Montepio

Valores que crescem consigo.

Report and Accounts 2016

Go beyond
to make
a difference

Montepio

Index

The vision that takes us farther

Message of the Chief Executive Officer

The year of 2016 will remain in the history of Caixa Económica Montepio Geral as a year of challenges which we responded to with commitment, confidence and efficiency preparing for the future.

The result of this work, only reached with the force of a dedicated team that believes in the foundation of the project, is reflected by the achievement of the goals which were assumed for the year in analysis and on the improvement of the majority of management indicators as at 31 December 2016.

José Felix Morgado

We focused our activity on families, small and medium enterprises and on Social Economy, a segment that aligns with the origin of our institution. With it, we affirmed ourselves in the market, improving our relative position relating to small and medium enterprises and individuals. We successfully accelerated the reduction of the exposure to real estate risk and improved the levels of liquidity and capital, simultaneously reducing the cost of risk.

Notwithstanding the difficulties, and even oppositions, we gave fundamental steps to improve our efficiency. By the end of the first semester, we had concluded the re-dimensioning of the operating platform through the optimization of commercial network assuring the geographic coverage of the whole country in line with other measures regarding the control of operating costs. We not only became more agile in order to face the future, but also more capable. We implemented the Academia Montepio that is already an essential tool considering talent management, which clearly shows our belief that employees are one of the most important assets for strengthening our business model.

Regarding Corporate Governance, we consolidated our governance model and started the process of transformation into a Public Limited Company, with the consequent amendment of the articles of association.

Still in 2016, we started the preparation of our digital transformation, in a perspective of innovation and modernity in our adaptation to the most cutting edge trends of the market, which aims to simplify, facilitate and enhance the flexibility of our customer relations.

We are a unique banking institution that has the Social Economy on its genesis. We want to continue this legacy and this goal within our daily work.

I would like to use this opportunity to leave a note of acknowledgement to all the employees for their dedication and contribution in pursing the objectives of the year under appraisal. A particular mention must go to the representatives of the employees - Workers Committee and Unions - for their refreshing honesty and engagement in the search for compromises that enable greater balance in the defence of the interests of the employees and of the institution, contributing to relations of mutual respect and commitment.

A word of gratitude to all the members of the Governing Bodies, namely the General and Supervisory Board whose work and confidence was determinant in the attainment of this year's objectives.

"We are a unique banking institution that has the Social Economy on its genesis. We want to continue this legacy and this goal within our daily work."

Finally, our thanks to our customers, to governmental entities and regulators, for the challenge and support given.

We continue to face out challenges with confidence and determination. We are currently confronted with new challenges but nurture the strong belief that together we will once again overcome this stage, maintaining Caixa Económica Montepio Geral at the service of the Families, Social Economy, Companies and Country.

Governance

Board of the General Meeting

Chairman
Manuel Duarte Cardoso Martins

1st Secretary
Cassiano Cunha Calvão

General and Supervisory Board

Chairman
Álvaro João Duarte Pinto Correia

Members

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

Executive Board of Directors

Chief Executive Officer
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

Comité de Remunerações

Chairman
Álvaro João Duarte Pinto Correia

Members
José António Arez Romão
Francisco José Fonseca da Silva

Comité de Risco

Chairman
Acácio Jaime Liberado Mota Piloto

Members
Luís Eduardo Henriques Guimarães
Francisco José Fonseca da Silva

Statutory Auditor

KPMG, represented by:

Ana Cristina Soares Valente Dourado
Enrolled at the Statutory Auditors Association under number 1011

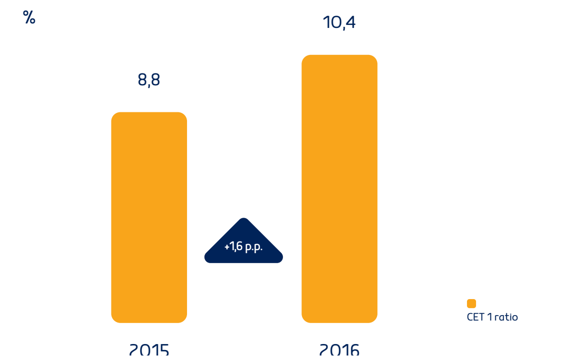
Substitute
Fernando Gustavo Duarte Antunes
Enrolled at the Statutory Auditors Association under number 1233

Key Indicators

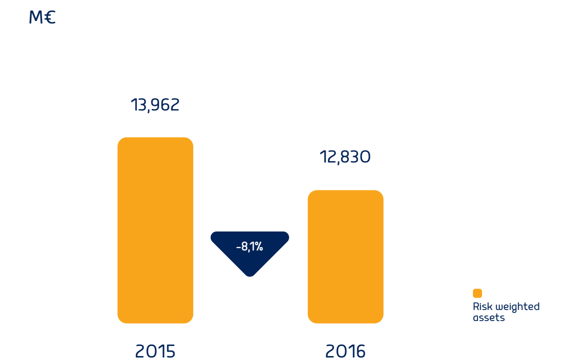
		'15	'15*	'16	Change '16-'15*
Activity and Results (EUR million)					
Total assets		21 145	21 145	21 346	0,9%
Loans to customers (gross)		15 944	15 611	15 041	(3,7%)
Customers' deposits		12 969	12 540	12 468	(0,6%)
Net income		(243)	(243)	(86)	64,5%
Solvency [a]					
Common Equity Tier 1 ratio		8,8%	8,8%	10,4%	1,6 p.p.
Tier 1 ratio		8,8%	8,8%	10,4%	1,6 p.p.
Total Capital ratio		9,7%	9,7%	10,9%	1,2 p.p.
Risk-weighted assets (EUR million)		13 962	13 962	12 830	(8,1%)
Liquidity Ratios					
Loans to customers (net) / Customers' deposits [b]		113,1%	114,5%	111,2%	(3,3 p.p.)
Loans to customers (net) / On-balance sheet customers' resources [c]		95,7%	96,4%	96,3%	(0,1 p.p.)
Credit Risk and Coverage by Impairments					
Cost of credit risk		1,6%	1,5%	1,2%	(0,3 p.p.)
Ratio of loans and interest overdue by more than 90 days		7,7%	7,8%	9,1%	1,3 p.p.
Non-performing loans ratio [b]		9,5%	9,7%	11,5%	1,8 p.p.
Net non-performing loans ratio [b]		1,6%	1,8%	3,9%	2,1 p.p.
Coverage of loans and interest overdue by more than 90 days		104,0%	103,0%	86,0%	(17,0 p.p.)
Credit at risk ratio [b]		14,3%	14,6%	15,2%	0,6 p.p.
Net credit at risk [b]		6,8%	7,1%	8,0%	0,9 p.p.
Credit at risk coverage ratio		56,1%	55,2%	51,6%	(3,6 p.p.)
Credit at risk coverage ratio, including related real estate collateral		126,9%	126,4%	120,0%	(6,4 p.p.)
Restructured loans as a % of total loans [d]		9,6%	9,8%	8,9%	(0,9 p.p.)
Restructured loans not included in credit at risk as a % of total loans [d]		4,0%	4,1%	3,2%	(0,9 p.p.)
Profitability and Efficiency					
Total operating income / Average total assets [b]		2,1%	1,8%	1,7%	(0,1 p.p.)
Net income before income tax / Average total assets [b]		(1,2%)	(1,2%)	(0,9%)	0,3 p.p.
Net income before income tax / Average equity [b]		(18,8%)	(18,7%)	(12,3%)	6,4 p.p.
Operating costs / Total operating income (cost-to-income) ([b]		78,9%	81,8%	76,4%	(5,4 p.p.)
Cost-to-Income, excluding specific impacts [e]		106,3%	109,7%	88,4%	(21,3 p.p.)
Staff costs / Total operating income [b]		44,8%	47,4%	44,5%	(2,9 p.p.)
Employees and Distribution Network (Número)					
Employees	Group Total [f]	4 248	4 248	3 806	(442)
	CEMG	3 871	3 871	3 588	(283)
Branches	Domestic - CEMG	421	421	327	(94)
	Internacional	30	30	33	3
	Finibanco Angola [g]	21	21	23	2
	BTM - Banco Terra	9	9	10	1
	Rep. Offices	6	6	6	0

(a) Pursuant to CRD IV / CRR (phasing-in)
(b) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version
(c) Total on-balance sheet customers' resources = Customers' deposits and debt securities issued. Computed in accordance with the Financial Statements annexed to this report.
(d) Pursuant to Banco de Portugal Instruction No. 32/2013
(e) Excludes results from financial operations and the impacts arising from the operational redimensioning and revision of the Collective Labour Agreement
(f) Includes Business Centers
* 2015 restated in accordance with IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

Common Equity Tier 1 ratio

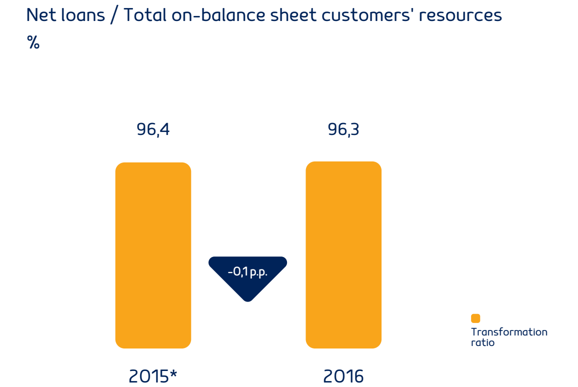


Risk weighted assets



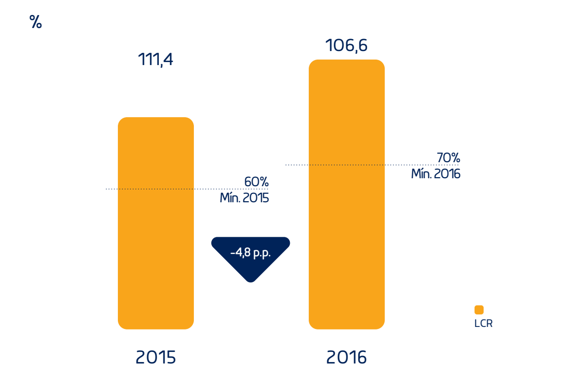
Transformation ratio

Net loans / Total on-balance sheet customers' resources

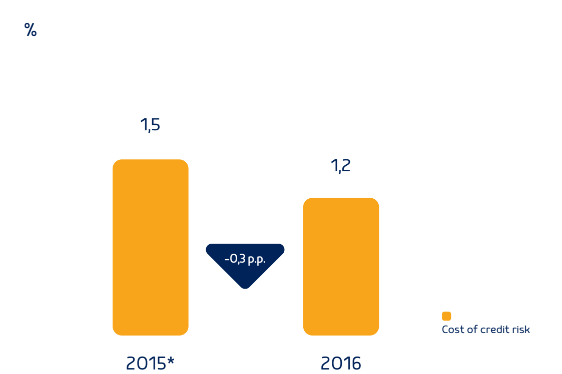


*2015 reexpresso com aplicação da IFRS 5 às Demonstrações Financeiras das subsidiárias em Angola e Moçambique, para efeitos comparativos.

Liquidity coverage ratio (LCR)

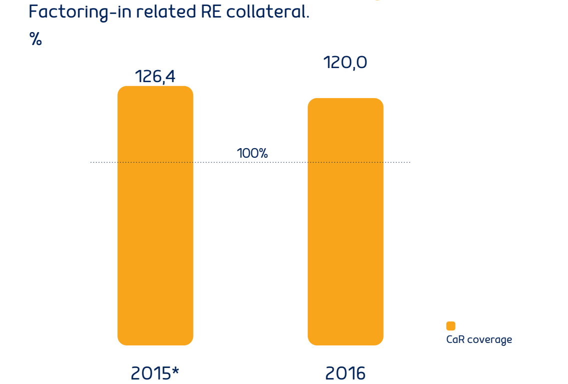


Cost of credit risk



Credit at risk coverage

Factoring-in related RE collateral.



*2015 restated in accordance with IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes

Part I

Management Report

Caixa Económica Montepio Geral Group

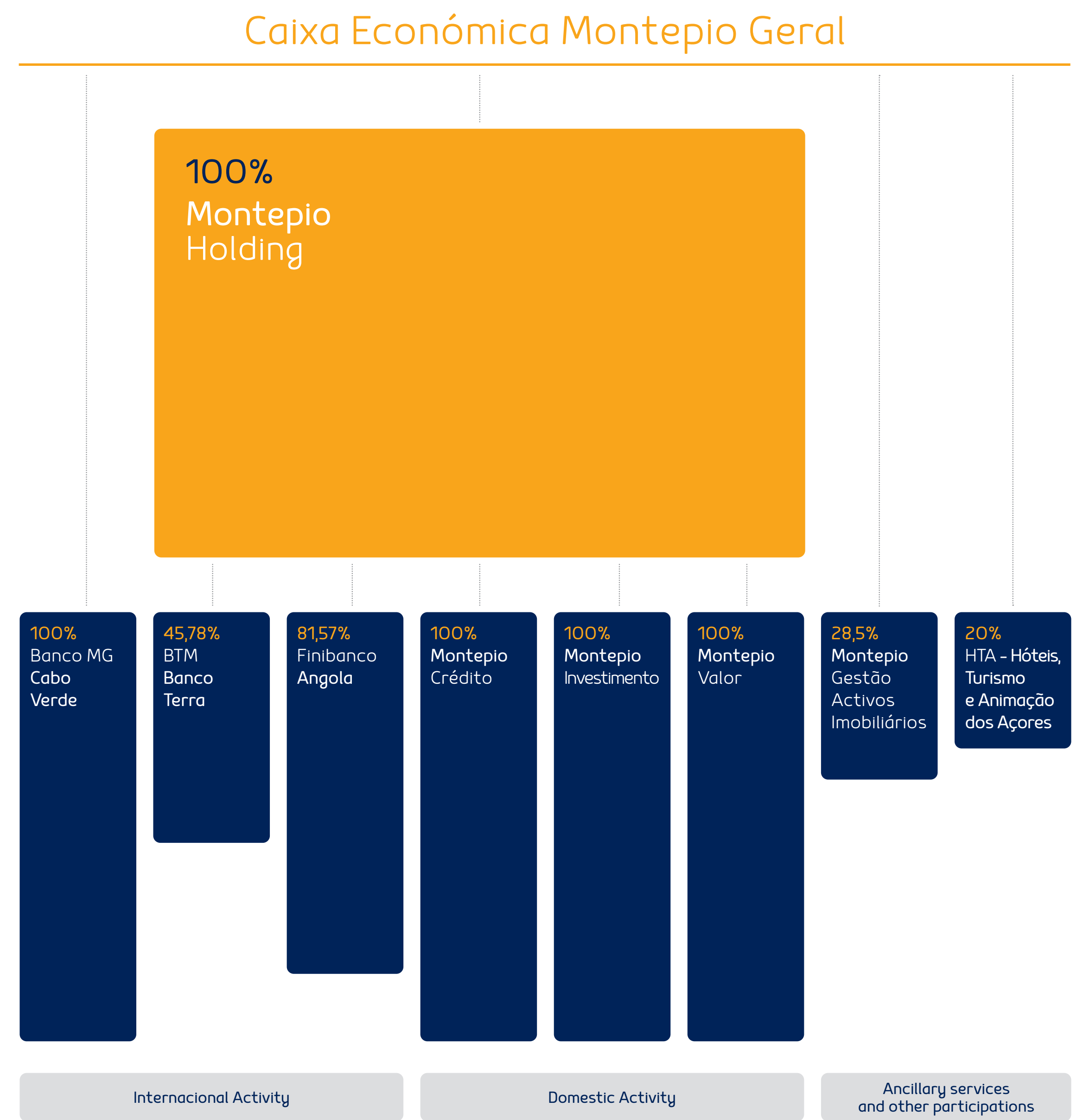
1 Caixa Económica Montepio Geral Group

1.1 Group Structure

Caixa Económica Montepio Geral (CEMG) is savings bank, with its institutional capital totally owned by Montepio Geral - Associação Mutualista, 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 thus presents itself as a differentiated banking and financial group, aligned with its mutualist nature and purposes, which lend it unique features and an unmatched position in its activity sector and in Portuguese society.

