CAIXA ECONÓMICA MONTEPIO GERAL

PUBLICLY LISTED COMPANY

HEAD OFFICE: RUA ÁUREA, 219-241, LISBON

INSTITUTIONAL CAPITAL: EUR 1,500,000.000

REGISTERED WITH THE LISBON COMMERCIAL REGISTRY OFFICE

UNDER THE SOLE COMMERCIAL REGISTRATION AND TAXPAYER NUMBER 500792615

CONSOLIDATED ACTIVITY AND RESULTS 2014

(Unaudited financial information)

Lisbon, 27 March 2015

CONTENTS

HIGHLIGHTS

- Net Income reached EUR -187.0 million, compared to the net income of EUR -298.6 million recorded in 2013. Excluding the non-recurring effects over the course of 2014, Net Income would come to EUR -87.1 million.

- Net Interest Income registered a very positive performance, having reached EUR 336.5 million, corresponding to a year-on-year increase of EUR 111.3 million (+49.4%). This improvement, which reinforces the trend observed since the last quarter of 2013, influenced Net Operating Income, which recorded a year-on-year increase of EUR 406.8 million, reaching a total of EUR 784.5 million. Net Operating Income also benefited from the positive performance of the fees of services rendered to customers which came to EUR 109.6 million, and from net trading income (mainly generated by the sale of fixed rate assets) which reached EUR 352.2 million.

- The Common Equity Tier 1 ratio stood at 8.5%, above the minimum regulatory requirement, pursuant to the phasing-in criteria of the Basel III CRD IV / CRR (Directive 2013/36/EU, Regulation EU 575/2013 and Notice 6/2013 of Banco de Portugal). As a result of the recording of negative actuarial differences of the Pension Fund, stemming from the calibration of the €iBoxx “AA” corp index discount rate used to calculate the net present value of the liabilities, the Common Equity Tier 1 ratio registered a negative impact of 115bp.

- Significant increase in customers’ deposits (+1.4%) reaching a total of EUR 14.242,7 million. This lead to a reinforcement of the Liquidity position, through a year-on-year growth of 0.3% in on-balance sheet resources derived from retail customers to EUR 16,365.8 million. Total customers' resources, including off-balance sheet resources, reached EUR 17,373.3 million, representing a year-on-year increase of 0.3%.

- Gross Credit to Customers reached EUR 16,540.9 million, representing a year-on-year marginal decrease of -0.1%. As a result of the balance sheet diversification strategy, credit to companies (excluding Construction) registered a year-on-year increase of 12.0%, while mortgage loans continued their downward trend: housing loans -6.3% and loans to construction -26.5%.

- The positive evolution in funding sources at retail level, associated to the capacity to finance the new credit operations through the deleveraging of non-strategic credit, enabled a new reduction of the commercial gap (customers’ deposits – credit to customers) and of the loan-to-deposit ratio (Credit/Deposits), which decreased from 110.2% at the end of 2013 to 106.1% in 2014.

- Reduction of the reliance on the ECB by EUR 919 million, compared to 31 December 2013. The pool of assets available for refinancing operations with the ECB reached EUR 1,726 million, representing a liquidity buffer of circa 41.1% of total eligible assets as at 31 December 2014.

- Operating Costs registered a slight increase of 0.5%, as a result of a prudent cost containment policy, notwithstanding the requirements for more resources associated, in particular, to the growth of the international operations, namely in Angola and in Mozambique. Consequently, the Cost-to-Income ratio stood at 43.6, relative to 90.1% recorded in 2013.

- The maintenance of a prudent provisioning reinforcement policy enabled the coverage ratio of credit overdue by more than 90 days by provisions to increase to 136.4%, compared to 119.9% recorded in 2013.

Consequently, the Credit-at-Risk coverage ratio by impairments increased significantly to 69.8%, compared to 51.7% in the same period of the previous year. The coverage ratio, considering total credit impairments and the associated real estate collateral, stands at 137.4%.

- **At the end of 2014, the Caixa Económica Montepio Geral (CEMG) Group, under its growth and geographical expansion strategy, deemed as crucial in its Strategic Plan, acquired a qualifying holding of 44.5% in the capital of Banco Terra, a Mozambican bank. This acquisition aims at reinforcing the role of the bank in the development and economic growth of Mozambique, targeting the retail and corporate areas, in particular agri-business customers, mortgage loans and SMEs.**

1. KEY INDICATORS

(thousand euros)

INDICATORS	2014	2013	2012
ACTIVITY AND RESULTS			
Net Assets	22,473,474	23,039,203	20,972,731
Gross Credit to Customers	16,540,943	16,556,907	16,806,449
On-Balance Sheet Customers' Resources	16,363,549	16,310,031	15,170,652
Total Deposits	14,242,679	14,039,197	13,103,506
Securities Placed with Customers	2,120,870	2,270,834	2,067,146
Net Income	-186,953	-298,626	2,099
LEVERAGE AND LIQUIDITY			
Total Net Credit to Customers / Customer Deposits (a)	106.48%	110.18%	120.50%
Total Net Credit to Customers / On-Balance Sheet Customers' Resources (b)	92.51%	94.70%	104.14%
Eligible Assets for Refinancing with the ECB	4,202,365	5,783,695	3,139,482
CREDIT RISK AND COVERAGE BY IMPAIRMENTS			
Ratio of Credit and Interest Overdue by more than 90 days	6.13%	5.30%	4.94%
Non-Performing Loans Ratio (a)	7.33%	7.12%	6.32%
Net Non-Performing Loans Ratio (a)	-1.09%	0.84%	0.82%
Coverage of Credit and Interest Overdue by more than 90 days	136.40%	119.85%	111.00%
Credit-at-Risk Ratio (a)	11.94%	12.25%	10.95%
Net Credit-at-Risk Ratio (a)	3.94%	6.32%	5.72%
Credit-at-Risk Coverage Ratio	69.75%	51.70%	50.68%
Restructured Credit as a % of Total Credit (c)	10.49%	9.68%	6.48%
Restructured Credit not included in Credit-at-Risk as a % of Total Credit (c)	6.90%	7.30%	5.18%
EFFICIENCY AND PROFITABILITY			
Net Operating Income / Average Net Assets (a)	3.48%	1.76%	2.05%
Earnings before Tax and Minority Interests / Average Net Assets (a)	-0.91%	-1.73%	-0.80%
Earnings before Tax and Minority Interests / Average Equity (a)	-12.40%	-23.62%	-11.56%
Net Income / Average Net Assets (ROA)	-0.83%	-1.39%	0.01%
Net Income / Average Equity (ROE)	-11.27%	-15.23%	0.14%
Operating Expenses / Net Operating Income (cost-to-income) (a)	43.56%	90.05%	83.64%
Personnel Expenses / Net Operating Income (a)	24.75%	52.12%	45.79%
SOLVENCY			
Common Equity Tier 1 Ratio (CRD IV phasing-in)	8.50%	-	-
Total Capital Ratio (CRD IV phasing-in)	8.66%	-	-
DISTRIBUTION NETWORK AND EMPLOYEES (Units)			
Total Number of Employees (CEMG Group)	4,425	4,213	4,223
CEMG			
Employees	3,907	3,903	3,947
Branches	436	456	458
Employees / Branches	9.0	8.6	8.6
International Branch Network			
Finibanco Angola (d)	18	15	10
Banco Terra (Mozambique)	9	-	-
Representation Offices	6	6	6

