6% increase of loan impairments.

Banco Terra, S.A., operating in Mozambique, posted a net income of MZN 3.1 million, which represents a contribution of EUR 0.1 million by end-2015.

RATING

During 2015, the favorable trend in a set of key indicators, translated into the improvement of Caixa Económica Montepio Geral's rating grades: i) Moody's upgraded the Long-Term rating, from 'B2' to 'B1', and improved the Outlook to 'Stable', ii) Fitch Ratings affirmed the Viability Rating of 'B+' and improved the Outlook to 'Stable', and iii) DBRS also affirmed the Intrinsic Assessment of 'BB(high)', while keeping the respective Outlook.

As far as the rating of CEMG's outstanding covered bonds is concerned, emphasis should be put in the 3-notch upgrade by Moody's, from 'Ba1' to 'Baa1' and the 1-notch upgrade by Fitch, to 'BBB-' moving the securities into the Investment Grade category.

Currently, CEMG is updating its Covered Bond programme to include a Conditional Pass-Through (CPT) mechanism.

Still in 2015, Standard & Poor's Rating Services assigned a 'A+(sf)' rating to the class A notes of both *Pelican Mortgages No.2* and *Aqua Mortgage No.1* securitization transactions, affirming the high quality of the Residential Mortgage Backed Securities where CEMG acts as originator.

MOST SIGNIFICANT EVENTS IN 2015

CEMG's new corporate bodies

Following the approval of the revision of CEMG's Articles of Association, in the General Meeting held on 26 May 2015, the new corporate bodies were elected on 5 August 2015. The new Executive Board of Directors, headed by Mr. José Morgado, took office on 7 August 2015.

New legal framework for the Savings Banks

On 10 September 2015, the Decree-Law no. 190/2015 was published, which divides the savings banks in two groups, according to the volume of their assets, into "annexed savings banks" and "banking savings banks", with CEMG falling in the latter group.

This Decree-Law determines the equivalence of the banking savings banks to banks and that, as such, they can perform all the legal activities carried out by the latter. Therefore, this Document opens very positive prospects for the development of CEMG's activities, granting it a flexibility and an access to market instruments that were previously not available to it, given its legal nature, but which were, nevertheless, available to its competitors.

Approval of the Strategic Plan 2016-2018 by CEMG's General Meeting held on 30 December 2015

The Extraordinary General Meeting held on 30 December 2015 approved the Strategic Plan and the Action and Budget Programme for 2016, as well as the criteria set for the sale of financial holdings within the Group.

Prizes and Awards

490th Place in Top1000 World Banks 2015: sponsored by The Banker magazine, a media of reference in the banking sector, which is part of the British Financial Times Group, this ranking of the world's 1,000 biggest banks is based on an evaluation of the strength and financial soundness of each institution.

Superbrands Born in Portugal 2015: for the 7th consecutive year, Montepio was once again distinguished by Superbrands Portugal for its values of solidarity, sustainability, ethics and transparency and by the way it puts the economy at the service of society, while materializing the values of membership.

Global RepTrak^{TM} Pulse 2015: 1st place in the factors quality of the services rendered, social responsibility and corporate governance.

Meaningful Brands Portugal 2015: in an initiative sponsored by the Havas Media Group, Montepio's brand was considered the most relevant in the Financial & Insurance sector.

"Five Stars" 2015 – Net24 Individual Customers: CEMG's Homebanking won the Five Stars 2015 award, given the excellency of the service, the innovation and the level of customer satisfaction. In 2016, Net24 platform was once again awarded the Five Stars prize, following a complete and rigorous assessment carried out by the users and professionals in the quality area, in terms of customer satisfaction, price, service recommendation, reliability and innovation.