As at 31 December 2016, the CEMG Group is composed of the entities presented below:

- Full consolidation: CEMG; Banco Montepio Geral Cabo Verde, Soc. Unipessoal S.A.; Montepio Holding, S.G.P.S., S.A.; BTM - Banco Terra, S.A.; Finibanco Angola, S.A.; Montepio Crédito, I.F.C., S.A.; Montepio Investimento, S.A.; Montepio Valor, S.G.F.I., S.A.
- Equity method: HTA - Hotéis, Turismo e Animação dos Açores S.A.; and Montepio Gestão de Ativos Imobiliários, ACE.



CEMG is currently negotiating with a series of investors with a view to re-focusing its approach to the African market, which consists of the divestment of the current financial stakes held in Finibanco Angola S.A. and BTM, S.A.

Considering the decisions that have already been taken, as well as the provisions in International Financial Reporting Standard 5 (IFRS 5), the activities developed by these subsidiaries have been deemed discontinuing operations with reference to the financial year of 2016.

In the financial statements, the earnings of these subsidiaries were stated under an income statement heading named "Income from discontinuing operations" and, in the balance sheet, under headings named "Non-current assets held for sale - Discontinuing operations" and "Non-current liabilities held for sale - Discontinuing operations", with the 2015 accounts having been drawn up on the same basis for comparative purposes.

As at 31 December 2016, the consolidation perimeter of the CEMG Group also includes the following entities, which are consolidated by the full method: Pelican Mortgages No. 1 PLC; SSAGINCENTIVE - S.S.A.G.I., S.A.; Semelhanças e Coincidências, S.A.; Finipredial - Fundo de Investimento Imobiliário Aberto; Montepio Arrendamento I, II e III - Fundos de Investimento Imobiliário Fechados para Arrendamento Habitacional (FIIAH); Polaris - Fundo de Investimento Imobiliário Fechado; PEF - Portugal Estates Fund e Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA).

1.2 CEMG's Notoriety

The focus on the Social Economy alongside social responsibility and the transparent, rigorous and competent action, relations of proximity and loyalty upheld 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 was further strengthened and deepened during 2016.

For the second consecutive year, CEMG is among the largest Banks of the World

After featuring among the 1,000 largest banks of the world in 2015, in 2016 CEMG maintained this distinction, having been included in the prestigious list drawn up by The Banker magazine, a reference publication in the banking sector, which belongs to the British editorial group Financial Times. This ranking, considered the standard measure for the industry since 1970, is based on an assessment of the strength and financial robustness of each institution, where the Tier 1 Capital (Capital + Reserves + Net Income) ratio plays a preponderant role.

The Banker TOP 1000 WORLD BANKS 2015

The Banker TOP 1000 WORLD BANKS 2016

In 2016, Caixa Económica Montepio Geral - a brand commercially known as Montepio - consolidated the brand's market recall underpinned by the high levels of quality and excellence, worthy of its customer's recognition.

Client Day

The Thalia Theatre was the chosen location for the holding, in October, of the Client Day, an event organised by CEMG to offer networking opportunities for customers of Montepio, aimed at presenting the Bank's new identity and strengthening its characteristic values. This event also enabled sharing the positive path of the implementation of the Strategic Plan 2016-2018 with the over 60 guests who were present.

Comunication

Only a different bank can make the difference

Following the institutional campaign launched at the end of 2015, and in response to the strategic guidelines to strengthen CEMG's positioning among the individuals segment, new communication phases were launched, with the accomplishment of the promise "Only a different bank can make the difference". These campaigns directed at affirming the brand values, the differentiating nature and positioning as a local entity which accompanies its clients in their different phases of life, diverse projects and needs, present real customers of CEMG who share their experience of relations with the Bank concerning savings, mortgage loans, individual funding and accomplishment of an idea or project.

This institutional campaign, present on television, radio, press, outdoor and digital network conquered the Silver award of the Efficacy Awards (Prémios Eficácia) 2016. The Efficacy Awards, promoted by the Portuguese Advertisers Association (APAN), are the only distinctions in Portugal focused on results obtained through communication actions, and aim to promote and recognise excellence in Communication and its capacity to help achieve company goals.

1.3 Human Resources

The number of employees recorded a decrease of 10.4%, corresponding to 442 employees, evolving from 4,248 by end-2015 to 3,806 as at 31 December 2016, to which contributed the impact arising from the process of resizing the operating structure carried out in 2016, the employees assigned to other companies of the Group and employees with suspension of provision of work.

In what regards the international activity, there was an increase of 38 employees in 2016, derived from the development of the activities in Angola (Finibanco Angola) and Mozambique (BTM) and from the specific characteristics of the respective markets where technology has a less significant weight in the local model and the business development is more dependent on the employees.

Distribution of employees	'15		'16		Change	
	No.	Weight (%)	No.	Weight (%)	No.	Weight (%)
Domestic Activity	4 027	91,4	3 740	90,0	(287)	(7,1)
Caixa Económica Montepio Geral [1]	3 871	87,9	3 588	86,4	(283)	(7,3)
International Activity	3 77	8,6	415	10,0	38	10,1
Banco MG Cabo Verde	3	0,1	3	0,1	0	0,0
Finibanco Angola	194	4,4	216	5,2	22	11,3
BTM - Banco Terra	180	4,1	196	4,7	16	8,9
Subtotal	4 404	100,0	4 155	100,0	(249)	(5,7)
Transferred employees and other [2]	(156)	-	i(349)	-	(193)	<-100
Total	4 248	-	3 806	-	(442)	(10,4)

(1) Includes employees from Rep. Offices. (2) Includes employees with work suspension contract.

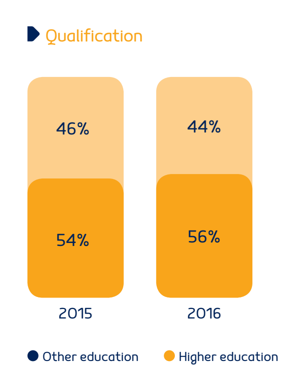
Regarding the other subsidiaries of the CEMG Group, there was a reduction of 10 employees allocated to Montepio Investimento and 4 in Montepio Crédito, in a strategic perspective of refocusing the Group on the core banking business, while Montepio Valor recorded the increase of 1 employee.

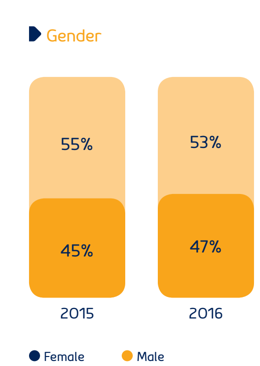
	'15	'16	Change No.	Change (%)
Other subsidiaries [1]				
Montepio Crédito	133	129	(4)	(3,0)
Montepio Valor	36	37	1	2,8
Montepio Investimento	15	5	(10)	(66,7)

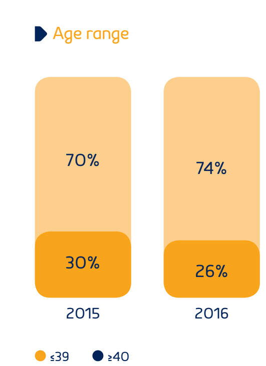
(1) Includes assignments from CEMG employees.

Concerning the distribution by type of qualification, there was an increase of the weight of employees with higher education, which includes bachelor degree, graduation degree, master's degree, postgraduate degree and doctoral degree, in evolving from 54% at the end of 2015 to 56% as at 31 December 2016. Greater balance was also recorded in the distribution by gender, with male employees falling to 53%, to which contributed the increase from 18% to 30% of female employees in management positions. In terms of age structure, there was a slight increase of the percentage of employees aged over 40 years old from 70% to 74%.

Distribution of CEMG Employees







Training of Employees

The year of 2016 was marked by the creation of the **Montepio Academy**, thus embodying the axis of CEMG's Strategic Plan related to investment in the development and promotion of employees' talent.

The Montepio Academy came to materialise a change of paradigm in vocational training, with a view to expanding development opportunities, boosting transversal in-house knowledge and introducing new methodologies. The Montepio Academy is supported by a digital platform of content management, accessible to all the bank's employees.

The acquisition of knowledge under the Montepio Academy is sustained by five schools, as indicated below:

The **Management and Innovation School** focuses on the development of management and innovation skills and instruments for the top management.

The **Leadership School** is directed at supporting managers of people by strengthening best leadership practices.

The **Functional School** seeks to foster the sharing of knowledge between the different functional areas (Sales, Marketing, Finance, IT and Human Resources, among others).

The **Compliance School** aims to meet training needs in the regulatory area, enabling the constant alignment of talent with the recommendations and requirements of the supervisors and regulators.

The **Self-Development School** seeks to stimulate professional development and personal valorisation through diversified and flexible formats, platforms and teaching methods.

The effort directed at the development and implementation of the Montepio Academy during a significant period of the year justifies the decrease of the number of training hours in 2016, although the initiatives implemented during the year covered 91% of CEMG's employees. With the attainment of the project to create the Montepio Academy there has been a trend of developing in-house training and initiatives of lower duration, similarly to what has been progressively happening in the sector over the last few years.

Training Indicators	'15	'16	Change (%)
Number of actions	1 091	699	(35,9)
Hours of training sessions	82 095	51 769	(36,9)
Number of attendees	3 770	3 250	(13,8)
Number of appearances	23 996	19 282	(19,6)
Investment in training (thousand euros)	242	417	72,3
Employees covered by training	98%	91%	(7,0 p.p.)

Human Resources Portugal Award

In 2016, in the 5th edition of the Human Resources Portugal Awards, CEMG received the "**Active ageing and preparation for retirement**" award, which represents a recognition of the way that the retirement and pre-retirement programmes have been implemented.

The resizing of human resources in 2016 played a preponderant role in the implementation of the Strategic Plan 2016-2018, which focused on solutions that enabled early retirement and pre-retirement, and that, due to being a time of career transition for each professional which is important to be valued and promoted, so as to make the best use of the skills acquired over a lifetime, provided specialised external consulting programmes, with a dedicated mentor for each employee.

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.

In 2016, in the context of the rigorous management of the available funds, Montepio's Social Services continued to play an important role in contributing to the good in-house social atmosphere of the institution in terms of the following areas of action:

Social Area and Health

In this area, the employees were supported by the subsidising of over 2,300 school books from primary to secondary education, the maintenance of the prices of meals at the canteens managed by the Social Services (around 300 daily meals), as well as by the provision of goods and medical support.

The solidarity component of the Social Services was also evident in the organisation of a Christmas bazaar, in Porto, aimed at collecting clothes and footwear to support institutions and promoting the biannual blood donation, in Lisbon and Porto, which had over 200 donors.

Cultural Area
In the cultural area, access to culture was fostered by the subsidising of the acquisition of 1,235 tickets, covering 95 shows at a national level, by the promotion of the free access to around 2,500 books, comprising the Social Services' library, as well as by the boosting of music and theatre classes for the employees.

During the Christmas season, around 2,500 gifts were given to the employees' children, with the usual promotion of circus performances in Lisbon and Porto (9,000 seats) and Christmas theatrical performances in Castelo Branco, Leiria, Algarve, Madeira and São Miguel, which were attended by over 500 spectators.

Sports Area
In the sports area, support was given to athletics, mountain biking, futsal, fishing and eleven-a-side football carried out by the employees all over the country.

Activities for young people
As usual, continued to be organised for young people, in particular, the holiday centres in Lisbon and Porto (over 700 children), youth camp (250 participants), study tour abroad (30 young people) and trip to the Lego Park for families (26 participants).

1.4 Distribution and Relation Network

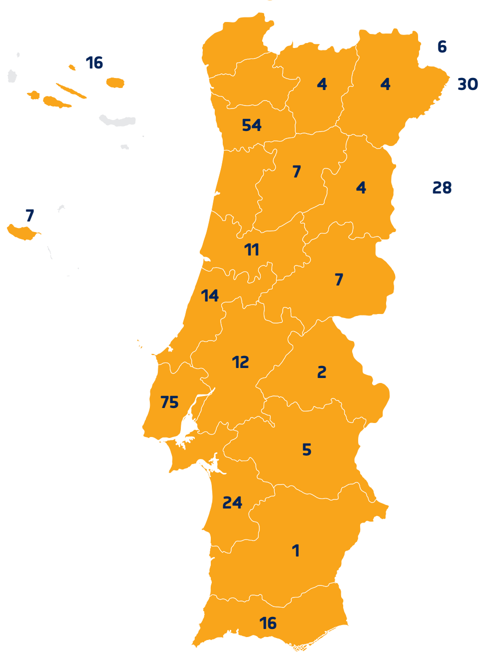
Branches
At the end of 2016, CEMG had a network of 327 branches in Portugal compared to 421 as at 31 December 2015. This optimisation of the physical distribution network, set out in the Strategic Plan 2016-2018, resulted from a commercial streamlining based on the potential of each area of influence, determined through geolocation criteria aimed at assuring suitable levels of proximity to customers. In the international activity, a branch and a business centre were opened in Angola, with the network thus reaching a total of 23 (including 5 business centres), added to 10 BTM - Banco Terra branches in Mozambique. CEMG also has 6 rep. offices, dispersed around Europe and North America, close to the main Portuguese communities.

No. of Branches and Rep. Offices	'15	'16
Domestic network	421	327
International network	30	33
Finibanco Angola [a]	21	23
BTM - Banco Terra	9	10
Rep. Offices	6	6

(a) Includes Business Centres.

Representative Offices

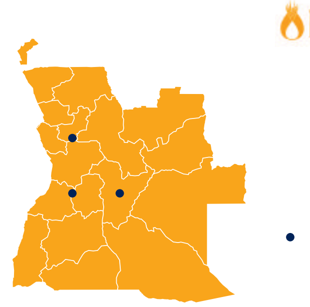
Portugal



Angola

Finibanco

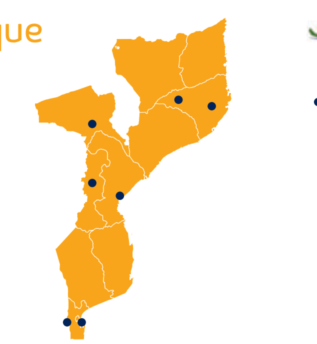
Luanda **17**
Benguela **3**
Huambo **1**
Lubango **1**



Moçambique

BTM

Maputo **17**
Maxixe **3**
Beira **1**
Chimoio **1**
Nampula **1**
Malema **1**
Tete **1**
Ulónguè **1**
Matola **1**



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 503 managers, of which 204 are dedicated to the Individuals segment and 299 to Company customers.

In what regards the Company segment, CEMG has provided 186 Small Business managers, 73 managers of Small and Medium-Sized Enterprises, 31 managers dedicated to Institutional and Social Economy customers and 9 Large Company managers, in order to maintain the effort to boost the specialisation of the service.

The Social Economy and Public Sector Commercial Department was created in 2016, for the purpose of providing an exclusive service for these two customer segments. Regarding the Individuals network, in a strategic perspective of commercial reorganisation, the network of Top Premium managers was discontinued in 2016.