(a) In accordance with Banco de Portugal Instruction No. 16/2004.
(b) On-Balance Sheet Customers' Resources = Customer Deposits and Securities Placed with Customers
(c) In accordance with Banco de Portugal Instruction No. 32/2013.
(d) Includes Business Centres.

2. OVERVIEW

After three years of recession, the **Portuguese economy** resumed its growth path, albeit at a slower pace in 2014, a year marked by the conclusion, in May, of the Economic and Financial Assistance Programme (PAEF) agreed in 2011 with the troika. In 2014, the first annual average increase of GDP (+0.9%), although tenuous, was registered, after having contracted for three consecutive years up to 2013 (-1.4%). The pace of recovery is expected to pick up to 1.6% in 2015. The construction sector continued to be pressured, with GVA contracting to 4.0% in 2014, in spite of the return to quarterly growths in the 2nd quarter of 2014. The fiscal adjustment process continued over the course of 2014, with the deficit estimated to have ended the year at around 4.6%, below the official target of 4.8% and of 4.9% recorded in 2013. The unemployment rate stood at 13.5% at the end of 2014 (13.9% in annual average terms), below the 16.2% registered in 2013, which is still a historically high value. Inflation came to -0.3% in 2014, compared to +0.3% in 2013, which, with the exception of 2009, is the first time that inflation has been negative since 1954 (-1.9%), mostly due to the fall in energy prices (-1.4%).

In January 2015, the IMF revised downwards its forecast for world economic growth by 0.3 p.p. for 2015 and 2016, to 3.5% and 3.7% respectively – this still represents, nonetheless, a slight acceleration relative to growth in 2014 (+3.3%). The IMF considers that the **world economy** is facing a new period of weak growth and high unemployment. Among the major economies, the recovery of economic activity has been uneven, with the **US** and the **United Kingdom** registering an annual growth of 2.4% and 2.6% in 2014, respectively, which contrasts with the weak economic growth in the **Euro Zone** (+0.9% in 2014), stagnation in **Japan** (+1.6% in 2013) and decelerating economic growth in the **BRIC countries**, where **China** slowed from 7.7% to 7.4% in 2014, although it should avoid a marked slowdown in 2015.

In terms of **monetary policy**, the Fed ended its asset purchase programme in October, after three rounds of Quantitative Easing, having declared in the last meeting of 2014 that it would be patient with regards to its next interest rate rise. In the opposite sense, the ECB has adopted various measures over the years, placing the refi rate at a new historical low of 0.05% and the deposit rate at a negative value (-0.20%), announcing, at the same time, a series of unconventional measures, with emphasis on targeted longer-term refinancing operations – TLTRO and on asset-backed securities (ABS) and covered bonds (CBPP3) purchase programmes. In 2015 (at the meeting held on 22 January) the Federal Reserve decided to launch an extended quantitative easing programme. This posture has a downward effect on market interest rates, which will tend to negatively affect the net interest income of banking institutions and the profitability of their assets.

Regarding the **financial markets**, sentiment was positive throughout 2014, within a context of new stimuli launched by the ECB, the Bank of Japan and, closer to the end of the year, the People's Bank of China. There were various positive movements in the **stock market indices** of the US, India, China and Japan and negative trend movements in Europe, with the exception of some countries, namely Germany and Spain, which ended up supporting a slight rise in the Eurostoxx 50. Throughout the year, market sentiment was negatively affected by geopolitical risk, namely the crisis between the Ukraine and Russia and the ongoing tension in the Middle East. The **spreads of the public debt of the peripheral countries** relative to the bund fell (with the exception of Greece), benefiting mainly from the ECB's accommodative stance, an improvement in the macroeconomic environment and the budget implementation of those countries. Mention should be made of the evolution of the spreads of Portugal and Spain, which fell in 2014, by 206 b.p. and 115 b.p. respectively, over a ten-year period, reaching historical lows. In the **money market**, Euribor rates registered minimums across all maturities, largely driven by the rate cuts of the ECB, with the refi rate having decreased by 20 b.p. in 2014. In the **foreign exchange market**, the effective Euro nominal exchange rate fell by 5.0%, after having reached, in mid-March 2014, record highs since June 2011, mainly reflecting the launch of new monetary stimuli by the ECB.

3. RESULTS

At the end of 2014, the net income of CEMG stood at EUR -187.0 million, compared with a net income of EUR –298.6 million in 2013. This evolution was influenced by the occurrence of non-recurring factors in 2014, in particular to the recognition of impairments and to tax effects, in spite of the very positive performance of Net Interest Income, which increased by EUR 111.3 million year-on-year, and Net Trading Income, which stood at EUR 352.2 million. Excluding non-recurring factors, the net income of CEMG would have thus been EUR 87.1 million.