INDICATORS

(thousand euros)	**2015**	**2014**	Chg.
ACTIVITY AND RESULTS			
Net Assets	21,145,216	22,473,474	-5.9%
Gross loans to Customers	15,944,015	16,612,095	-4.0%
Customers' Deposits	12,969,431	14,314,659	-9.4%
Net Income	-243,407	-186,953	-30.2%
SOLVENCY			
Common Equity Tier 1 ratio (CRD IV / CRR, phasing-in)	8.82%	8.51%	0.31p.p.
Tier 1 ratio (CRD IV / CRR, phasing-in)	8.82%	8.51%	0.31p.p.
Total Capital ratio (CRD IV / CRR, phasing-in)	9.74%	8.67%	1.07p.p.
LEVERAGE RATIOS			
Net loans to Customers / Customers' Deposits (a)	113.14%	106.46%	6.68p.p.
Net loans to Customers / On-Balance sheet Customers' resources (b)	97.74%	92.50%	5.24p.p.
CREDIT RISK AND COVERAGE BY IMPAIRMENTS			
Ratio of loans and interests overdue by more than 90 days	7.73%	6.11%	1.62p.p.
Non-performing loans ratio (a)	9.53%	7.42%	2.11p.p.
Net non-performing loans ratio (a)	1.62%	-1.00%	2.62p.p.
Credit-at-risk ratio (a)	14.32%	12.03%	2.29p.p.
Net credit-at-risk ratio (a)	6.83%	4.02%	2.81p.p.
Credit-at-risk coverage ratio	56.12%	69.35%	-13.23p.p.
Credit-at-risk coverage ratio, factoring-in related real estate collateral	126.92%	136.50%	-9.58p.p.
Restructured loans as a % of total loans (c)	9.38%	10.49%	-1.11p.p.
Restructured loans not included in credit-at-risk as a % of total loans (c)	3.82%	6.89%	-3.07p.p.
EFFICIENCY AND PROFITABILITY			
Net Operating Income / Average Net Assets (a)	2.07%	3.48%	-1.41p.p.
Earnings before Taxes and Non-controlling interests / Average Net Assets (a)	-1.22%	-0.92%	-0.30p.p.
Earnings before Taxes and Non-controlling interests / Average Equity (a)	-18.78%	-12.57%	-6.21p.p.
Operating Expenses / Net Operating Income (Cost to Income) (a)	78.90%	43.56%	35.34p.p.
Personnel Expenses / Net Operating Income (a)	44.81%	24.75%	20.06p.p.
EMPLOYEES AND DISTRIBUTION NETWORK (Number)			
Employees			
Group total	4,404	4,425	-21
CEMG	3,871	3,907	-36
Branches			
Domestic - CEMG	421	436	-15
International	30	27	3
Finibanco Angola (d)	21	18	3
Banco Terra (Mozambique)	9	9	0
Rep. Offices - CEMG	6	6	0

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

CONSOLIDATED BALANCE SHEET

(thousand euros)	**2015**	**2014**
Cash and deposits at central banks	424,450	284,813
Deposits at other credit institutions	238,007	217,043
Financial assets held for trading	51,093	86,581
Financial assets available for sale	3,068,501	3,589,711
Investments in credit institutions	172,044	546,162
Loans to customers	14,662,277	15,226,223
Investments held to maturity	161,540	120,101
Hedging derivatives	9	60
Non-current assets held for sale	754,898	799,739
Investment properties	692,485	715,737
Other tangible assets	89,115	98,931
Intangible assets	65,862	66,054
Inv. in associates and subsidiaries excluded from consolidation	3,908	24,650
Current tax assets	27,861	2,664
Deferred tax assets	403,506	355,881
Other assets	329,660	339,124
TOTAL NET ASSETS	**21,145,216**	**22,473,474**
Resources from central banks	2,277,258	2,496,886
Financial liabilities held for trading	70,289	85,292
Resources from other credit institutions	1,573,131	1,070,156
Resources from customers and other loans	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 liabilities	333,039	373,279
Other liabilities	203,624	369,718
TOTAL LIABILITIES	**19,801,069**	**21,058,950**
Institutional Capital	1,500,000	1,500,000
Participation Fund	400,000	200,000
Other equity instruments	8,273	8,273
Own securities	-31,581	-3,280
Revaluation reserves	-18,805	18,516
Other reserves and retained earnings	-299,002	-148,472
Net income	-243,407	-186,953
Non-controlling interests	28,669	26,440
TOTAL EQUITY	**1,344,147**	**1,414,524**
TOTAL LIABILITIES AND EQUITY	**21,145,216**	**22,473,474**

CONSOLIDATED INCOME STATEMENT

(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**
Income from equity instruments	3,636	610
Income from services, fees and commissions	134,854	135,708
Expenses from services, fees and commissions	33,044	26,142
Gains arising from assets and liabilities at fair value through profit or loss	-13,498	4,204
Gains arising from financial assets available for sale	114,451	374,386
Gains arising from currency revaluation	16,510	17,016
Gains arising from sale of other assets	482	-41,974
Other operating income	4,564	-15,815
NET OPERATING INCOME	**455,474**	**784,499**
Personnel expenses	204,093	194,153
General administrative overheads	128,690	120,494
Amortisation and depreciation	26,595	27,077
OPERATING PROFIT	**96,096**	**442,775**
Provisions net of adjustments	-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 TAXES AND NON-CONTROLLING INTERESTS	**-268,550**	**-208,191**
Taxes		
Current	1,490	-18,190
Deferred	24,890	41,004
Non-controlling interests	-1,237	-1,576
NET INCOME	**-243,407**	**-186,953**

Glossary

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

Cost of Risk – Annualized credit impairment as a percentage of average gross credit

(sf)-*strutured finance*

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