Number of Managers per Customer segment	'15	'16	Change	
			No.	Weight (%)
Companies	292	299	7	2,4
Institutional and Social Economy [a]	28	31	3	10,7
Large companies	9	9	0	0,0
Small and medium-sized enterprises	76	73	(3)	(3,9)
Small businesses	179	186	7	3,9
Individuals	192	204	12	6,3
Top premium	9	0	(9)	-
Premium	183	204	21	11,5
Total de Gestores	484	503	19	3,9

(a) Includes microcredit managers.
Nota: Excludes preventive credit monitoring managers.

Complementary Channels

At the end of 2016, CEMG had a total number of 1,048 automated teller machines (ATM), of which 416 are installed in branches and 632 are available at external locations.

In net terms, the number of machines as at 31 December 2016 corresponded to a reduction of 59 units, when compared to the number at the end of 2015 (1,107), influenced by the closure of branches during 2016, which led to the removal of the respective equipment.

However, it is important to highlight that, due to the installation of ATMs at new external locations and the continued readjustment of the available machines in the national market pursued by the SIBS Global Network, which led to a reduction of 272 machines to a total of 12,165, CEMG's market share only decreased by 0.45 p.p. to stand at 8.55%.

The total number of machines of the internal ATM network - Chave 24 accompanied the readjustment of the branch network, recording 294 installed machines.

CEMG's Network of Automatic Payment Terminals (APT) grew by 7.4% in 2016, maintaining the trend of growth observed in the previous year. Furthermore, the national market only grew by 6.1%, which allowed CEMG to increase its market share from 6.9% at the end of 2015 to 7.0% as at 31 December 2016.

The number of cards increased by 1.45% in 2016

Regarding the card business, the number of cards increased by 1.45%[1] in 2016, while the market recorded a reduction of 0.58%. There was an increase of 10.6% of transactions in relation to 2015, compared to a market growth of 11.7%. Concerning the value of transactions, CEMG's cards increased by 11.0% in 2016, compared to 22.0% in the market.

The Montepio Trader platform was renewed between the end of 2015 and beginning of 2016, making it even more accessible, versatile, robust and intuitive. Alongside this renovation, the associated image was also modernised, and is now known as **Montepio Trader Go**.

MONTEPIO TRADER GO

The online trading platform Montepio Trader Go now enables access to 22 of the main stock exchanges of the world, trading without intermediaries and access to a broad series of financial instruments with prices indicated in real time aided by advanced graphic tools, market research and daily research notes.

During 2016, 26 training actions/ workshops were held, 6 for employees and 20 aimed at customers, from the north to the south of the country, introducing the tool and its functionalities.

The trading platform offered by Montepio to its customers continues to play an important role in the national financial sector, having been associated, in 2016, to The Trading Game, a financial instrument trading competition (in a real and simulation environment). This initiative, aimed at students of the University of Coimbra, enabled the students to complete and enrich their knowledge in the area.

External Distribution Network

In 2016, CEMG maintained the growth of the activity of the external distribution network, sustained by the partnerships established with commercial and assurfinance promoters. In terms of internal organisation, the integration of the network of assurfinance promoters in the Promoters Department enabled endowing this channel with a larger structure and obtaining synergies through unified management and efficiency gains. In the context of the activity of this channel, these partners have shown a high capacity to attract and retain resources, with an annual net variation of around 13%.

[1] SIBS data

1.5 Service Level

CEMG develops its activity, standing out due to its experience and uniqueness, focusing on meeting and accompanying the financial needs of its Customers.

To this end, the following services were developed:

Montepio24 - New authentication mechanism
Montepio24 is an authentication system used in the Net24 and Netmóvel24 channels, based on SMS messages: the SMS Code. This service is characterised by the sending of an SMS with a confirmation code to the customer's mobile phone for validation of transfer and service payment operations, which can only be used once and for a single operation. This mechanism enables increasing the security level of operations made through remote channels, while combining this with simplicity and swiftness.

Digital Transformation - Preparing the future. Now.
Digital transformation is currently a critical and strategic factor for brand affirmation among customers, in a relevant form and generating innovation. In the banking sector, digital transformation gains special priority in view of the emergence of new players, which use new platforms and new business models. A broad analysis was developed in this context, involving the identification of the trends, requirements and conditions to implement the digital transformation process and define the roadmap that will have impacts on efficiency and cost cutting, on the creation of added value and on the range, loyalty building and strengthening of relations with Customers.

SEPA CT - Payment and Transfers: Easier, faster, more digital
Online contracting was implemented in 2016 through Net24 Companies of the SEPA CT - Payments and Transfers protocol, aimed at facilitating the conduct of liquidity management operations that are fundamental for this segment, such as payments of wages and suppliers. In an increasingly more digital world, where business requires more swiftness and mobility by our customers, this new

functionality has contributed to the customer not needing to physically visit Montepio's branches.

SIM – Montepio Information System – Customer and Account Opening
New Branch Platform aimed at optimising the commercial activity, serving new business needs. Adjusting a modern system to the operations carried out at the branches, this platform contributes to greater optimisation of procedures, duplication removals and monitoring of the network throughout the different days of customer service. The main functionalities are associated to the opening and maintenance/updating of the Customer's information, as well as Demand Deposit Accounts.

Distinction Of The Service Provided

In 2016, for the second year in a row, CEMG conquered the Five Star certification with the Internet Banking – Net24 Individuals platform, with an overall score of 7.96 (maximum of 10), being considered as very good by the consumers. This award is attributed not only by the users of the service but also by Portuguese consumers, where various features are assessed, such as: Satisfaction, Price-quality, Intention of recommendation, Brand trust and Innovation.

In 2016, for the second year in a row, CEMG conquered the Five Star certification

Complaints Management

CEMG is permanently dedicated to providing its customers with quality services, based on high ethical standards, viewing all complaints submitted as an opportunity for the continuous improvement of the quality of service and deepening of customer relations.

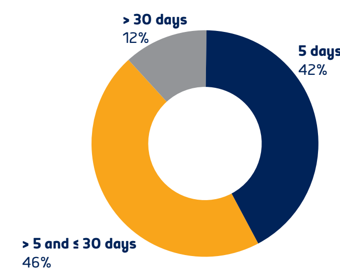
The Customer Ombudsman Office is responsible for the management of complaints, with its mission being to propose and implement the Complaints Handling and Management Policy of the CEMG Group, assuring the reception and handling of submitted complaints, as well as the respective response to the Complainant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

There was an increase of the total number of cases of complaints in 2016, including insistence of complainants and regulators, of 17.6%, when compared to the number recorded in 2015. This increase was influenced by the higher number of complaints submitted through Banco de Portugal and via Complaints Books.

Indicators on complaints	'15	'16	Change	
			No.	Weight (%)
Total Complaints	4 388	5 160	772	17,6
Banco de Portugal (RCO)	575	712	137	23,8
Complaints Book (RCL)	482	587	105	21,8

Refers to complaints about CEMG Group and includes insistences.

New complaints
Avg. time of response (working days)



Regarding the response time, it is important to note that 42% of the new complaints were answered within 5 business days. The average response time stood at 14 business days. With respect to complaints made via Banco de Portugal and Complaints Books, the average response time stood between 8 and 18 business days, respectively, below the legally required time limits.

Complaints related to Demand Deposit Accounts and transactions with cards are the issues that show the highest percentage complaints, having reached 51%.

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.

1.6 Sustainability and Social Responsibility

CEMG's origin and nature are closely linked to mutualist goals, which lend it unique features, and an unmatched positioning directed towards Social Responsibility and the Social Economy, thus differentiating it in the national financial sector and in Portuguese society.

In this context, CEMG supported various projects and initiatives throughout 2016, as listed below:

CEMG joined the 7th edition of the competition promoted by the Acredita Portugal Association, as a main sponsor

Acredita Portugal Programme
CEMG joined the 7th edition of the competition promoted by the Acredita Portugal Association, as a main sponsor. This competition, which is now named Montepio Acredita Portugal, aims to support promising ideas, projects and business ventures of any citizen, regardless of age and education level. Participation enables direct contact between candidates, specialists, mentors and investors, as well as access to personalised training and the opportunity to attend a pre-acceleration programme. This partnership, which extends over the next three years, will strengthen the importance of entrepreneurship and the Social Economy for CEMG.

The Trading Game – Promotion of financial literacy

The online trading platform - Montepio Trader marked its presence among the university audience by supporting The Trading Game, a financial instrument trading competition (cash and non-cash) held between April and May, which was attended by around 600 students of the University of Coimbra, representing over 58 thousand hours of online trading. The initiative, developed exclusively in electronic format, enabled the university students to compete throughout eight weeks and for three remunerated professional internships, held in CEMG Trading Room. These internships allow the students to complete and enrich their acquired theoretical knowledge.

Commitment to the promotion of equality and work/family balance

At the beginning of 2016, CEMG signed the Membership Agreement of the Companies for Equality Forum (IGEN), thereby undertaking a new commitment in the promotion of gender equality and balance in work and family life as a factor of sustainability, in line with the best practices in terms of mission, remunerations, career progression, collective recruitment and dialogue processes.

CAIS Association

CEMG took on a two year sponsorship commitment (2016-2017) to the "Street Football Project", as a Local Sponsor. The "Street Football Project", promoted by the CAIS Association, aims to foster the practice of sports and use sport as an innovative intervention strategy in promoting social inclusion. It is supported by FIFA's Football For Hope Programme, the State Department for Sports and Youth/Portuguese Institute of Youth and Sports, the National Sports Programme for All and Montepio.

League of Portuguese Fire-Fighters

Under the social sector, "Reacting at difficult moments makes a difference" developed a programme to support victims of summer fire outbreaks, with initiatives that extended from mortgage loans to business financing and to the activation of a social fund for the League of Portuguese Fire-Fighters, communicated through specific means and a campaign on Facebook.

Culture Support

CEMG has supported D.A.M.A since 2014, thus drawing closer to a younger target group and endowing the Montepio brand with the features of joviality and dynamism that are so necessary to the future. Among the hundreds of concerts held by this band, there were particularly emblematic performances at the Meo Arena, Lamego and Maia pavilions, where the Montepio brand increased it recall factor among the thousands of Portuguese that attended those concerts.

Montepio

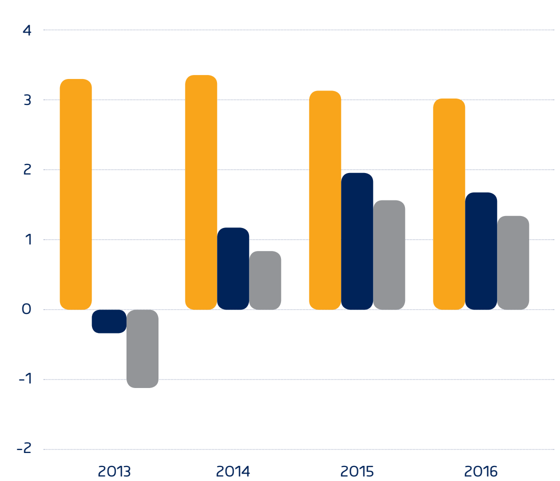
Macroeconomic Environment

2 Macroeconomic Environment

The estimated growth for the world economy in 2016 was consecutively downward revised throughout the year. In January 2017, the International Monetary Fund (IMF) maintained the growth for 2016 at 3.1%, in deceleration when compared to the 3.2% of 2015. Global economic activity thus remained moderate, with the growth of the emerging and developing economies - accounting for over 70% of global growth - stabilising at 4.1%, after five consecutive years of slowing down, while the advanced economies continued to grow modestly, having slowed down from 2.1% to 1.6%. For 2017, the IMF forecasts an acceleration of world growth to 3.4%.

Gross Domestic Product (GDP)

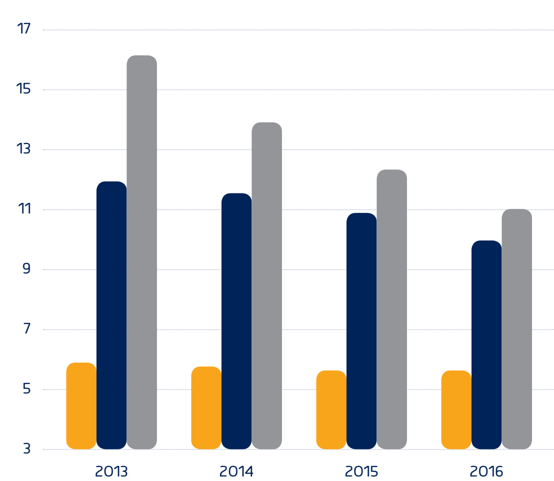
(aagr, %)



Source: Thomson Reuters e FMI.

Unemployement Rate

(aar, %)



Source: Thomson Reuters e FMI.

Euro Zone

In 2016, the economy of the Euro Zone showed a GDP growth of 1.7%, below that of the previous year, but in the second half of the year started a quarter-on-quarter growth trend, after the slowdown observed in the second quarter. Reflecting the gradual recovery of the economy, the unemployment rate followed the trend of slight improvement initiated in mid-2013, having fallen from 10.9% in December 2015 to 9.6% in December 2016.

The inflation rate (measured by the year-on-year change in the Harmonised Index of Consumer Prices (HICP)) remained low during most of 2016, having shifted from 0.2% in December 2015 to 1.1% in December 2016, still standing below the medium term target of the European Central Bank (ECB) of 2.0%. Aimed at combating the risk of low inflation during an overly long period of time and stimulating credit flows to the real economy, and thus stimulating the economy, the ECB once again adopted, throughout 2016, various expansionary measures. Hence, in March the ECB decided to lower the refi rate by 5 b.p., establishing it at 0.00%, and lower the marginal lending facility interest rate from 0.30% to 0.25%, and cut the Deposit facility interest rate by 10 b.p. to -0.40%, renewing historical minima at all rates. In March, the ECB also decided to strengthen its expanded asset purchase programme (private and public debt), through a quantitative easing policy, increasing the average rate of monthly purchases from the previous 60 billion euros (Bn€) to 80 Bn€. Subsequently, in December, the ECB extended the enforcement period of the programme from March 2017 to December 2017, although with the average rate of monthly purchases being reduced from April onwards, from 80 Bn€ to 60 Bn€.

%

Economic Estimates and Forecasts for Portugal and the Euro Zone	'16						'17			
	Portugal			Euro Zone			Portugal		Euro Zone	
	Eff.	BoP	CE	Efe.	BCE	CE	BoP	CE	BCE	CE
GDP	1.4	1.4	1.3	1.7	1.7	1.7	1.8	1.6	1.8	1.6
Private Consumption	2.3	2.3	2.1	2.0	1.9	1.9	2.1	1.6	1.4	1.5
Public Consumption	0.5	0.8	0.6	1.8	2.0	2.0	0.2	0.4	1.1	1.4
Investment (GFCF)	-0.1	-0.3	-1.5	2.6	2.5	2.8	6.8	3.8	2.8	2.9
Exports	4.4	4.4	3.9	2.9	2.9	2.7	6.0	4.1	4.3	3.3
Imports	4.4	4.4	3.9	3.5	3.5	3.3	7.3	4.3	4.6	3.8
Inflation	0.6	0.6	0.6	0.2	0.2	0.2	1.6	1.3	1.7	1.7
Unemployment rate	11.1	11.1	11.2	10.0	10.0	10.0	9.9	10.1	9.4	9.6

Source: Bank of Portugal (BoP), March 29, 2017; European Commission (EC), February 13, 2017 and European Central Bank (ECB), March 29, 2017.
Notes: "Eff." corresponds to the effective date already released for 2016; inflation is measured by a year-on-year change of HICP.