INCOME STATEMENT

(thousand euros)

	2014		2013		Variation	
	Amount	%	Amount	%	Amount	%
Net Interest Income	**336,506**	**42.9**	**225,247**	**59.6**	**111,259**	**49.4**
Net Fees of Services to Customers	109,566	14.0	114,634	30.4	-5,068	-4.4
Commercial Net Operating Income	**446,073**	**57.0**	**339,881**	**90.0**	**106,192**	**31.2**
Income from Equity Instruments	610	0.1	535	0.1	75	14.0
Net Trading Income	352,170	44.9	14,340	3.8	337,830	>100
Other Net Income	-14,354	-1.8	22,921	6.1	-37,275	<-100
Net Operating Income	**784,499**	**100.0**	**377,677**	**100.0**	**406,822**	**>100**
Personnel Expenses	194,153	24.7	196,834	52.1	-2,681	-1.4
General Administrative Overheads	120,494	15.4	109,927	29.1	10,567	9.6
Amortisation	27,077	3.5	33,352	8.8	-6,275	-18.8
Total Operating Expenses	**341,723**	**43.6**	**340,114**	**90.1**	**1,609**	**0.5**
Gross Profit	**442,776**	**56.4**	**37,563**	**9.9**	**405,213**	**>100**
Net Provisions and Impairments	**643,227**	**82.0**	**397,334**	**105.2**	**245,893**	**61.9**
Credit	522,062		298,834		223,228	74.7
Securities	58,931		34,022		24,909	73.2
Other	62,234		64,478		-2,244	-3.5
Earnings from Associates and Joint Ventures	**-5,275**		**-12,682**		**7,407**	58.4
Earnings before Tax and Minority Interests	**-205,727**	**-26.2**	**-372,453**	**-98.6**	**166,726**	**44.8**
Taxes	**20,350**	**2.6**	**75,980**	**20.1**	**-55,630**	**-73.2**
Minority Interests	**-1,576**		**-2,153**		**577**	**26.8**
Net Income	**-186,953**	**-23.8**	**-298,626**	**-79.1**	**111,673**	**37.4**

Non-recurring factors, recorded in 2014, reached EUR 274.1 million, and are set out below:

- Formation of provisions for real estate risks and impairment recognition in relation to the parametric model, totalling EUR 42.3 million and EUR 26.6 million, respectively.
- Impairment recognition relating to relevant exposures, in the amount of EUR 140 million, which include the exposure to Grupo Espírito Santo.
- Annulment of deferred taxes totalling EUR 65 million, arising from the reinforcement of provisions/credit impairments and the use of tax losses carried forward.

NON-RECURRING FACTORS

(million euros)

	2014
Reported Net Income for the Year	**-187.0**
Impairments related to real estate risks	42.3
Impairments related to relevant exposures	140.0
Impairments related to the parametric model	26.6
Fiscal related adjustments	65.2
Non-recurring factors	**274.1**
Recurring Net Income for the Year	**87.1**

3.1 NET INTEREST INCOME

Net Interest Income reached EUR 336.5 million, representing an increase of 49.4% compared to EUR 225.2 million in 2013. This performance was mainly the result of the combined effect of the increase in income associated to Customer Credit of EUR 65.5 million, resulting from the increase in average balance and the rise in the average interest rate, and to Other Investments of EUR 36.8 million, due to the reduction of costs relative to Financial Liabilities (EUR -13.5 million), mainly through the reduction of the average interest rate of Deposits by 31 basis points. Consequently, the net interest margin increased to 1.60% in 2014 (compared to 1.13% in 2013).

NET INTEREST INCOME AND AVERAGE RATES

(million euros)

	2014			2013		
	Average Capital	Average Rate	Income / Costs	Average Capital	Average Rate	Income / Costs
Financial Assets	**20,991**	**4.34%**	**910**	**20,017**	**4.06%**	**812**
Credit to Customers	16,653	3.66%	610	16,385	3.31%	543
Other Investments	4,338	4.51%	196	3,632	4.38%	159
Swaps			104			110
Financial Liabilities	**20,380**	**2.81%**	**573**	**19,393**	**3.03%**	**587**
Deposits	14,019	2.26%	316	13,154	2.57%	337
Other Liabilities	6,361	2.38%	151	6,239	2.27%	142
Swaps			106			108
Net Interest Income			**337**			**225**
Net Interest Margin		**1.60%**			**1.13%**	
Euribor 3M - average for the period		**0.30%**			**0.22%**	

3.2 OTHER OPERATING INCOME

Net commissions reached EUR 109.6 million euros, registering a year-on-year decrease of EUR 5.1 million (-4.4%).

Net trading income reached EUR 352.2 million, having benefited from market gains in the fixed income securities portfolio, as a result of the balance sheet interest rate risk management strategy defined by the ALCO.

NET TRADING INCOME

(thousand euros)

	2014	2013	Variation	
	Amount	Amount	Amount	%
Gains arising from Assets and Liabilities at Fair Value through Profit or Loss	4,204	-27,986	32,190	>100
Gains arising from Financial Assets Available for Sale	374,386	44,025	330,361	>100
Gains arising from Currency Revaluation	17,016	20,223	-3,207	-15.9
Other Net Income	-43,435	-21,922	-21,513	-98.1
TOTAL	**352,170**	**14,340**	**337,830**	**>100**

The combined increase of Net Interest Income and Other Operating Income impacted Net Operating Income, which grew EUR 406.8 million.

3.3 OPERATING COSTS

Business performance in 2014 enabled the improving trend in the Institution's operational efficiency, compared to the previous year, to be maintained, benefiting from the increase in Net Operating Income, as well as the adoption of a prudent operating cost containment policy, in the domestic activity (EUR -3,9 million, compared to 2013) which contrasted to and year-on-year increase of EUR 5.5 million in the international activity, resulting from the requirement for additional resources that the growth of the operation in Angola and the entry into the Mozambican market implied.

Total operating expenses came to EUR 341.7 million, corresponding to a slight year-on-year increase of 0.5%, mainly due to the 9.6% increase in General Administrative Overheads, related to supporting the development of business activity.

EVOLUTION OF OPERATING COSTS

(thousand euros)

	2014		2013		Variation	
	Amount	%	Amount	%	Amount	%
Personnel Expenses	194,153	56.8	196,834	57.9	-2,681	-1.4
General Administrative Overheads	120,494	35.3	109,927	32.3	10,567	9.6
Operating Expenses	**314,646**	**92.1**	**306,761**	**90.2**	**7,886**	**2.6**
Amortisation	27,077	7.9	33,352	9.8	-6,275	-18.8
Total Operating Expenses	**341,723**	**100.0**	**340,114**	**100.0**	**1,611**	**0.5**
Domestic Activity	323,319	94.6	327,184	96.2	-3,865	-1.2
International Activity	18,405	5.4	12,929	3.8	5,476	42.4
RATIOS						
Cost-to-Income (Total Operating Expenses / Net Operating Income) (a)	43.56%		90.05%			
Cost-to-Income without Depreciation (Total Operating Costs / Operating Income)	40.11%		81.22%			

(a) In accordance with Banco de Portugal Instruction No. 16/2004.

3.4 PROVISIONS AND IMPAIRMENTS

In a still fragile macroeconomic environment, and as a result of a prudent and conservative policy in the interpretation of risk factors associated to the performance of banking activity, combined with non-recurring effects, in particular related to the exposure to the Espírito Santo Group, provisions and impairments reached EUR 643.2 million, representing an increase of EUR 245.9 million, relative to 2013.

CEMG believes that this rigour in the assessment of the risk levels of its asset portfolio will enable it to face the prevailing difficult economic context with even stronger coverage levels and economic robustness, reinforcing the confidence entrusted by all its stakeholders.

EVOLUTION OF PROVISIONS AND IMPAIRMENTS

(thousand euros)

	2014		2013		Variation	
	Amount	%	Amount	%	Amount	%
Net Credit Provisions and Impairment Charges	522,062	81.2	298,834	75.2	223,228	74.7
Net Securities Impairment Charges	58,931	9.2	34,022	8.6	24,909	73.2
Net Other Assets Provisions and Impairment Charges	62,234	9.7	64,478	16.2	-2,244	-3.5
Total Net Provisions and Impairment Charges	**643,227**	**100.0**	**397,334**	**100.0**	**245,893**	**61.9**
Non-Recurring Effects						
Impairments related to real estate risks	42,300					
Impairments related to relevant exposures	140,000					
Impairments related to the parametric model	26,600					
Total Recurrent Net Provisions and Impairment Charges	**434,327**		**397,334**		**36,993**	**9.3**

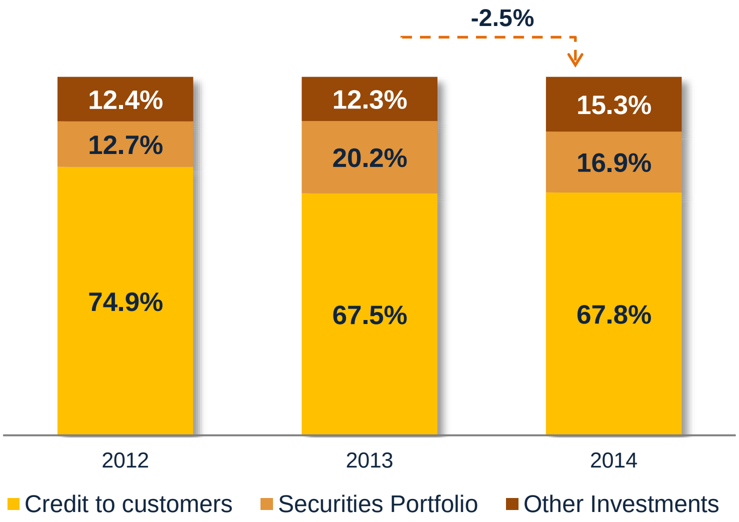
4. ACTIVITY

During 2014, CEMG continued to provide its contribution to the development of the country's economic activity, remaining, in this regard, faithful to its retail banking mission, by focusing on banking activity operations with customers, credit concession, attracting savings and providing financial services to individuals, small and medium-sized enterprises and social economy entities, with which it has maintained and established new commercial relations of growing proximity, while at the same time taking advantage of business opportunities in financial markets.

4.1 ASSETS

Net assets reached EUR 22,473.5 million, a decrease of 2.5% relative to the end of 2013. This decrease was mainly influenced by the 18.3% decrease in the securities portfolio, which now represents 16.9% of total assets (20.2% in 2013).

EVOLUTION OF THE ASSET STRUCTURE (EUR million)



4.2 CREDIT TO CUSTOMERS

The stock of credit to customers remained stable, at the end of 2014, in spite of Portugal's still fragile economic recovery, constrained by the effects of the austerity measures in force.

Total credit to customers reached EUR 16,540.9 million, representing a decrease of 0.1% relative to 2013. This evolution was mainly due to an increase in credit granted to Companies (excluding Construction) of EUR 684.0 million (+12.0%), which now represents 38.5% of the total credit portfolio, and an 8.5% reduction in Mortgage Loans (Housing and Construction), as a result of the credit portfolio diversification strategy and the support to the sustainable growth of the economy, which has been pursued.

EVOLUTION OF CREDIT TO CUSTOMERS

(thousand euros)

	2014	2013	Variation	
	Amount	Amount	Amount	%
Households and Small Business	**9,359,107**	**9,872,879**	**-513,772**	**-5.2**
Households, of which:	**8,773,149**	**9,349,584**	**-576,435**	**-6.2**
Housing	7,207,359	7,688,677	-481,318	**-6.3**
Other Purposes	634,555	639,818	-5,263	-0.8
Small Businesses	**585,958**	**523,295**	**62,663**	**12.0**
Companies	**7,073,092**	**6,643,013**	**430,079**	**6.5**
Construction	703,024	**956,942**	**-253,918**	-26.5
Other Purposes	6,370,068	**5,686,071**	**683,997**	12.0
Other Segments	**108,744**	**41,015**	**67,729**	**165.1**
Total Credit (gross)	**16,540,943**	**16,556,907**	**-15,964**	**-0.1**

Although the current economic climate has continued to affect financial activity risks, with the balance of credit and interest overdue increasing by 15.0%, the credit-at-ratio decreased by 0.3 p.p. to 11.9%, relative to 12.25% at the end of 2013, resulting from the sale of a portfolio of a non-strategic loans amounting to EUR 398.1 million.

Within this framework, CEMG reinforced the amount of impairments for credit risk during 2014, which improved the ratios of coverage of credit and interest overdue by impairments to 120.4% and of credit and interest overdue by more than 90 days to 136.4%. The Simple Coverage of Credit-at-Risk by impairment stood at 69.8%, whereas the coverage ratio considering total credit impairments and the associated real estate collateral reached 137.4%.