Portugal

After three years of recession, the Portuguese economy returned to growth in 2014 (+0.9%) and in 2015 continued the process of gradual recovery, having grown by 1.6%. In the first half of 2016, GDP continued to recover, showing a modest quarter-on-quarter growth of merely 0.2% in the first and second quarters but growing at a stronger pace during the second semester (0.9% in the third quarter and 0.7% in the fourth quarter), with a total deceleration of average annual growth in the year 2016 to 1.4%. Economic activity was solely supported by the domestic demand, which showed a positive contribution of 1.5 p.p., with the slowdown of this contribution (+2.6 p.p. in 2015) reflecting the reduction of investment and to a lesser degree the deceleration of private consumption. Private consumption grew by 2.3% (+2.6% in 2015) and public consumption by 0.5% (+0.7% in 2015), while fixed capital investment (GFCF) contracted by 0.1%, after having grown by 4.5% in 2015, and the change in inventories had a negative contribution of 0.1 p.p., after the zero contribution presented in 2015. Net exports showed a slightly negative contribution of 0.1 p.p., penalising economic activity for the third consecutive year, but at a rate well below that presented in the two previous years (-1.0 p.p. in 2015 and -1.4 p.p. in 2014). Although exports increased in 2016, the same 4.4% (+6.1% in 2015) as imports (+8.2% in the previous year), the fact that there is a deficit balance of goods and services at constant prices implied higher absolute growth of imports in relation to exports. It should be noted that the recovery of economic activity continued to be underpinned by exports, which closed last year 36.9% above the levels prior to the adjustment programme (2010).A return to acceleration is forecasted for this year, pointing to annual average growth of 1.8%, above the 1.5% featured in the Government Budget for 2017 (OE 2017).

The budget adjustment process continued throughout 2016. Thus, after a budget deficit of 4.4% of GDP observed in 2015, falling in relation to the 7.2% deficit recorded in 2014 (where the Banif resolution operation had an impact of 1.4% of GDP), the national accounts data relative to 2016 revealed a deficit of 2.0% of GDP, which was determined by the increased total revenue (+0.9%) and decreased expenditure (-3.8%). The 2.0% deficit is below the 2.4% contained in the Government Budget for 2017, an improvement higher than that initially expected and which to a large extent benefited from the cash inflow of the programme for the settlement of tax and social security debts (PERES).

The savings rate increased slightly to 4.4% in the second quarter, followed by 4.6% in the third quarter of 2016, but fell back to 4.4% in the fourth quarter.

In the labour market, the unemployment rate fell from 12.4% in 2015 to 11.1% in 2016, thus continuing the downward trend since the historic maximum peak reached in early 2013 (17.5%), with the outlook pointing to a new reduction in 2017 (to 10.3%, in line with Government Budget forecast for 2017).

Inflation, measured by the annual average rate of change in the consumer price index (IPC), came to 0.6% in 2016 (+0.3% in 2013), having accelerated slightly in relation to the 0.5% observed in 2015 (-0.3% in 2014, +0.3% in 2013 and +2.8% in 2012).

Portuguese Real Estate Market

The real estate deleveraging implemented in 2010 under the Troika agreement created a negative dynamic between default, falling house prices, deteriorating asset prices, lower lending and recession. As a result, the construction sector has been one of the most hard-pressed, although its GVA returned to (marginal) growth in 2015, rising by 0.04% after having contracted 8.4% in 2014.
In 2016, the sector's gross value added fell by 1.8% in annual average terms, notwithstanding having shown a significant quarter-on-quarter growth of 6.7% in the fourth quarter, this was after three quarters of contraction (-0.8% in the first quarter, -3.4% in the second quarter and -0.6% in the third quarter). The housing price index (HPI) recorded year-on-year growth of 7.6% in the fourth quarter of 2016. This figure was similar to that observed in the previous quarter and represented the 13th consecutive increase, after having remained on a downward path between the fourth quarter of 2010 and the third quarter of 2013. This is the highest rate of growth of the current INE statistical series (started in 2010) and is estimated as being the highest growth since the fourth quarter of 2000 (+8.8%), according to the longest time series constructed by Montepio based on analogous indices provided by other entities. Compared to the previous quarter, the HPI increased by 1.2% in the fourth quarter of 2016 (+1.3% in the previous quarter), once again returning to historic peaks.

Other Economies

In Angola, the economy has been severely affected by the still low oil prices. According to the quarterly national accounts released by the National Institute of Statistics of Angola, the economy experienced year-on-year GDP contractions of 1.9%, 7.8% and 4.3%, in the first, second and third quarters of 2016, respectively. Reflecting this data, GDP growth in 2016 was strongly revised downwards, with an estimated decline of 3.0%, a figure well below the 1.1% increase defended by the Government in the Revised General Government Budget 2016 (OGER 2016) and also below the 0.0% forecasted by the IMF (16 October 2016). Following an annual average inflation rate of 10.2% in 2015 (+7.3% in 2014), in 2016 there was a further deterioration and with an even higher intensity to 32.1%, a maximum figure since 2004 (+43.5%), with inflation thus remaining, for the second consecutive year, significantly above the inflation target [+7.0%; +9.0%] of Banco Nacional de Angola (BNA), with the sharp depreciation of the kwanza against the dollar since the end of 2014, to be one of the main factors for this strong pressure on domestic prices.

In 2016, Mozambique's GDP grew by 3.3%, representing the lowest pace since 2000 (+1.7%). The slowdown of the Mozambican economy has has been reflecting: i) the fall in the country's external revenues, due to the low global commodity prices, especially of aluminium and coal, the country's main export products; ii) the deceleration of direct foreign investment (FDI), caused in part by the low commodity prices; iii) a more restrictive budgetary policy, with cuts in public expenditure; iv) low agricultural production due to the passage of El Niño, which has also given rise to increased inflationary pressure; and v) the escalation of political and military tension in the country. Inflation (measured by the consumer price index in the city of Maputo) reached 19.3% in 2016, under acceleration in relation to the 2.4% in 2015 (+2.3% in 2014), having been a peak value since 1996.

In Cape Verde, the GDP growth attenuated following the international crisis, with annual average growth of only 1.9% having been observed between 2010 and 2016, well below the 7.4% recorded between 1993 and 2008. The year-on-year change in the consumer price index was 0.4% in December 2016 and the average inflation rate for 2016 stood at -1.4%, lower than that recorded in 2015 (+0.1%).

Financial Markets

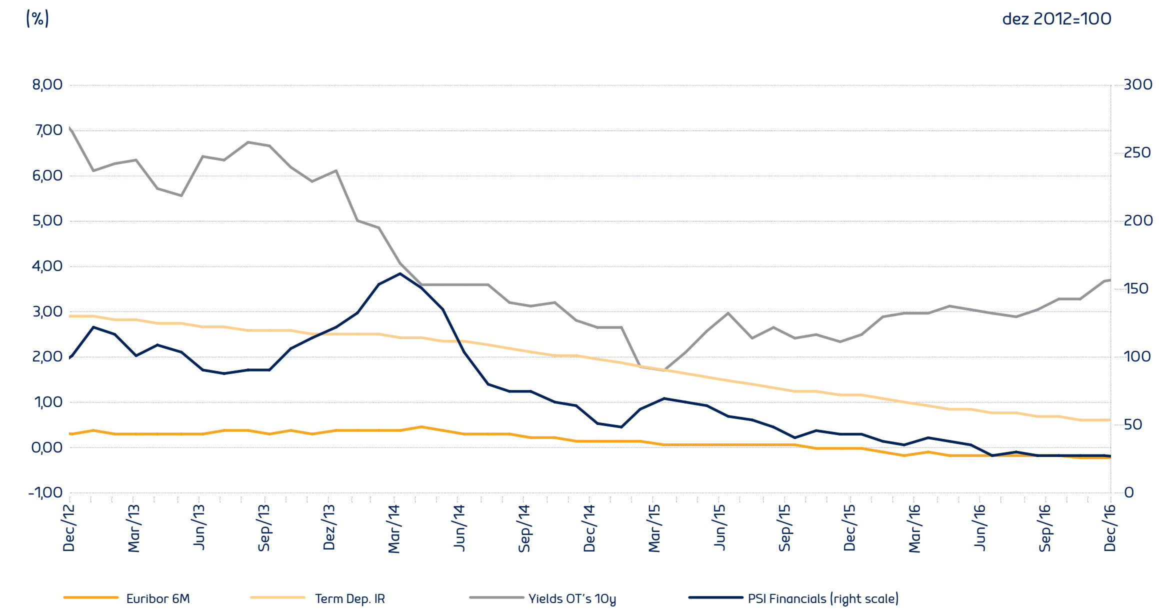
The evolution of the financial markets, as a whole for 2016, mostly showed upward movements in the main stock indexes worldwide, with some reaching historic peaks, in particular the American, where the principal index (S&P 500) rose by 9.5%. In Europe, the majority of the performances were positive, with Eurostoxx 50 having risen by 0.7% and the British FTSE 100 having appreciated by 14.4% (notwithstanding Brexit). However, the Portuguese PSI-20 fell by 11.9%, in line with the declines of both Spanish and Italian indexes. In Asia increases were observed in Japan, India and Hong Kong, but a decline in China. In Latin America the performance was also positive.

The reference government bond yields showed declines in Germany and increases in the USA. The movement of Germany's government bond yields (-42 b.p. both at 10 years and 2 years) was not uniform, with declines having been observed in the 10-year government bond yields up to the middle of the year, followed by an upward trend until practically the end of the year.

In the Interbank Money Market, dollar rates (Libor) rose in all maturities, but below the 25 b.p. increase set by the Fed in the fed funds target rate, on 14 December, since, in early 2016 the market expected more than just one interest rate increase over the year. Euro rates (Euribor) renewed historical lows, reflecting the ECB's expansionary monetary policy, and presented negative figures throughout the year in the three and six months (3-month Euribor since 04/21/2015 and 6-month Euribor from 06/11/2015) and also in the 12 months from 05/02/2016.

The 10-year government bond yield spreads of peripheral Eurozone countries rose in Portugal, Italy and Spain, respectively, by 167 b.p., 64 b.p. and 3 b.p., while the spreads of Greece and Ireland fell by 76 b.p. and 3 b.p., respectively.

Interest Rates and PSI Financials



Source: Thomson Reuters

In the foreign exchange market, the nominal effective exchange rate of the euro (EUR) rose by 1.9% in 2016, moving slightly further away from the minimum levels since May 2002 recorded in the second quarter of 2015. The EUR fell by 2.9% against the dollar (USD), but gained 19.4% in relation to the pound (GBP).

Main Risks and Uncertainties in 2017

For 2017, the IMF forecasts an acceleration of world growth to 3.4%, after the 3.1% estimated for 2016 (+3.2% in 2015). In the USA and India growth should accelerate, Russia and Brazil should emerge out of recession, but China, Germany, Spain and the United Kingdom should grow less than in 2016. Despite the uncertainty surrounding the policy of the new Trump Administration in the USA and its global ramifications, the IMF forecasts growth of 2.3% in 2017 and 2.5% in 2018, which are higher projections than those made in October. In the Euro Zone, in spite of the financial risks and the impact of the Brexit negotiations, the IMF made an upward revision, by more than a tenth, of its growth in 2017, but points to a decline of the annual rate from 1.7% in 2016 to 1.6% in the two following years.

In January 2017, the IMF considered that there are risks for the prospects of global growth but identified some negative bias, especially in the medium term:

- Recent developments indicate the progressive weakening of the political consensus in relation to the benefits of cross-border economic integration;

- In the advanced economies, where balance-sheets continue to show impairments, a prolonged shortfall in private demand and insufficient progress in reforms (including reforms to consolidate banks' balance-sheets) may lead to permanently lower growth and inflation, with negative implications for debt dynamics;

- The challenges associated to Brazil and Russia emerging out of their two years of recession, with its impact on the increased unemployment rate and higher risks associated to the instability of the financial system;

- There are still several vulnerabilities in some other major emerging economies. The high debt levels of companies, the reduced profitability, the continuing low robustness of the weaker banks and the lower margins in terms of economic policy instruments imply that these economies are still exposed to adverse financial conditions, reversals of global capital flows and to the implications derived from the previous strong depreciation of their currencies;

- Geopolitical risks and a series of other non-economic factors continue to weigh heavily on the outlook in several areas - civil wars and internal conflicts in parts of the Middle East and Africa, the tragic situation of the refugees and migrants in neighbouring countries and in Europe, the acts of terrorism somewhat all over the world, the effects of a prolonged drought in Eastern and Southern Africa, plus the propagation of the Zika virus; and

- On the positive side, the impact of the measures aimed at stimulating economic activity in the USA and/or China might be higher than that incorporated in the IMF's current forecasts, which would also give rise to higher demand directed at their main trading partners, unless these positive consequences are dampened by protectionist trading policies.

For the Portuguese economy, there is the risk of economic performance being below that expected, as well as the public deficit being higher than that expected, which could be reflected in possible downward revisions of the country's rating. Such a downgrade would lead to the Portuguese financial system experiencing difficulties of access to external funding, namely derived from the ECB.

At the same time, in spite of the continued deleveraging process of the non-financial private sector over the last few years, this sector is still highly indebted, implying that the effort to reduce debt will have to be further pursued in order for the main economic agents, households and non-financial companies to be able to continue meeting their responsibilities. If the deleveraging process does not continue, the risk of credit default might increase, with negative impacts on the quality of banks' assets.

Furthermore, there are risks associated to a possible worsening of the global financial market volatility, which would naturally have repercussions in terms of the funding conditions of the so-called peripheral economies, subsequently reflected in the liquidity situation of their financial systems. Among the risks and factors potentially causing greater volatility in the financial markets is, of course, the possibility that the effects of Brexit may turn out to be more negative than what has been admitted. The real effects of Brexit shall be experienced over some time, adding elements of economic and political uncertainty to the global economic panorama. This possibility of additional uncertainty, in turn, could lead to a more enhanced response of the financial markets to any negative shocks, characteristic of periods of high uncertainty.

In addition to the aforementioned risks associated with Brexit, there are a number of other risks associated with the global economy that may also affect the smooth running of the global and national financial system, risks that may be further exacerbated by Brexit. Among these in particular is the legacy of problems still to be solved in the European banking system, with the IMF having recently also highlighted the situation of the Italian banks. This legacy of problems is, itself, one of the risks that the world will face in 2017.

Strategy and Business Areas

3 Strategy and Business Areas

3.1 Strategy

CEMG's Strategic Plan for the three-year period 2016-2018 is aimed at assuring the sustainability, supported by the adjustment of the business model and the approach to the market, and strengthening of capital and liquidity levels, defining as priorities for action the reinforcement of the value proposition, the efficiency of the platform, the strengthening of risk management, human capital management, capital management and the institutional positioning.

The Strategic Guidelines for the three-year period of 2016-2018 are based on six main pillars: the recovery of core total operating income, improved efficiency, the reinforcement of liquidity, the strengthening of risk management, the adequacy of capital to the Group's needs, talent management, and the consolidation of the corporate model.

In order to accomplish this strategy and the implementation of the strategic goals, the Ordinary General Meeting, held on 28 December 2016, approved the Action Programme and Budget for 2017, which covers the following measures:

- Reorientation of the balance sheet in order to reinforce net income from the financial intermediation business, an essential pillar of the core business;
- Reinforce the contribution of commissioning of financial services to results;
- Optimisation of the commercial network and central services;
- Reduction of costs related to external supplies and services;
- Reduction of the cost of risk through the combined effort of better origination of new credit and increased levels of credit recovery;
- Implementation of integrated management of real estate properties;
- Preservation of a composition of profitable and liquid assets;
- Increase deposits-taking;
- Rationalization of the portfolio of holdings;
- Gradual reduction of risk-weighted assets as a way of strengthening the adequacy of economic capital affected to the business;
- Review of the performance assessment system;
- Launch of a training plan;
- Fair allocation of costs and benefits between CEMG and AM;
- Development and consolidation of the governance model.