MAIN INDICATORS OF NON-PERFORMING LOANS

(thousand euros)

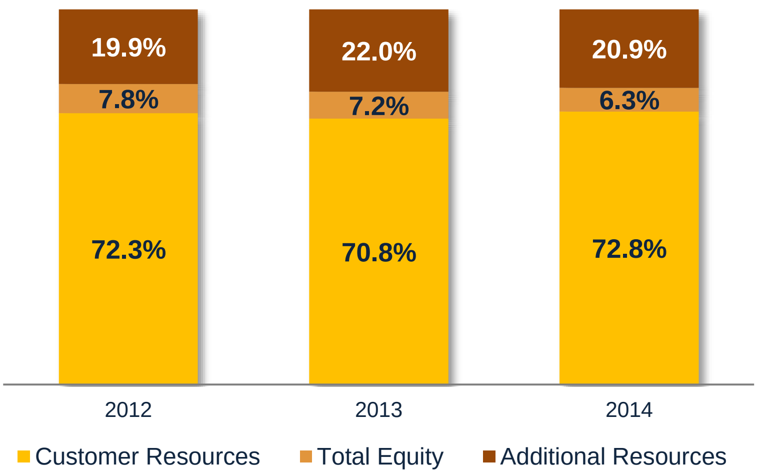
	2014	2013	Variation	
			Amount	%
Gross Credit to Customers	**16,540,943**	**16,556,907**	**-15,964**	**-0.1**
Credit and Interest Overdue	**1,148,496**	**999,031**	**149,465**	**15.0**
Credit and Interest Overdue by more than 90 days	1,014,197	877,365	136,832	15.6
Impairment for Credit Risks	**1,383,356**	**1,051,526**	**331,830**	**31.6**
Ratios (%)				
Credit and Interest Overdue by more than 90 days	6.13	5.30	0.83p.p.	
Non-performing loans (a)	7.33	7.12	0.21p.p.	
Net non-performing loans (a)	-1.09	0.84	-1.93p.p.	
Credit-at-Risk (a)	11.94	12.25	-0.31p.p.	
Net Credit-at-Risk (a)	3.94	6.32	-2.38p.p.	
Restructured Credit (b)	10.49	9.68	0.81p.p.	
Restructured Credit not included in Credit-at-Risk (b)	6.90	7.30	-0.40p.p.	
Coverage by Impairments (%)				
Credit and Interest Overdue by more than 90 days	136.40	119.85	16.55p.p.	
Credit and Interest Overdue	120.45	105.25	15.20p.p.	
Credit-at-Risk	69.75	51.70	18.05p.p.	

(a) In accordance with Banco de Portugal Instruction No. 16/2004.
(b) In accordance with Banco de Portugal Instruction No. 32/2013.

4.3 LIABILITIES AND EQUITY

During 2014, CEMG reinforced the stability of its funding sources, through the increase of the weight of customers' resources, with emphasis on the attraction of deposits from retail customers.

EVOLUTION OF THE LIABILITIES AND EQUITY STRUCTURE



4.4 CUSTOMERS' RESOURCES

In 2014, CEMG continued to show a strong capacity to attract and retain the savings of its customers and mutual members, with on-balance sheet customers' resources (deposits and securities placed with customers) reaching a total of EUR 16,363.5 million, corresponding to a year-on-year growth of 0.3%, representing 72.8% of total Liabilities and Equity. This performance was significantly influenced by the 1.4% increase in total deposits.

EVOLUTION OF CUSTOMERS' RESOURCES

(thousand euros)

	2014	2013	Variation	
	Amount	Amount	Amount	%
Deposits from Households and Small Business	**10,435,870**	**10,149,647**	**286,223**	**2.8**
Households	9,244,146	9,151,330	92,816	1.0
Small Business Owners and Professionals	55,827	50,029	5,798	11.6
Non-profit making Institutions	1,135,897	948,288	187,609	19.8
Deposits from Corporate	**2,812,728**	**2,756,639**	**56,089**	**2.0**
Deposits from Other Segments	**994,081**	**1,132,911**	**-138,830**	**-12.3**
Total Deposits	**14,242,679**	**14,039,197**	**203,482**	**1.4**
Securities Placed with Customers	2,120,870	2,270,834	-149,964	-6.6
Total Resources On-Balance Sheet	**16,363,549**	**16,310,031**	**53,518**	**0.3**
Off-balance Sheet Resources	**1,009,789**	**1,008,139**	**1,650**	**0.2**
Total Resources	**17,373,338**	**17,318,170**	**55,168**	**0.3**

5. LIQUIDITY

The positive evolution of customer deposits combined with the slight reduction in credit granted enabled the reduction of the commercial gap (Deposits - Credit) to continue, having decreased from EUR -1,437.4 million in 2013 to EUR -926.9 million at the end of 2014. Consequently, the loan-to-deposit ratio (Credit/Deposits) decreased from 110.2% to 106.5%. Considering total on-balance sheet customers' resources, the loan-to-deposit ratio stood at 92.5%.

LOAN-TO-DEPOSIT RATIO

	2014	2013
	%	%
Net Credit to Customers / Customers' Deposits [(a)]	**106.5**	**110.2**
Net Credit to Customers / On-Balance Sheet Customers' Resources [(b)]	**92.5**	**94.7**

(a) In accordance with Banco de Portugal Instruction No. 16/2004.

(b) On-Balance Sheet Customers' Resources = Customers' Deposits and Securities Placed with Customers

During 2014, EUR 726 million of debt securities were redeemed; it should be noted that the amount to be repaid in 2015 represents only 60% of that amount, which comes to EUR 429 million. Considering the scheduled maturity of the portfolio of bonds held, the net refinancing needs in 2015 shall be only EUR 265 million.

As at 31 December 2014, the funds obtained by CEMG from the European Central Bank (ECB) came to EUR 2,476.0 million, having decreased from EUR 919.0 million in relation to 31 December 2013. The reduced reliance on the ECB was also reflected in the pool of eligible assets for monetary policy operations of the Eurosystem, which decreased by EUR 1,581.3 million, from EUR 5,783.7 million in 2013 to EUR 4,202.4 million in 2014.