During the first quarter of 2017, the Executive Board of Directors carried out various roadshows throughout the country, aimed at presenting the Action Plan for the year in course to all the employees. The new challenges, the strategic path that CEMG intends to follow and the importance of the contribution of each employee to the attainment of these objectives were the main topics addressed at these meetings.

This Action Plan and Budget may contain some implementation risks as regards the accomplishment of its overall goals, especially in view of the materialisation of an adverse macroeconomic scenario and the persistence of some instability in terms of the European Union and countries included in the Euro Zone, as well as in other geographic areas to which the institution is exposed.

In order to achieve the Strategic Goals for the three-year period 2016-2018 and the measures covered by the Action Plan and Budget for 2017, a variety of initiatives have been implemented which enabled, namely, the reinforcement of own funds, the consolidation of the governance model, the optimisation of the commercial network and central services, the resizing of the number of employees, and the launch of a training plan with the creation of the Montepio Academy, giving priority to investment in the development and promotion of the talent of the employees of the institution.

Moreover, other initiatives and action plans are also being developed with a view to achieving all the other measures established for the year in course. This has been reflected in the evolution of the business and earnings and, in this way, has contributed to the start of a positive trajectory in terms of profitability indicators.

CEMG has redefined market positioning, focusing on business of families and small and medium-sized enterprises (SMEs), along with the Social Economy, and reduced the balance sheet exposure to real estate risk. The continued process of deleveraging the balance sheet has borne positive results, having enabled reinforcements in terms of capital and the stabilisation of the liquidity position, allowing for risk management in line with the institution's balance sheet.

The restructuring process led to reductions in staff costs and general administrative overheads in 2016, compared to the same period of 2015. This evolution was influenced by the measures concerning the wage bill, the renegotiation of outsourcing contracts, namely for telecommunications, insurance and electricity, among others, the resizing of the commercial network and the reorganisation and concentration of the central services.

In 2016, there was an improvement in the main indicators, namely in the core total operating income, supported by the performance of net interest income and net commissions, in the loan-to-deposit ratio, in credit recovery and in the reduction of operating costs.

Also under the restructuring process, in order to mitigate operating risk and reduce exposure to Africa, where it holds 81.6% of Finibanco Angola and 45.8% of BTM - Banco Terra in Mozambique, CEMG is developing actions aimed at finding a solution that will allow the deconsolidation of these participations, both within the scope of the "ARISE" project in an international partnership with Rabobank, the Norwegian sovereign fund NORFUND and the Dutch development bank FMO, as well as in the context of other alternatives that are under development.

Over the next three years, the challenges comprise enhancing CEMG as a digital bank and adapting the branch network to customer needs. This change, in addition to giving the commercial network a new image of innovation and modernity, seeks to adjust the commercial structure to the needs and realities of CEMG's customers. This transformation should involve the entire management system of the branch network, creating new functionalities in the branches that simplify and increase the efficiency of the customer's experience and meet the expectations of families, the social economy and medium-sized enterprises.

The process of modernisation of the branch network started in February 2017, at the Lisbon Castilho and Lisbon Almirante Reis branches, reflecting CEMG's repositioning in the retail market, designed around the Customer and his/her improved experience, embodied in the slogan "Only a different bank can take us further".

The modernisation of the 327 branches in Portugal, after completion of the process of resizing the commercial network in 2016 with the closing of 94 branches, aims to reflect CEMG's repositioning in the retail market and seeks to redesign all the channels, introducing improvements in the existing channels and building new ones. With the modernisation of the branches, CEMG expects to attract more customers and improve its relations with the existing customers, having, for this purpose, focused on the transversal training of its employees through the recently created Montepio Academy.

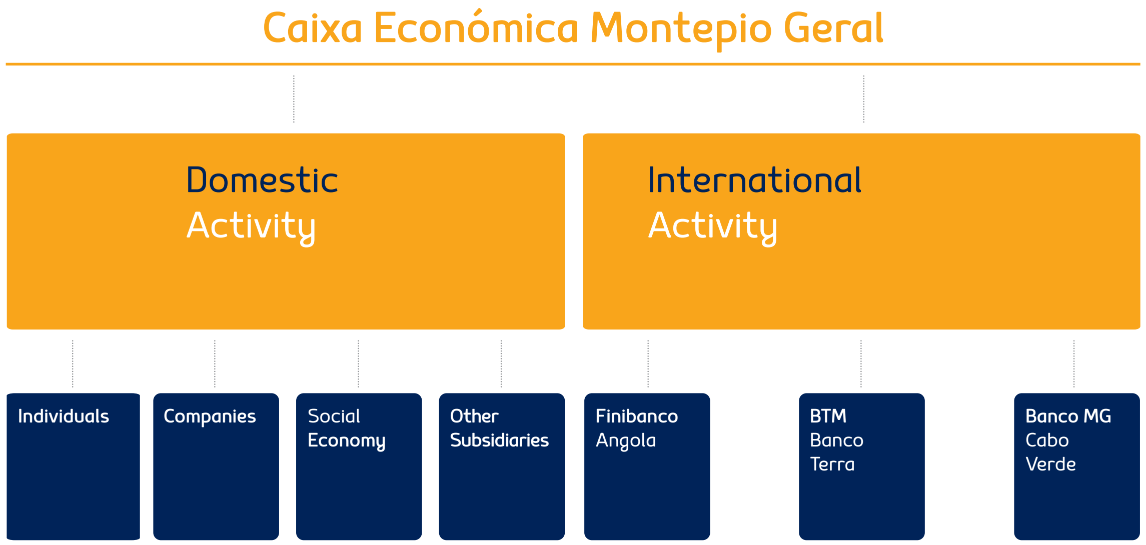
Changes have also been made to the digital channels, with a new website having been provided in the beginning of March 2017, with a refreshed and modern graphic identity, a content layout that is closer to the objectives, needs and motivations of the institution's customers, reflecting the new image and the vision of digital transformation directed at being closer to the Customer and offering the Customer better service. Still in the four-month period CEMG will launch a new APP realizing the optichannel vision of the accesses of its clients.

CEMG is preparing itself to be a totally Outside-in organisation, which considers the Customer, experiences the Customer and presents the Customer with the offer he/she needs at the time when it is needed. To this end, the work has already started aimed at understanding the Customer and the Potential Customer, and at providing a distinctive service for the Associates, both at a technological level and regarding training in sales techniques for the commercial network. "Montepio 3C - Customer & Commercial Culture" emerged in this context, which is a training programme on sales techniques aimed at ensuring that all the employees of the commercial network care for the Customer, consider the Customer and maintain their focus on the Customer, adopting a servicing culture at all times of contact with the Customer.

3.2 Business Areas

The CEMG Group is characterised as being one of the main Portuguese financial groups in retail banking, with its core business being based on the domestic market, while also developing some activities abroad.

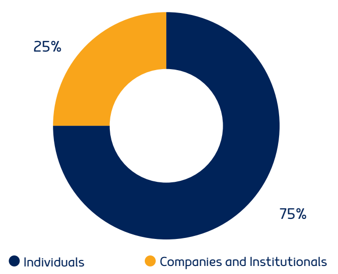
CEMG presents itself as a comprehensive and diversified group, operating in the domestic market through the offer of complementary products and services for Individuals, Companies and the Social Economy, as well as through its stakes in other subsidiaries that develop their activity in Portugal. In terms of international activity, CEMG's presence arises from its stakes held in the institutions Finibanco Angola, BTM - Banco Terra, in Mozambique and Banco MG Cabo Verde.



CEMG's core business is centred on domestic activity, especially the offer of commercial banking products and services for Individuals and Companies, namely the attraction of deposits and the granting of loans. As at 31 December 2016, CEMG customer deposits stood at 12.5 billion euros, with individuals accounting for 75% of this amount, and loans to customers reaching 15.0 billion euros, broken down by 56% of individual customers and 44% company customers.

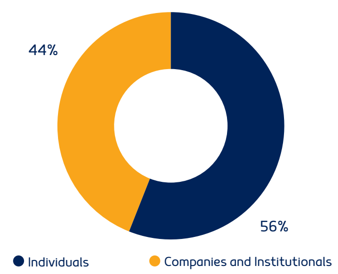
Structure of Customers' Deposits

31 December 2016



Structure of Loans to Customers

31 December 2016



3.2.1 Domestic Activity

Individuals

The strategy defined for the Individuals segment has focused on stimulating family saving, namely through the attraction and retention of funds, by offering term deposits with different features and maturity periods.

New deposits we launched throughout 2016 with special focus on the attraction of new capital (Montepio Super Depósito 2016, Montepio Super Depósito 9 Meses, Montepio Super Depósito 4 Meses and Montepio Super Depósito 3 Meses), to boost customer loyalty (Montepio 4 D) and to encourage adherence to digital documentation (Montepio Aforro Digital). Special note should also be made of the Depósito Montepio Super Poupança, at 3 years, with a growing interest rate and semi-annual interest payment, and the Montepio Poupança Ativa which encourages saving through a monthly delivery plan.

In line with previous years, the offer of Retirement Saving Plans was continued in 2016, through the availability of products from Futuro - Sociedade Gestora de Fundos de Pensões, S.A., with campaigns having been carried out over the year aimed at encouraging savings in a perspective of investment for retirement, through free or periodic deliveries. In this context, in particular, is the PPR Garantia de Futuro, distinguished with the Best PPR Fund award, attributed by the APFIPP (Portuguese Association of Investment Funds, Pensions and Assets) in partnership with Jornal de Negócios, under the "Best Funds 2016" awards.

Concerning the offer of financial products, in 2016, CEMG continued to promote the offer of Securities Investment Funds managed by Montepio Gestão de Ativos, Sociedade Gestora de Fundos de Investimento, S.A., and two Real Estate Investment Funds, Finipredial and VIP, managed by two other Management Companies. In 2016, Montepio Euro Healthcare Securities Fund was distinguished as the Best Fund in the category of "Other Equity Funds" for the second time consecutively, under the "Best Funds 2016" awards, attributed by the APFIPP (Portuguese Association of Investment Funds, Pension Funds and Asset Management) in partnership with Jornal de Negócios. The Montepio Taxa Fixa Securities Fund was also distinguished in 2016 as the Best Euro Bond National Fund, at the Morningstar Awards Portugal 2016.

In 2016, CEMG continued to offer four Montepio Solutions (Consigo, Valor, Runner e Viva)

With a view to meeting the financial needs of its customers, in 2016, CEMG continued to offer four Montepio Solutions (Consigo, Valor, Runner e Viva), directed at Individual customers with different profiles of bank needs, which consist of an integrated package of products and services, with differentiated pricing.

With respect to financing solutions for Individuals Consumer credit and Mortgage loan solutions stand out. Consumer credit is one of the strategic products for the Individuals segment, which registered an increase in demand in 2016, when compared to the demand observed in previous years.

Aimed at making the mortgage loan offer more competitive and adjusted to the current recovery of real estate activity, this offer was redesigned with differentiating special conditions in terms of price and offer, directed at different customer needs, namely for acquisition, construction, works and transfer from Other Credit Institutions, which includes Urban Rehabilitation and Real Estate Properties held in portfolio, on which the conditions were revised in order to make them more competitive.

In addition to the reformulation of the offer, in-house changes were also implemented in terms of processes, which enabled offering the Customers an appropriate service level differentiated from the market, with special product conditions associated to an assertive communication and advertising campaign, contributing to improve the business results.

With a view to strengthening the brand's positioning in this key product, two above the line communication actions were developed which were present in different media formats: in the first semester an Institutional Campaign - Somos um banco Diferente (We are a Different bank), and in the second semester a campaign to publicise the special conditions of the Mortgage Loans.

Concerning the information disclosed on the Institutional Website, in 2016, improvements were made to the Simulator and to the description of the Mortgage Loan product offer, aimed at simplifying both its use and the consultation of the available information.

In the bancassurance area, CEMG, in partnership with the insurance companies, Lusitania, Lusitania Vida and N Seguros, enhanced the relational strategy, promoting a process of continuous improvement of products through the strengthening of coverages, simplification of procedures and tariff adjustments, with a view to meeting the expectations of Customers and Associates. In order to strengthen the offer, the Flex Health Insurance product was launched, designed in a modular form and enabling flexible protection able to be adapted to each profile. A series of initiatives in the health insurance areas are foreseen for 2017. At the same time, various training actions were conducted aimed at the employees, in addition to promotional campaigns to support the business.

Super Deposit and Montepio Rounding-Off Programme

Also in the context of strengthening the savings communication and aimed at assisting the commercial network in accomplishing its goals to attract funds, communication initiatives were developed associated to the star product of the year and exclusively for new capital, the Super Depósito. Moreover, there was a digital campaign around the time of the commemoration of World Savings Day, allusive to the Montepio Rounding-Off Programme. This programme enables strengthening, with little financial effort, the savings of minors, based on the rounding-off of a given value derived from purchases, payments of services or the loading of mobile phones carried out in Portugal through the Montepio debit card.

Companies

In line with the strategic objective of positioning Caixa Económica Montepio Geral as a partner of the business segment, increasing its market share and continuing to diversify its activity, the year of 2016 was, once again, marked by focus on the strengthening and development of this strategy.

The strategic focus and positioning of the brand in 2016 are embodied in the guidelines defined for each area of action, the support to the business segment and its internationalisation, and the support to entrepreneurship and microcredit.

Support to the Business Segment and its Internationalisation

In view of the strategic importance of the Portugal 2020 agreement to the national economy, and in a particularly challenging period with the business structure being encouraged to invest in qualification and internationalisation, CEMG has undertaken to have a strong presence and participation in financing the implementation of eligible investment projects under the European Community framework in force in the period between 2014 and 2020.

For international business, CEMG has presented a new line of communication that was present at the institution's branches, in the national press, online media and at SISAB (International Trade Fair for Portuguese Food and Beverage), demonstrating the focus both on export companies or potential exporters and on the stimulation of clusters that show capacity for growth and influence in boosting the economy.

The new line of communication is centred on disclosing a service of excellence and efficiency in supporting and simplifying the daily operation of national companies, exporters and importers, with products that meet their main needs.

CEMG also strengthened its positioning as a bank centred on supporting the development and meeting of the needs of Portuguese small and medium-sized enterprises, through an approach based on close and dynamic collaboration with business associations and other regional centres stimulating the business sector. In this context, an agreement was signed between CEMG and AESintra (Sintra Business Association) to promote an integrated development strategy for the Business and Entrepreneurial Ecosystem.

Under this strategy, aimed at the support and development of fundamental Clusters, the main initiatives started in 2016 are presented below:

Agro Cluster

CEMG reinforced its support to the agricultural sector, having been present at reference events and, at the same time, having signed a cooperation agreement with IFAP (Agriculture and Fisheries Funding Institute) to establish special financing conditions to support activities in the agricultural and forestry sector.

In this initiative, CEMG's participation in the following events should be mentioned:

- National Agricultural Fair: For the second consecutive year, Montepio was present at the National Agricultural Fair in Santarém, one of the largest stages of the country's agricultural activity, supporting the companies that operate in this business sector under the firm belief that the agricultural sector is of strategic importance for Portugal, not only in terms of the development of an efficient productive capacity but also in the promotion of a sustainable economy.

- Agroglobal: For the first CEMG was present at the 5th edition of Agroglobal – Fair of the Major Crops in Mouchão da Fonte Boa, in Valada do Ribatejo. The agricultural sector and the economic activities associated to its development are of indisputable importance in the affirmation of the country's growth, especially in terms of the number of companies operating in Portugal and its contribution to national exports.

Tourism Cluster

· CEMG sponsored the Gala Algarve Travel Awards by EC Travel: One of the main tourism events in the Algarve, the Gala Algarve Travel Awards by EC Travel, distinguishes the excellence of an entire strategic sector for the region. In covering different brackets of the whole hotel activity, including services and incoming, this enables appraising all the categories and strengthening ties with the main national and international operators. The Algarve Award, Montepio Award category, which seeks to distinguish Algarvian personalities who are outstanding at a national level, this year attributed to the singer Viviane, portrays the CEMG's DNA in its support to Portuguese culture.

Real Estate and Urban Rehabilitation Culture

CEMG was present at various events associated to the real estate sector, supporting and fostering the debate among various players, especially the following:

- III Urban Rehabilitation Week: This event in Lisbon brought together national specialists and promoted the reflection and exchange of ideas on the importance and value of urban rehabilitation through conferences and exhibitions. At this initiative, CEMG assured its presence with the organisation, together with the APPII (Portuguese Association of Real Estate Developers and Investors), of the conference "Promotion & Financing of Urban Rehabilitation" and participation in the round table "Assessing risks in urban rehabilitation".

- National Meeting of Municipalities with a Historic Centre: CEMG supported the XVI National Meeting of Municipalities with a Historic Centre, in the Municipality of Angra do Heroísmo. The Portuguese Association of Municipalities with a Historic Centre (APMCH) has progressively played, since its foundation in 1988, a fundamental role in the defence and preservation of Portuguese Historic Centres, underpinned by the dedication of around one hundred Associate Municipalities.

- Real Estate Fair: The Portuguese Real Estate Fair is one of the events of greatest impact and importance of the real estate sector, with CEMG, through Montepio Gestão de Ativos Imobiliários (MGAI), having been present with the objective of promoting its portfolio of properties. This special event was also attended by the commercial teams of CEMG's Lisbon Commercial Department to strengthen the mortgage loan campaign and carry out simulations of financing solutions among actual and potential customers.

CEMG's presence in these initiatives assured the promotion of the available offer for this business area, in particular through the disclosure of the website www.montepioimoveis.pt, which aggregates the real estate offer of the Montepio Group.

Also in 2016, CEMG strengthened its participation in public sector initiatives directed at stimulating the financing offer for companies with agreed credit lines, namely:

- Support Line for the Qualification of the Offer 2016 - Turismo Portugal - credit line, with a total budget of 60 million euros, aimed at supporting the medium to long-term financing of investment projects of the tourism sectors, which are especially reflected in the creation of innovative tourist enterprises, their upgrading and the development of projects in the area of tourist entertainment and restaurants. This line foresees the possibility of creating specific lines to meet particular objectives, with the launch, in the context, of the Line to Support the Revitalisation of the Tourism Sector in the municipality of Albufeira and the Line to Support the Tourism Sector as a result of the August outbreaks of fire.

- Credit Line to Support the Business Sector and the Recovery of Companies affected by Outbreaks of Fire - PME Investimentos - credit line of the value of 10 million euros, aimed at supporting SMEs which incurred damage caused by the outbreaks of fire that affected various regions of the country during the summer of 2016.

- Credit Line with IFD Mutual Guarantee 2016-2020 - IFD - included in the Capitalise Programme, with the total amount of 1,000 million euros, this line is directed at financing investment projects of Portuguese small and medium-sized enterprises, especially covering projects to strength business capacity-building for the development of new products and services or with innovations in terms of processes or products.

Through the renewal of the Fincresce Programme, CEMG continued to distinguish companies which, due to their performance qualities, are positioned as drivers of the national economy in different activity sectors, through the attribution of Estatutos PME Líder e Excelência (SME Leader and Excellence Status).

In 2016, CEMG also reinforced the support of the European Investment Fund (EIF) to the national economy, by signing an agreement underlying InnoVFin - Garantia a PME, through which the EIF provides guarantees and counter-guarantees to Credit Institutions for funding through debt to be provided to SMEs and/or Small Caps with innovative features.

Seeking to support companies to strengthen their sustainability strategy, CEMG maintained its collaboration with Renault Portugal - Mobilidade Elétrica Auto - which aims to support companies in transforming their motor vehicle fleet, and thus contribute to a more aware and sustainable business structure.

Support to Entrepreneurship and Microcredit

Entrepreneurship

Innovation Cluster

CEMG maintained its positioning in the entrepreneurship area with its support of start-ups of innovative nature, through partnerships with the main entities of national, regional and social scope in the area of technological and social entrepreneurship.

With an appropriate offer for the life cycle of start-ups - Montepio TAKE OFF - and a policy of support and sponsorships aimed at stimulating the entrepreneurial spirit of Portuguese society, CEMG has focused on participating in the dynamics of the development of an ecosystem of entrepreneurship and social innovation.

This path includes the adherence to and search of new forms of funding. For this purpose, the TAKE OFF offer was strengthened by a credit line of 20 million euros of the European Investment Bank, named Montepio Employment & Start-Up Programme, a solution aimed at entrepreneurship, which enables transforming ideas into business and covers products and services developed specifically for the management of start-ups.

BOABOA Crowdfunding Platform

CEMG is a founding partner of the BOABOA Crowdfunding Platform, the first territorial crowdfunding platform of a European capital which completes the offer required for the creation of an entrepreneurial ecosystem by assuring access to an alternative funding instrument, testing and giving visibility to new ideas and projects. This collaborative funding model falls under four areas of action: Entrepreneurship; Science and R&D; Culture, Citizenship and Participation; and Entrepreneurship and Social Innovation. The Lisbon Crowdfunding Platform seeks to be an instrument to allow company incubators, accelerators, coworks, fablabs, investors and creative hubs to networked, with more advantages, strengthening Lisbon's status as a start-up city, as creative and stimulating ideas.

Startup Portugal Programme

The movement to support entrepreneurship - where CEMG is the only bank associated with it, affirming its determination to collaborate and strengthen the country's strategy for entrepreneurship, where in the mentor, customer or sponsor dimension - confirms the strategy that has been progressively pursued by CEMG, of supporting SMEs, single proprietorships and business projects underpinned by innovation, creativity and an entrepreneurial spirit.

The StartUp Portugal Programme is an initiative of the Portuguese Government aimed at recognising the importance of entrepreneurship in economic matters and for the creation of higher quality and qualified employment. The StartUp Portugal Programme was designed four years ago, structured around three areas of action - the ecosystem, funding and internationalisation - and incorporates measures aimed at fostering start-ups, incubators and Portuguese investors in external markets, as well as attracting more foreign start-ups, customers and investors to Portugal.

CEMG's participation in the sphere of entrepreneurship has been strengthened, year after year, both as a first line entity, as illustrated by its partnership with IAPMEI and Lisbon City Council (CML) in StartUp Lisboa, and in other projects of incubation of ideas and projects, as well as via the conclusion of agreements to provide collaboration and support to the community, namely associations.

Entrepreneurship, a key issue in economic dynamics, has achieved relevance and a specific offer and image, adjusted to the needs of those wishing to develop a business idea - the Montepio TAKE OFF offer.

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

- 5th Week of Lisbon's Entrepreneurship Week, held in May and attended by over 60 partners, among which CEMG. The initiative gave rise to over 30 events, from talks and workshops, conferences and master-classes, promoted in partnership with different entities, seeking to reinforce the idea that Lisbon is currently one of the most important Start-up Cities of Europe.

This commitment allows CEMG to assure the follow-up of a growing number of institutions of social nature

- The Entrepreneurship and Internationalisation Seminar, promoted by the Municipality of Torres Vedras included the support and participation of CEMG. This event presented topics such as the economic potential of the western zone, entrepreneurship, support to the internationalisation of the business structure and the attraction of investment to the region.

- The PEI Project - Promoção do Empreendedorismo Imigrante (Promotion of Immigrant Entrepreneurship), an initiative of the ACM (High Commission for Migration), aims to foster entrepreneurship among immigrant communities, with special focus on those resident in more vulnerable districts, where CEMG was part of the project assessment panel.

- JENIAL 2016 - 7th Edition of the National Meeting of Júnior Empresas e Iniciativas de Universidades Nacionais (Junior Companies and Initiatives of National Universities), dedicated to the topic "The Future Today", aimed to demystify the challenges of the future and the labour market, boosting the skills of the Júnior Empresários (Junior Entrepreneurs), with Montepio having participated in the "Entrepreneurship Solutions" workshop.

Microcredit

At a time marked by continued social inequality, Microcredit continues to be important in supporting entrepreneurs with business ideas that are sustainable, employment creating and which, through funding of relatively low amounts, contribute to fighting against social exclusion and are endowed with 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 strongly concerned with job promotion, such as Lisbon City Council (CML) through the Lisboa Empreende Programme, the European Anti-Poverty Network Portugal (EAPN) and more recently, NERSANT - Associação Empresarial da Região de Santarém (Business Association of the Region of Santarém) and AESintra - Associação Empresarial de Sintra (Sintra Business Association).

In 2016, CEMG maintained the strong dynamics in the implementation of the Programme Apoio ao Empreendedorismo e à Criação do Próprio Emprego (Support Entrepreneurship and Own Employment Creation), having established an agreement with Instituto de Emprego e Formação Profissional, IP (IEFP, IP) and the Mutual Guarantee Companies, embodied in the Microinvest and Invest+ credit lines.

Social Economy

In CEMG's Strategic Plan 2016-2018 the Social Economy is given an extremely important position, in line with the trajectory defined in previous years. This commitment allows CEMG to assure the follow-up of a growing number of institutions of social nature, not only meeting their needs, operationalising their entrepreneurship projects, building bridges for mutual understanding and shared actions, but also weaving a web of relations aimed at the growth and strengthening of the Social Economy and its agents.

Founded on a solid understanding of the sector, combined with experience supported by knowledgeable and committed teams of various sizes which define and identify the particularities of the Social Economy organisations, the defined strategy is accomplished within relations of proximity, side by side with the Customers in designing the best solutions, in strengthening the partnerships with a considerable number of stakeholders of the greatest importance to the sector, and in the creation of products and services that are more appropriate to those whose mission is working with people and for people.

The definition of the Social Economy as a customer segment under CEMG's scope of action allowed a structured approach to the Social Economy organizations, with the objective of adapting the solutions to the customers' needs and ensuring the risk mitigation of the operations, an approach that allows a better response to the customer by the end of the process.

CEMG's investment in close relations with the institutions of the social sector was reflected in the creation of a specialised organic unit for its monitoring - the Social Economy and Public Sector Commercial Department. At the end of 2016, this unit had 26 customer managers, who enabled, due to their experience, knowledge and dedication, the strengthening of the service quality and meeting of customer needs. CEMG performs its role as a strategic partner in supporting the social economy on a daily basis, whether in its dialogue with the structures representing the sector or in the hearing of the different stakeholders of the sector.

Reflecting CEMG's vision to promote a more efficient and sustainable Social Economy through an offer designed to meet real needs, we highlight the following facts occurred in 2016:

- CNIS - *Confederação Nacional das Instituições de Solidariedade* (National Confederation of Solidarity Institutions) and UMP - *União das Misericórdias Portuguesas* - (Union of the Portuguese Misericórdias) - renewal of the respective commercial agreements that offer access to bank products and services (treasury management and funding) to a large group of the organisations affiliated to these two representative structures, under competitive conditions, as well as a Microcredit/Social Entrepreneurship credit line.

- Social Sector Information Technology Solutions - renewal of the partnership with F3M - Information Systems, leveraged on strengthening the financing offer and conditions, which provides information technology and software solutions for the social sector, aimed at modernising and enhancing the efficiency of the management of Social Economy organisations.

- Social Sector Motor Vehicle Leasing - renewal of the partnership with Renault, centred on financing selected vehicles under beneficial conditions that enable Social Economy organisations to modernise their motor vehicle fleet, also incorporating discounts in compulsory motor vehicle insurance taken out through Lusitania.

CEMG's positioning as the Social Economy bank is derived from different factors, one of which being the existence of a competitive and robust offer, which differentiates CEMG from other financial entities present in the market.

The Guide of Solutions for Organisations of the Social Economy Sector, launched in the first semester of 2016, seeks to demonstrate knowledge on the sector and systematise the offer developed exclusively for Social Economy organisations, exploring in detail, not only the products and services but also the Partnerships, the development of the Entrepreneurship and Social Innovation ecosystem in which CEMG participates, and also incorporating testimonials of Social Organisations and Entrepreneurs.

The partnership strategy developed by CEMG for the Social Economy also includes the fundamental axis of stimulation and promotion of the Social Economy, highlighting its importance in the national and regional context of Portuguese society. In this field, CEMG has maintained its participation in and sponsorship of events aimed at the Social Economy, and which seek to be forums of debate and reflection on the challenges faced by the sector, centred on the search for solutions to overcome these challenges, in particular:

- *XII Congresso Nacional das Misericórdias* (National Congress of Misericórdias), held in the month of June in Fundão, dedicated to the theme "*Misericórdias - Marca de Solidariedade*". During the event, CEMG was present with a stand and team of Social Economy customer managers, fostering opportunities to disclose the exclusive products and services for social organisations.

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- *Portugal Economia Social* (Portugal Social Economy), organised by the AIP Foundation which was held in the month of May at FIL in Lisbon, under the theme "*Encontro do Empreendedorismo e Inovação na Economia Social*" (Entrepreneurship and Innovation in the Social Economy Meeting), and sought to be the first major event to aggregate and boost Social Economy in Portugal, was composed of spaces for social and business exhibitions, forums of debate, numerous workshops, conventions and seminars. CEMG marked its presence in the event significantly, having created its own stage of initiatives, the Comunidade Montepio (Montepio Community), which brought together, among others, spaces of CEMG's Mutualist Association and the Montepio Foundation, thus strengthening the Montepio Group a one of the most important national players of the social economy, promoting a debate, among other topics, on voluntary work, employability, ageing, health and well-being, the challenges of capacity-building in the social economy and sustainability, aggregating projects and common partners.

CEMG, as an active partner with a social and innovative matrix, views the social economy and its stakeholders as extremely important economic and social agents that operate within an increasingly segment of the Portuguese population. Financing the Social Economy is feeding the engine driving economic and social development, promoting job-creation, more and better responses at the service of the country, of communities and of the National Economy, generating wealth. This shall be the path that the institution will continue to tread, with determination and in partnership with the Social Economy Organisations, in promoting more sustainable Social Organisations with higher quality social responses.

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:

- *Cartão +Vida*: Credit card that permits 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.

- *Montepio Setor Social +*: This is a deposit of exclusive subscription by social economy organisations that was launched in this semester.

Other Subsidiaries

Montepio Investimento, S.A.

In 2016, Montepio Investimento, S.A., a subsidiary 100% controlled by CEMG, continued to assure its intervention aimed at meeting company needs in the areas of "Financial Advisory" and "Corporate Finance".

As at 31 December 2016, the Total assets of Montepio Investimento, S.A. stood at 277.2 million euros, showing a reduction of 17.2 million euros in relation to the value recorded at the end of 2015.

The heading Financial assets available for sale recorded, for the same period, a decrease of 31.0 million euros, reaching 149.0 million euros as at 31 December 2016. This evolution was due to the reduction of Variable yield securities, especially National shares and Participation units which shifted from 114.7 million euros as at 31 December 2015 to 83.4 million euros as at 31 December 2016.