POOL OF ELIGIBLE ASSETS FOR REFINANCING OPERATIONS WITH THE ECB

(thousand euros)

	2014		2013		Variation	
	Amount	%	Amount	%	Amount	%
Pool of Eligible Assets	4,202,365	100.0	5,783,695	100.0	-1,581,330	-27.3
Use of the Pool	2,475,990	58.9	3,395,000	58.7	-919,010	-27.1
Pool of Available Assets	**1,726,375**	**41.1**	**2,388,695**	**41.3**	**-662,320**	**-27.7**

6. PENSION FUND

According to the accounting policy of Caixa Económica Montepio Geral and IAS 19 - Employee Benefits, liabilities on account of post-employment benefits (namely pensions and health) were evaluated with reference to 31 December 2014. In the evaluation conducted, the actuarial assumptions were changed when compared to the assumptions used in the evaluation, with reference to 31 December 2013, as follows:

	2014	2013
Salary growth rate	**0.75%**	**1.50%**
Pension growth rate	**0.05%**	**0.50%**
Return of fund assets rate	**2.50%**	**4.00%**
Discount rate	**2.50%**	**4.00%**
Mortality table	**TV 88/90**	**TV 88/90**
Disability table	**EVK 80**	**EVK 80**

As a result of the evaluation conducted based on the assumptions referred to above, a negative impact on Own funds was registered, totalling EUR 153.1 million, representing -115 bp in the Common Equity Tier 1 ratio.

The selection of the actuarial assumptions used in the evaluation of the liabilities associated to post-employment benefits was based on the following considerations:

a) Salary and pension growth rate

Based on the current salary trend and the economic situation to date, CEMG changed the salary growth rate from 1.5% to 0.75% and the pension growth rate from 0.5% to 0.05%.

b) Discount rate

The determination of the discount rate was based on (i) yields of high quality corporate bonds in the Euro Zone and, (ii) the duration of the liabilities maintained by CEMG.

Due to the change in the discount rate, and in spite of the longer duration of its Pension Fund, the liabilities assumed by CEMG as at 31 December 2014 come to EUR 672.7 million, which represents an increase of EUR 126.9 million relative to 31 December 2013.

The value of the pension fund, as at the same date, comes to EUR 648.3 million, against EUR 547.4 million in 31 December 2013, implying a coverage ratio of 96.4%.

7. CAPITAL AND SOLVENCY

The Capital of Caixa Económica (Institutional Capital and Participation Fund) reached a total of EUR 1,700 million as at 31 December 2014, showing the new configuration, from 17 December 2013, which includes EUR 200 million Participation Units of the Participation Fund, in addition to the Institutional Capital of EUR 1,500 million.

Since the start of 2014, prudential indicators are based on the new legislation of Basel III, namely Directive 2013/36/EU and Regulation (EU) No. 575/2013, both from the European Parliament and of the Council, as well as Notice 6/2013 of Banco de Portugal. In compliance with this legal framework, the Own Funds of CEMG are divided into Common Equity Tier 1 (CET1), Tier 1 (T1) and Tier 2 (T2).

The full application of the new Basel III regulations will be introduced gradually up until 2018, with this process usually referred to as Phasing-in. The full assumption of the new regulations, without considering transitional plans, is referred to as Full Implementation. The Phasing-in process is currently in force, and it is on this basis that Banco de Portugal requires the regulatory minimum ratios to be met.

As at 31 December 2014, the Common Equity Tier 1 ratio stood at 8.5%, above the minimum requirement defined for the national banking sector. Based on what was reported in the 1st half of 2014, this ratio registered a negative impact due to the recording of negative actuarial differences of the Pension Fund (-115 bp) and to the negative Net Income registered in the 2014 exercise.

OWN FUNDS AND SOLVENCY RATIOS

(thousand euros)

	Dec.2014	Jun.2014	Variation	
	Amount	Amount	Amount	%
Total Capital	**1,309,093**	**1,798,585**	**-489,492**	**-27.2**
Elegible instruments to CET I	1,682,235	1,698,458	-16,224	-1.0
Net Income and Reserves	-316,909	11,683	-328,591	-2,812.6
Regulatory deductions	80,118	143,693	-63,575	-44.2
Common Equity Tier I Capital	**1,285,208**	**1,566,448**	**-281,240**	**-18.0**
Other equity instruments	6,618	6,618	+0	+0.0
Tier I deductions	6,618	6,618	+0	+0.0
Tier I Capital	**1,285,208**	**1,566,448**	**-281,240**	**-18.0**
Tier II capital	32,826	246,075	-213,249	-86.7
Other deductions	8,941	13,938	-4,997	-35.9
Minimum Own Funds Requirements	**1,209,623**	**1,195,421**	**+14,202**	**+1.2**
Risk-Weighted assets and equivalents	**15,120,285**	**14,942,765**	**+177,520**	**+1.2**
CRD IV Prudential Ratios - Phasing-in				
Common Equity Tier I	8.50%	10.48%	-1.98 p.p.	
Tier I	8.50%	10.48%	-1.98 p.p.	
Capital Total	8.66%	12.04%	-3.38 p.p.	
CRD IV Prudential Ratios - Full Implementation				
Common Equity Tier I	6.98%	9.49%	-2.51 p.p.	
Tier I	6.99%	9.49%	-2.50 p.p.	
Capital Total	7.21%	11.13%	-3.92 p.p.	

8. INTERNATIONAL ACTIVITY

Since November 2014, the geographical presence of the CEMG Group has extended to Mozambique, following the acquisition of a qualifyed holding of 44.5% in the capital and related control following an agreement with the strategic shareholders of Banco Terra. The bank is set to become an important agent in the development and economic growth of Mozambique, targeting the retail and corporate areas, in particular agri-business customers, mortgage loans and SMEs.

As a result, since the end of 2014, the overseas activity of the CEMG Group is now represented by three entities – Banco Montepio Geral Cabo Verde, SA, Finibanco Angola, S.A. and Banco Terra, S.A.

With regard to Montepio Geral Cabo Verde (MGCV), customers' deposits reached EUR 539.8 million at the end of 2014 (EUR 584.4 million in 2013), registering a year-on-year decrease of EUR 44.5 million. The Net Income of MGCV came to EUR 215.4 thousand (EUR 908.8 thousand at the end of 2013), mainly due to the increase in Operating Expenses of EUR 500.2 thousand, as a result of the reinforcement of human and technical resources supporting the bank's activity.