Net loans to customers amounted to 54.9 million euros at the end of 2016, having fallen by 21.0% (-14.6 million euros) in relation to the value recorded as at 31 December 2015, reflecting the amortisation of the Securities and Real estate leasing portfolios. The financing of the activity continued to be sustained by Resources from other credit institutions, whose amount reached 75.2 million euros as at 31 December 2016.

The Equity of Montepio Investimento, S.A. amounted to 185.3 million euros as at 31 December 2016, showing a reduction of 4.9% in relation to the value recorded at the end of 2015, due to the fact that the Net income for 2016 was negative.

The Net income recorded in 2016 was negative by 12.5 million euros, compared to the positive Net income of 5.9 million euros recorded in 2015, highlighting the impact of the same gains on the Results from financial operations as a result of the reduction of the bank's securities portfolio and, consequently, the higher level of Impairments and provisions.

In 2016, the Total operating income of Montepio Investimento, S.A. decreased by 16.2 million euros, in relation to the value recorded in 2015, to stand at -2.2 million euros, reflecting the decline in Commissioning results associated to the decrease in Commissions on banking services and from Financial operations by 1.1 million euros and 14.5 million euros, respectively.

Operating costs stood at 1.9 million euros in 2016, having fallen by 0.9 million euros in relation to the value stated in 2015, as a result of the reduction recorded in the heading Other administrative costs, due to lower costs related to the assignment of employees of Caixa Económica Montepio Geral.

Provisions and impairments for 2016 reached 8.1 million euros, of which 1.2 million euros are related to the credit portfolio and 6.6 million euros are related to Other financial assets.

A summary of indicators on the activity and results of Montepio Investimento is presented below.

(EUR million)

Activity and Results	'15 restated	'16	Change
Total assets	294,4	277,2	(5,8%)
Loans to customers (net)	69,6	54,9	(21,0%)
Financial assets available for sale	180,1	149,0	(17,2%)
Equity	194,9	185,3	(4,9%)
Total operating income	13,9	(2,2)	(<100%)
Operating costs	2,8	1,9	(32,1%)
Net income	5,9	(12,5)	(<100%)

Montepio Crédito, Instituição Financeira de Crédito, S.A.

Montepio Crédito is the Group's subsidiary which assures the offer of specialised credit in the motor vehicle, home and equipment branches.

Montepio Crédito has been repositioning itself within the CEMG Group, joining the core business of motor vehicle financing, the development of specialised financing in professional areas, through relations with business partner suppliers of light and heavy vehicles and industrial equipment, and through the launch of a Financing and Support line to combat social exclusion.

As at 31 December 2016, the Total assets of Montepio Crédito, S.A. stood at 509.2 million euros, showing a growth of 29.3 million euros (+6.1%) in relation to the value recorded at the end of 2015. Loans to customers amounted to 362.8 million euros at the end of 2016, having increased by 6.1% in relation to the value recognised at the end of 2015.

Net income for 2016 reached 4.3 million euros in 2016, compared to the 8.9 million euros recorded in 2015, reflecting the lower income from Credit sales.

Total operating income reached 17.1 million euros in 2016, compared to 27.0 million euros in 2015. This performance was positively influenced by the performance of the Net interest income which increased by 5.2 million euros and Other operating income, which increased by 1.9 million euros, and, unfavourably, by the Results from financial operations, which decreased by 4.2 million euros and by the Results arising from the sale of other assets by 12.7 million euros, in this case reflecting the gains obtained in 2015 related to the sale of a loan portfolio.

Operating costs fell by 2.6% in 2016, underpinned by the reduction of General administrative expenses, amounting to 10.6 million euros, with the cost-to-income ratio standing at 62.2%.

In 2016 the total amount of Provisions increased by 0.7 million euros, of which 0.4 million euros related to Customer loans, compared with 3.7 million euros and 1.3 million euros, respectively, revealed in 2015.

The key indicators on the activity and results of Montepio Crédito are presented below.

(EUR million)

Activity and Results	'15	'16	Change
Total assets	479,9	509,2	6,1%
Loans to customers (net)	341,9	362,8	6,1%
Total operating income	27,0	17,1	(36,7%)
Operating costs	10,9	10,6	(2,6%)
Cost to Income	40,4%	62,2%	21,8 p.p.
Net income	8,9	4,3	(52,0%)

3.2.2 International Activity

The international activity of the CEMG Group is carried out by the subsidiaries Finibanco Angola, S.A., Banco MG Cabo Verde, Sociedade Unipessoal, S.A. and BTM - Banco Terra, S.A.

Finibanco Angola, S.A., 81.57% held by CEMG, is a universal bank supporting small and medium-sized enterprises, individuals and Angolan foreign trade which seeks to leverage its competitive advantage on the quality of its service.

Under this strategy, it seeks to finance and promote people and micro companies with viable business initiatives that would otherwise not have access to credit. The expansion of the distribution network has been accomplished through own funding, in a perspective of proximity to its customers, which included a total of 23 branches and business centres at the end of 2016.

BTM - Banco Terra, S.A., 45.78% held by CEMG, is a commercial bank aimed at offering financial solutions in the retail and business areas, having been created for the purpose of contributing to poverty reduction in Mozambique, by offering loans to the agricultural and food sectors and providing financial services to the rural and suburban populations.

In the context of its policy of growth, concerning the offer of new products and services and the expansion of new branches and business centres, the bank inaugurated another branch in Mozambique in December 2016. At the end of 2016, the distribution network covered 10 branches, distributed over the provinces of Maputo, Matola, Maxixe, Beira, Tete, Nampula, Chimoio and Malema.

Banco MG Cabo Verde, S.A., 100% held by CEMG, proposes, with its specialised offer of products and services, to offer its customers, whether individual, institutional or companies with an international vocation, diversified investment and saving solutions, as well as capital and treasury management solutions.

A summary of indicators on the activity and results of the CEMG Group's international business is presented below.

(EUR million)

Activity and Results	'15	'16	Change
Total assets	911,2	736,8	(19,1%)
Loans to customers (net)	239,5	179,7	(25,0%)
Customers' deposits	749,3	579,5	(22,7%)
Total operating income	39,1	47,7	22,0%
Operating costs	21,0	24,0	14,4%
Cost to Income	53,7%	50,4%	(3,3 p.p.)
Net income	8,0	10,6	32,7%

* For comparative purposes the financial statements of Finibanco Angola and BTM, relative to 2015 and 2016, were restated using the same exchange rate: AOA/EUR 185.379; MZN/EUR 74.084.

The total Assets of the CEMG Group's international activity, as at 31 December 2016, fell by 19.1% compared to the value at the end of 2015. This evolution was primarily due to the reduction observed in the total Assets of Banco MG Cabo Verde, of -44.3% in relation to the end of 2015, with BTM - Banco Terra (Mozambique) total Assets having grown by 14.2% year-on-year at the end of 2016, and practically stabilised at Finibanco Angola (+1.3% compared to the end of 2015).

The Loans granted to customers of the international activity decreased by 25.0%, in shifting from 239.5 million euros at the end of 2015 to 179.7 million euros as at 31 December 2016. This reduction was principally caused by the year-on-year reduction of 31.7% in the Loans of Finibanco Angola, which amounted to a total of 145.8 million euros in 2016 (213.4 million euros in 2015), and attenuated by the increase in Loans granted to customers at BTM - Banco Terra, which reached 33.9 million euros as at 31 December 2016 (+29.8% compared to the end of 2015).

Customer deposits attracted by the subsidiaries comprising the international activity of the CEMG Group reached 579.5 million euros as at 31 December 2016, having fallen by 22.7% in relation to the value of 2015. The Customer deposits of Finibanco Angola amounted to 333.9 million euros at the end of 2016, reflecting an increase of 0.9% compared to the same period of 2015, and representing 57.6% of the total Deposits of the international activity. The Customer deposits of Banco MG Cabo Verde stood at 222.5 million euros as at 31 December 2016, reflecting a decrease of 44.8% in relation to the value of 2015. At the end of 2016, the Customer deposits of BTM - Banco Terra reached a total of 23.1 million euros (15.6 million euros in 2015), corresponding to a year-on-year increase of 48.7%.

The Total operating income of the international activity increased by 22.0% in 2016, standing at 47.7 million euros, compared to 39.1 million euros in 2015. This evolution was essentially determined by the increase in the Net interest income of 9.5 million euros (+40.0% compared to 2015), which amounted to 33.2 million euros in 2016, combined with the increase in Net commissions of 2.3 million euros (+57.4% compared to 2015), which amounted to 6.3 million euros at the end of 2016. This evolution was attenuated by the performance of Other operating income, which was negative by 2.4 million euros in 2016 (0.5 million euros in 2015).

At Finibanco Angola, Total operating income grew year-on-year by 18.2% in 2016, fundamentally reflecting the positive evolution of Net interest income, which increased by 43,6%, amounting to 28.1 million euros at the end of 2016, and the aggravation of Other operating income, which was negative by -2.4 million euros in 2016 (-0.2 million euros in 2015).

At BTM - Banco Terra, Total operating income reached 6.9 million euros in 2016, comparing favourably with the value for 2015, of 3.2 million euros, reflecting a year-on-year increase of 117.3% (+3.7 million euros in relation to 2015). This outcome was primarily the result of the improvement of Net interest income, which amounted to a total of 4.5 million euros in 2016 (+79.7% compared to 2015), and the Income from foreign exchange revaluation which reached 1.9 million euros in 2016 (0.1 million euros in 2015).

At Banco MG Cabo Verde, the Total operating income stood at 0.5 million euros in 2016 (1.8 million euros in 2015), showing a year-on-year reduction of 73.2%. The performance of Total operating income at Banco MG Cabo Verde was penalised by the evolution of net interest income, which fell from 1.0 million euros in 2015 to stand at 0.6 million euros in 2016 (-62.1% compared to 2015).

Operating costs increased by 14.4% in 2016, to stand at 24 million euros, compared to 21 million euros recorded in 2015. This rise was determined by the increase of the components Staff costs (+25.2% compared to 2015) and General administrative expenses (+10.5% compared to 2015) in 2016, attenuated by the decrease in Depreciation and amortisation (-10.3% relative to 2015).

At Finibanco Angola and BTM - Banco Terra, Operating costs increased in 2016, compared to 2015, by 19.8% and 3.6% respectively, and decreased by 15.9% at Banco MG Cabo Verde. This evolution, to a certain extent, reflects the growth of the distribution network and the increase staff number at Finibanco Angola and BTM - Banco Terra in the reporting period.

At Finibanco Angola, the increase in Operating costs in 2016 was transversal to all the components (+29.5%, +15.6%, and +1.8% respectively in relation to 2015). At BTM - Banco Terra, the year-on-year increase in Operating costs in 2016 was determined by the increase in Staff costs (+16.6% compared to 2015) combined with the increase in General administrative expenses (+0.7% compared to 2015), and attenuated by the decrease in Depreciation and amortisation at the end of 2016 (-36.8% relative to 2015). At Banco MG Cabo Verde, Staff costs and General administrative expenses decreased at the end of 2016 compared to 2015, by -12.0% and -17.2% respectively, and Depreciation and amortisation stabilised in relation to 2015 (+0.3% year-on-year).

As a result of this evolution, the Cost-to-income ratio of the international activity in 2016 stood at 50.4%, revealing a reduction of 3.3 p.p. compared to 2015.

In 2016 the contribution of the international activity to the consolidated Net income, excluding the impact of the impairment constituted for these financial holdings, increased by 32.7%, standing at 10.6 million euros (8 million euros in 2015), with positive Net income in Angola (10.5 million euros) and Mozambique (156.3 thousand euros), while Banco MG Cabo Verde generated negative Net income (13.5 thousand euros).

Financial Analysis

4 Financial Analysis

CEMG is currently negotiating with a series of investors with a view to re-focusing its approach to the African market, which consists of the divestment of the current financial stakes held in Finibanco Angola S.A. and BTM - Banco Terra, S.A., both within the scope of the "ARISE" project in an international partnership with Rabobank, the Norwegian sovereign fund NORFUND and the Dutch development bank FMO, as well as other alternatives being developed.

Considering the decisions that have already been taken by the Executive Board of Directors, as well as the provisions in IFRS 5, the activities developed by these subsidiaries have been deemed as discontinuing operations with reference to 2016.

In the income statement, the earnings of these subsidiaries were stated under an income heading named "Income from discontinuing operations" and, in the balance sheet under headings named "Non-current assets held for sale - Discontinuing operations" and "Non-current liabilities held for sale - Discontinuing operations".

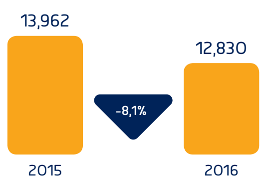
For comparative purposes, the different headings of the income statement and balance sheet analysed were prepared on the same basis for 2015.

4.1 Capital

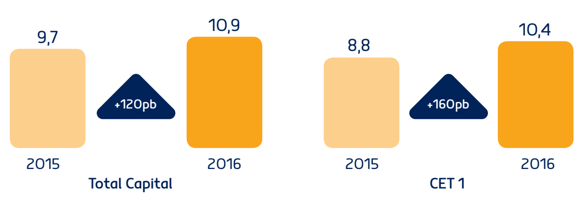
The Institutional Capital and the Participation Fund of Caixa Económica Montepio Geral (CEMG) amounted to 2,170 million euros at the end of 2016, having benefited from the institutional capital increase of 270 million euros, paid up by Montepio Geral - Associação Mutualista (MGAM) in March 2016.

The reinforcement of own funds by 2.4% in 2016, coupled with the 1,132 million euros reduction of risk-weighted assets (-8.1%), as a result of an efficient management of risk allocation in the credit portfolio and debt securities portfolio was reflected in improved capital ratios. Thus, in comparison to 2015, the Common Equity Tier 1 (CET1) and Total Capital ratios evolved from 8.8% to 10.4% and from 9.7% to 10.9%, respectively.

Total Capital ratio



Risk-weighted assets



(EUR million)

Capital and Capital Requirements	'15	'16	Change Amount	Change %
Total Capital	1 360	1 392	32	2,4
Elegible instruments to CET 1	1 890	2 163	273	14,5
Reserves and Net Income	(561)	(743)	(182)	(32,4)
Regulatory deductions	98	89	(9)	(8,6)
Common Equity Tier 1 Capital	1 231	1 331	100	8,1
Tier 1 Capital	1 231	1 331	100	8,1
Tier II capital	137	74	(63)	(45,9)
Other deductions	8	13	5	61,5
Minimum own funds requirements	1 117	1 026	(91)	(8,1)
Risk-weighted assets and equivalents	13 962	12 830	(1 132)	(8,1)
CRD IV Prudential Ratios - Phasing-in				
Common Equity Tier 1	8,8%	10,4%		160 pb
Tier 1	8,8%	10,4%		160 pb
Total Capital	9,7%	10,9%		120 pb
CRD IV Prudential Ratios - Fully Implemented				
Common Equity Tier 1	6,7%	7,6%		90 pb
Tier 1	6,7%	7,6%		90 pb
Total Capital	7,7%	8,2%		50 pb
Leverage ratio - Phasing-in	5,7%	6,1%		40 pb
Leverage ratio - Fully Implemented	4,4%	4,5%		10 pb

This increase in own funds recorded in 2016 was influenced by the increased institutional capital of 270 million euros, referred to above, and the sale of own shares amounting to 31.5 million euros which enabled annulling the adverse effect derived from the negative net income of 86 million euros, the statement under equity of negative actuarial differences, net of taxes, of 47 million euros, the recording of negative foreign exchange reserves of 24 million euros and negative fair value reserves of 8 million euros, after tax.