Regarding Finibanco Angola, S.A. (FNB-A), reference should be made to the strong growth of customers' deposits of 47.8%, reaching EUR 465.5 million, as well as to the increase in Credit to Customers of 76.5%, whose balance stood at EUR 300.2 million, relative to 2013.

This increase in activity of FNB-A had a direct impact on net interest income, which reached EUR 26.2 million (+102%), resulting in the growth of net operating income of 19.2%, which came to EUR 46.3 million. Although slightly lower than in 2013, net income from foreign exchange transactions represented a significant contribution to the net operating income of FNB-A, reaching a total of EUR 14.4 million (-9.4% relative to the previous year).

In view of the phase of the institution's life cycle, marked by strong growth and additional investment needs, the operating expenses of FNB-A recorded an increase of 32.7%, corresponding to a total of EUR 16.9 million, with the cost-to-income ratio reaching 36.5%.

In 2014, there was a net reinforcement of the impairments of FNB-A's credit portfolio, relative to the same period of the previous year, of EUR 6.5 million, reaching EUR 14.5 million.

Net income for the period came to EUR 12.8 million, having increased by 9.2% relative to EUR 11.7 million in 2013.

At the end of 2014, Banco Terra recorded total equity of EUR 23.1 million and net assets of EUR 58.6 million, which was influenced by a balance of credit granted of EUR 32.4 million. Regarding customers' deposits, Banco Terra closed 2014 with a balance of EUR 27.5 million.

Net income for 2014, attributable to the CEMG Group, came to EUR –1.4 million, influenced above all by the weight of its operating structure and by the early growth stage at which the institution finds itself.

9. RATINGS

As at 31 December 2014, the ratings assigned to Caixa Económica Montepio Geral by the international agencies Fitch Ratings, Moody's Investors Service and DBRS were as follows:

Rating agencies	Long Term	Short Term	Outlook
Fitch Ratings	BB	B	Negative
Moody's	B2	NP	Negative
DBRS	BBB (*low*)	R-2 (*low*)	Negative

10. SIGNIFICANT EVENTS IN 2014

- **Communication campaign targeting the corporate segment:** "When your company wins, we all win". This was the campaign concept that Montepio launched at the end of the 1st quarter of 2014, with the objective of reinforcing the visibility of Montepio's commitment to the corporate segment. The multimedia campaign, aimed at positioning the brand and bringing the Institution closer to the business community, highlighted the role of Montepio as a partner prepared to respond to the needs, challenges and ambitions of the corporate sector.

  The message of the campaign was based specifically on the idea that when the needs, projects and dreams of Portuguese businessmen find a solution and the conditions to be achieved, a value chain is generated that ensures that everyone wins, not just companies but also their employees, respective families, corporate and institutional partners, stakeholders, the actual economy (at a local, regional and national level) and, ultimately, the country. Recognising people as fundamental in all processes, the campaign involved, for the first time, Montepio employees, but also three customer companies of the institution - the Barraqueiro Group, Vista Alegre and Full Services - that accepted the challenge and revealed, in the first person, the stories behind the success and the advantages that arise from sound partnerships.

- **SISAB 2014:** For the third consecutive year, Montepio attended the International Trade Fair for the Food and Beverages Sector (SISAB), an event that brought together more than five hundred national exhibitors and more than a thousand international buyers. Montepio stood by its company customers, revealing its commitment in contributing to their success and presented the products and services it offers to support business internationalisation.

- **150 million euros to support SMEs and mid-caps:** Montepio has entered into a financing agreement with the European Investment Bank, through which EUR 150 million were made available to finance projects of small and medium-sized enterprises and mid-caps. The amount available has had a positive impact on economic activity, helping to increase the productivity of national companies.

› **In the front line in support of maritime economy companies:** Within the scope of the cooperation protocol signed with the Portuguese Association of Purse Seine Producers' Organisations – Montepio launched a global offer of financial products and services adjusted to the medium and long-term treasury and investment needs of companies in this sector. As the first banking institution to create an offer adjusted to the needs of the agents of this sector of activity, Montepio has positioned itself in the front line in support of the maritime economy.

› **Montepio Runner:** The third quarter of the year was marked by the launch of a financial solution dedicated to all those that run or practice walking. The Montepio Runner Universe was thus born which, in addition to a financial solution, guarantees access to services, discounts in the runner universe and advantages in the insurance and leisure area. With a bold line of communication, Montepio Runner presents itself as a partner that is always available, through the portal - montepiorunner.pt – where it is possible to access useful contents, exclusive discounts, and advice and tips for those that wish to stay in shape.

› **Real estate media campaign:** "When you find your own space, we all win". At the end of June a Montepio real estate campaign was launched, bringing together in a single portal - montepioimoveis.pt - the entire offer of properties available for sale and rental of the companies of the Montepio Group. The recognition of the best in the country was also visible in this communication action, which associated art to the message and challenged the illustrator Gonçalo Viana to conceive the image that supported the campaign.

› **The bank at your fingertips. 24 hours a day, 365 days a year:** At the beginning of June, Montepio launched an app for Windows 8 (Surface and PC) devices associated to the channels of the Montepio service - Netmóvel24. The app, optimised for touch screens and with quick and smooth navigation, reflects the commitment of Montepio in a closer, more relational and integrated communication and service provision strategy.

› **Montepio associated itself once again to Movimento Eco:** The Montepio brand has associated itself once again to Movimento Eco, a civil society project that gave rise to a partnership between various companies, the Ministry for Internal Affairs and the Ministry of Agriculture, Sea, Environment and Spatial Planning, and which was born with the purpose of uniting political, business and social wills in preventing and fighting forest fires.

› **"Minuto Solidário" Project:** With a view to increasing proximity to Third Sector entities, but also to support social solidarity causes and projects, Montepio promoted the fourth edition of the "Minuto Solidário" (Charity Minute) Project which has, since its launch in 2011, already supported 94 national institutions. The objective of this initiative is to create contents to publicise Private Social Solidarity Institutions and their projects, through television films with a duration of 1 and 3 minutes, and their transmission.

› **Youth Volunteering Prize awards 25 thousand euros:** Promoting the use of the bicycle as a means of urban transport in favour of sustainable urban mobility, fomenting the creation and development of community ties through technical, voluntary and free support, was the proposal presented by Cicloficina dos Anjos, a project that was distinguished with the Montepio Youth Volunteering Prize, in the amount of 25 thousand euros, awarded by the Montepio Foundation and Lusitania - Companhia de Seguros.

In the area of Brand, Communication and Service, Montepio continues to stand out in 2014:

- ✓ **Brand of Excellence:** For the sixth consecutive year, the Montepio brand was recognised as a brand of excellence by Superbrands, an independent international organisation dedicated to the identification and promotion of brands of excellence in 88 countries.

- ✓ **Prominent reputation:** For the second consecutive year, Montepio maintained the second position in terms of reputation of the national banking sector, according to data from *RepTrak® Pulse* 2014, a study promoted by the *Reputation Institute.*

- ✓ **National Leader in Customer Satisfaction:** Montepio conquered the leadership in customer satisfaction in the banking sector, according to data compiled by the *European Consumer Satisfaction Index (ECSI) 2014, having stood out in the following variables*: "Image", "Loyalty", "Bank that is trusted for what it says and does", "Innovation", "Clarity of the information provided", "Meeting the agreed deadlines" and "Adaptation of proposals to the Customer's situation".

- ✓ **Quality of telephone answering service:** In addition to prior distinctions, the Montepio Contact Center was awarded the silver medal by "Contact Center World – The Global Association for Contact Center Best Practices & Networking", the largest worldwide association of professionals in the area – with 137 thousand members. For the second consecutive year, the Montepio Contact Center was thus considered as one of the best in the world.

- ✓ **"Five Stars" Net24 service:** The Internet Banking platform of Montepio was distinguished with the "Five Stars" Certification, following a thorough and rigorous assessment by users and professionals of the quality area. Service excellence, innovation and satisfaction level were three of the characteristics highlighted by those that use Net24 to manage their financial daily activity.

11. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(thousand euros)	**2014**	**2013**	**var.**
Cash and deposits at central banks	284,813	314,259	-9.4%
Deposits at other credit institutions	217,043	233,785	-7.2%
Financial assets held for trading	86,581	64,106	35.1%
Other financial assets at fair value through profit or loss	0	3,450	-100.0%
Financial assets available for sale	3,589,673	4,545,816	-21.0%
Investments in credit institutions	546,162	330,063	65.5%
Credit to customers	15,228,739	15,555,141	-2.1%
Investments held to maturity	120,101	34,631	> 100%
Hedging derivatives	60	503	-88.1%
Non-current assets held for sale	799,739	681,388	17.4%
Investment properties	715,737	543,534	31.7%
Other tangible assets	98,931	120,492	-17.9%
Intangible assets	66,054	59,279	11.4%
Inv. in associates and subsidiaries excluded from consolidation	24,636	42,399	-41.9%
Current tax assets	2,664	1,832	45.5%
Deferred tax assets	354,628	336,264	5.5%
Other assets	337,912	172,261	96.2%
TOTAL NET ASSETS	**22,473,474**	**23,039,203**	**-2.5%**
Resources from central banks	2,496,886	3,427,354	-27.1%
Financial liabilities held for trading	85,292	62,224	37.1%
Resources from other credit institutions	1,070,156	474,497	> 100%
Resources from customers and other resources	14,314,659	14,142,828	1.2%
Debt securities issued	2,146,525	2,319,428	-7.5%
Financial liabilities associated to transferred assets	163,650	195,049	-16.1%
Hedging derivatives	1,494	1,849	-19.2%
Provisions	20,329	8,014	> 100%
Current tax liabilities	3,104	1,353	> 100%
Other subordinated liabilities	373,279	370,078	0.9%
Other liabilities	383,574	389,186	-1.4%
TOTAL LIABILITIES	**21,058,950**	**21,391,860**	**-1.6%**
Institutional Capital	1,500,000	1,500,000	0.0%
Participation Fund	200,000	200,000	0.0%
Other equity instruments	8,273	8,273	0.0%
Own securities	-3,280	-	-
Revaluation reserves	18,508	-11,533	> 100%
Other reserves and retained earnings	-148,464	238,194	< -100%
Net income for the period	-186,953	-298,626	37.4%
Minority interests	26,440	11,035	> 100%
TOTAL EQUITY	**1,414,524**	**1,647,343**	**-14.1%**
TOTAL LIABILITIES AND EQUITY	**22,473,474**	**23,039,203**	**-2.5%**

INCOME STATEMENT

(thousand euros)	2014	2013	var.
Interest and Similar Income	913,710	816,030	12.0%
Interest and Similar Expense	577,204	590,783	-2.3%
NET INTEREST INCOME	**336,506**	**225,247**	**49.4%**
Income from Equity Instruments	610	535	14.0%
Income from Services, Fees and Commissions	135,708	143,686	-5.6%
Expenses from Services, Fees and Commissions	26,142	29,052	-10.0%
Gains arising from Assets and Liabilities at Fair Value through profit or loss	4,204	-27,986	> 100%
Gains arising from Financial Assets Available for Sale	374,386	44,025	> 100%
Gains arising from Currency Revaluation	17,016	20,223	-15.9%
Gains arising from Sale of Other Assets	-41,974	35,479	< -100%
Other Operating Income	-15,815	-34,480	54.1%
NET OPERATING INCOME	**784,499**	**377,677**	**> 100%**
Personnel Expenses	194,153	196,834	-1.4%
General Administrative Overheads	120,494	109,927	9.6%
Amortisation and Depreciation	27,077	33,352	-18.8%
OPERATING PROFIT	**442,776**	**37,563**	**> 100%**
Provisions net of adjustments	13,226	3,196	> 100%
Credit impairments (net of reversals and recoveries)	522,062	298,834	74.7%
Other Financial Assets impairments (net of reversals and recoveries)	58,931	34,022	73.2%
Other Non-Financial Assets impairments (net of reversals and recoveries)	49,008	61,282	-20.0%
Earnings from associates and joint ventures (equity method)	-5,275	-12,682	58.4%
EARNINGS BEFORE TAX AND MINORITY INTERESTS	**-205,727**	**-372,452**	**44.8%**
Taxes			
Current	-18,190	-9,469	-92.1%
Deferred	38,540	85,448	-54.9%
Minority Interests	-1,576	-2,153	-26.8%
NET INCOME	**-186,953**	**-298,626**	**37.4%**