The reduction of risk-weighted assets reflects the deleveraging effort placed on non-core assets which has been progressively accomplish, namely on non-performing loans and real estate properties, alongside the improvement made to the credit approval process and in the granting of credit showing good risk with associated collateral.

The recorded impact on actuarial differences referred to above is related to the statement of the Pension Fund's liabilities, having arisen as a result of a change in the actuarial assumptions as at 31 December 2016, in particular the decrease of the discount rate from 2.75% in 2015 to 2.00% in 2016.

As at 31 December 2016 the estimated positive impact of the adoption of the Special Regime for Deferred Tax Assets, approved at CEMG's Extraordinary General Meeting held on 6 July 2016, amounts to approximately 30 b.p., elevating the Common Equity Tier 1 ratio to 10.7% and the total ratio to 11.1%.

4.2 Liquidity

In 2016, CEMG carried out a series of initiatives with a view to continue strengthening its liquidity position, in line with the Strategic Plan 2016-2018 as well as the regulatory objectives.

At the same time, the management of CEMG's balance sheet, in particular the taking of funds from the ECB, has enabled reinforcing the pool of eligible assets for collateral in funding operations. The liquidity coverage ratio (LCR), benefiting from the effects mentioned above, stood at 106.6% as at 31 December 2016, above the minimum requirement of 70% applicable in 2016.

The evolution of Customers' deposits, on the one hand, and of Loans to customers, on the other hand, provided a credit-to-resources ratio of 96.3% as at 31 December 2016, and 111.2% if we consider the loans and deposits from customers.

(%)

Liquidity Ratios	'15	'15*	'16	Change
Loans to customers (net) / Customers' deposits [a]	113,13	114,5	111,2	(3,3 p.p.)
Loans to customers (net) / Total on-balance sheet customers' resources (b)	95,7	96,4	96,3	(0,1 p.p.)

(a) De acordo com a Instrução do Banco de Portugal n°16/2004, na sua versão em vigor.
(b) Recursos de clientes de balanço = Depósitos de clientes e responsabilidades representadas por títulos. Calculado de acordo com as Demonstrações Financeiras anexas a este relatório.
*2015 reexpresso com aplicação da IF R S 5 às Demonstrações Financeiras das subsidiárias em Angola e Moçambique, para efeitos comparativos.

In 2016, repayments of issued debt amounted to 751 million euros, of which 320 million euros referred to mortgage bonds, 360 million euros of cash certificates and 49 million euros of securitised debt.

The use of Eurosystem monetary policy operations falls under the support to the economy as recommended by both the expansionary monetary policy of the ECB and by CEMG. The net position as at 31 December 2016 showed a reduction, in relation to the value at the end of 2015, of 105 million euros, as a result of the use of the ECB's deposit facility in which CEMG placed 150 million euros. The balance of the operations with the Eurosystem thus shifted from 2.3 billion euros at the end of 2015, to 2.2 billion euros as at 31 December 2016. The use of the pool of eligible assets, without considering the use of the deposit facility, showed a 2% increase at the end of 2016 in relation to 31 December 2015.

The progressive reopening of the market of collateralised funding operations, namely through repos, enabled diversifying CEMG's funding sources. At the end of 2016, the pool of eligible collateral deposited at the ECB to back Eurosystem monetary policy operations, recorded a reduction of 482 million euros in falling from 4.0 billion euros as at 31 December 2015 to 3.5 billion euros as at 31 December 2016, essentially reflecting the increased use of repurchase agreement market operations (repos) as an alternative source of obtaining liquidity.

The pool of eligible assets for obtaining liquidity from the Eurosystem thus shifted from 1.7 billion euros at the end of 2015, to 1.2 billion euros as at 31 December 2016. At the end of 2016, 13 million euros of unencumbered highly liquid securities were deposited in the pool of collateral of the new-MIC (new collateralised money market).

(EUR million)

Pool Of Eligible Assets for refinancing operations with the ECB	'15	'16	Change	
			Amount	(%)
Pool of eligible assets [a]	4 020	3 538	(482)	(12,0)
Use of the pool	2 277	2 323	46	2,0
Pool of available assets	1 743	1 215	(528)	(30,3)

(a) Includes eligible assets, not used, for the new-MIC.

Repos showed a growth of 1.1 billion euros in 2016, having increased from 860 million euros as at 31 December 2015 to 1.9 billion euros as at 31 December 2016. This growth reflects the greater opening of the market on the one hand, and CEMG's capacity to diversify its funding sources on the other hand, with CEMG having used the opportunity to increase the degree of liquidity of assets held that are not eligible for operations in the Eurosystem.

In the interbank money market, at the end of 2016, CEMG recorded liquidity concessions of 36 million euros at an average rate of 0.2%. In the euro collateralised interbank market (new-MIC), as at 31 December 2016, CEMG recorded liquidity takings of 50 million euros at an average rate of -0.38%.

4.3 Balance Sheet

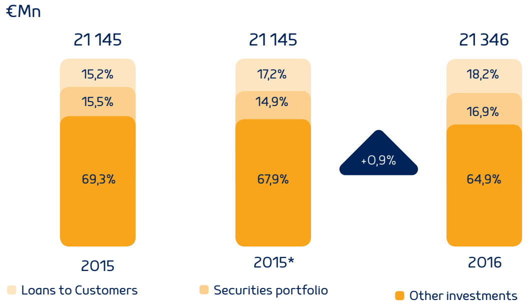
The strategic objective of deleveraging CEMG's balance sheet was pursued throughout 2016, which was reflected, on the one hand, in the reduction of non-performing loans and credit to activity sectors considered non-core, in improved liquidity levels and lower exposure to real estate risk through the integrated management of the real estate properties held in the portfolio for sale and, on the other hand, in the attraction and retention of customer deposits, coupled with the use of less expensive funding sources.

(EUR million)

Synthetic Balance Sheet	'15	'15*	'16	Change Amount	Change %
Cash and deposits at central banks and OCI	835	764	1 010	246	32,2
Loans to customers	14 662	14 357	13 861	(496)	(3,5)
Securities portfolio	3 281	3 142	3 604	462	14,7
Non current assets held for sale and investment properties	1 447	1 447	1 368	(79)	(5,4)
Non current assets held for sale - Discontinuing operations	-	600	470	(130)	(21,6)
Current and deferred tax assets	431	422	534	112	26,4
Other	489	413	499	86	20,7
Total assets	21 145	21 145	21 346	201	0,9
Deposits from central banks and OCI	3 850	3 825	4 599	774	20,2
Customers' resources	12 969	12 540	12 468	(72)	(0,6)
Issued debt	2 687	2 687	2 171	(516)	(19,2)
Non current liabilities held for sale - Discontinuing operations	-	467	354	(113)	(24,1)
Other	295	282	297	15	5,3
Total liabilities	19 801	19 801	19 889	88	0,4
Institutional capital and Participation fund	1 900	1 900	2 170	270	14,2
Net income	(243)	(243)	(86)	157	64,5
Reservers, retained earnings and other	(313)	(313)	(627)	(314)	(<100)
Total equity	1 344	1 344	1 457	113	8,4
Total liabilities and equity	21 145	21 145	21 346	201	0,9

*2015 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

Total Assets Structure



*2015 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

Assets

Total assets stood at 21,346 million euros at the end of 2016, having increased by 0.9% in relation to the value observed as at 31 December 2015, benefiting from the diversification of the balance sheet in different categories of financial assets, while at the same time the proportion of loans to customers in total assets decreased, reflecting the impact of the deleveraging in activity sectors considered non-core.

Cash and Deposits at Central Banks and OCI

The aggregate heading of Cash and deposits at central banks and other credit institutions (OCI) includes the balances recorded under Cash and deposits at central banks and under deposits and investments in credit institutions.

At the end of 2016, the liquidity deposited at central banks and in OCI reached 1,010 million euros, compared to 764 million euros at the end of 2015, representing year-on-year growth of 32.2%. The amount recorded in 2016 includes the use of the deposit facility of the ECB, referred to above, in which CEMG placed 150 million euros.

Loans to Customers

At the end of 2016, Loans to customers (gross) amounted to 15,041 million euros, corresponding to a decrease of 3.7% in relation to the value stated as at 31 December 2015. This reflects, on the one hand, a stringent risk management policy in the granting loans and repricing adjusted to risk, and, on the other hand, the lower demand for credit by economic agents.

In 2016, CEMG continued to improve the process of approval and granting loans aiming to reduce the cost of credit risk and, in this way, contribute to the achievement of the objectives set out in the Strategic Plan.

The loan portfolio in 2016 continued to show a higher level of repayment of mortgage loans when compared to the new operations that were raised, giving rise to a year-on-year decrease of 4.3% and a reduction of 2.8% in the companies segment, influenced by the decline of 13.8% of loans for construction.

(EUR million)

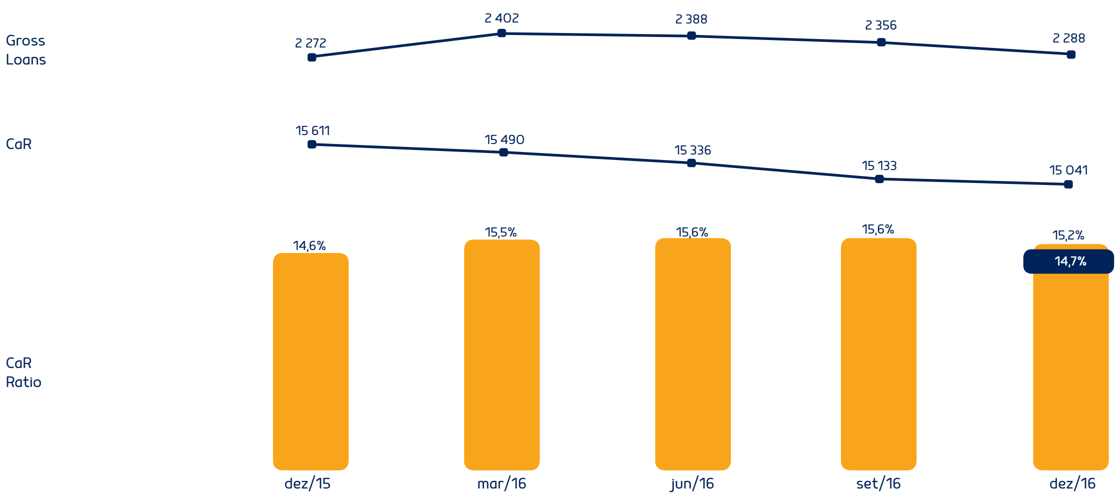
Loans to Customers	'15	'15*	'16	Change Amount	Change %
Individuals	8 790	8 770	8 390	(380)	(4,3)
Housing	7 488	7 488	7 164	(324)	(4,3)
Consumption and other purposes	1 302	1 282	1 226	(56)	(4,4)
Companies	7 154	6 841	6 651	(190)	(2,8)
Construction	521	521	449	(72)	(13,8)
Other purposes	6 633	6 320	6 202	(118)	(1,9)
Gross loans	15 944	15 611	15 041	(570)	(3,7)
Loan impairments	1 282	1 254	1 180	(74)	(5,9)
Net loans	14 662	14 357	13 861	(496)	(3,5)

*2015 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

At the same time, CEMG carried out a series of initiatives aimed at reducing the exposure in non-performing loans and in activity sectors identified as non-core, with construction loans having fallen by 13.8% between the end of 2015 and 2016.

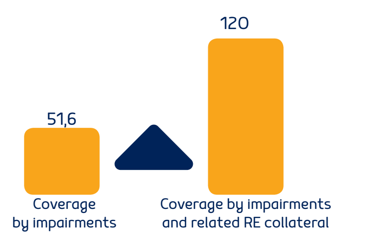
CaR ratio undermined by the evolution of gross loans

€Mn



Restated values pursuant to IFRS 5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

CaR coverage as at 31 December 2016



*2015 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes

As a result of these initiatives, the balance of credit at risk showed successive quarterly reductions throughout 2016, with the ratio of credit at risk standing at 15.2% as at 31 December 2016, compared to 15.6% at the end of the first semester of 2016. Compared to the end of 2015, the credit at risk ratio increased by 66 b.p., of which 56 b.p. were due to the reduction effect of the amount of loans to customers with impact on the ratio's denominator. Considering this effect, the ratio of credit at risk would have been 14.7% compared to 14.6% at the end of 2015. The coverage of credit at risk by impairments and related real estate collateral reached 120.0% as at 31 December 2016, compared to 126.4% at the end of 2015, while the coverage only by impairments stood at 51.6%.

Securities Portfolio

Under the implementation of the Strategic Plan 2016-2018, and in order to continue striving towards re-balancing the asset structure, in 2016 CEMG identified and implemented several measures to enhance liquidity levels. In this context, during 2016, CEMG increased the portfolio of securities by 463 million euros, to stand at 3,604 million euros as at 31 December 2016, corresponding to an increase of 14.7% in relation to the value at the end of 2015 and representing 16.9% of total assets.

This growth of the securities portfolio was above all the result of the increase of the investments held to maturity, via subscription of national and foreign sovereign debt bonds, and the reduction of the portfolio of financial assets available for sale.

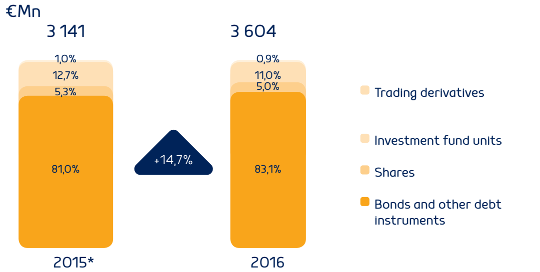
(EUR million)

Securities Portfolio	'15	'15*	'16	Change	
				Amount	%
Financial assets held for trading	51	51	78	27	53,0
Financial assets available-for-sale	3 069	3 064	2 400	(664)	(21,7)
Investments held to maturity	162	26	1 126	1 100	>100
Total securities portfolio	3 282	3 141	3 604	463	14,7

*2015 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

Structure of the securities portfolio

€Mn



*2015 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

An analysis of the portfolio of securities by type of instruments shows a year-on-year growth of 452 million euros in bonds and other debt instruments, which includes national sovereign debt, having shifted from 2,544 million euros at the end of 2015 to 2,996 million euros as at 31 December 2016, explaining 98% of the increase recorded in terms of the entire portfolio.

(EUR million)

Structure of the Securities Portfolio	'15	'15*	'16	Change	
				Amount	%
Bonds and other debt instruments	2 685	2 544	2 996	452	17,8
Shares	167	167	177	10	6,0
Investment fund units	399	399	398	(1)	(0,3)
Trading derivatives	31	31	33	2	6,5
Total securities portfolio	3 282	3 141	3 604	463	14,7

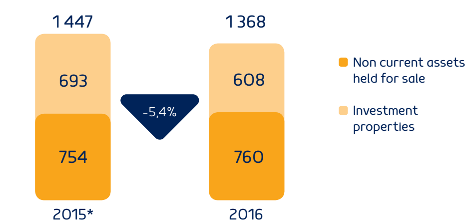
*2015 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

Non Current Assets Held For Sale And Investment Properties

The aggregate value of the headings of non-current assets held for sale and investment properties fell by 5.4% in 2016, evolving from 1,447 million euros in 31 December 2015 to 1,368 million euros at the end of 2016, in line with the strategic guideline of the integrated management of real estate properties and consequent reduction of the exposure to this activity sector.

Reduction of the risk to the RE sector

€Mn



*2015 restated values pursuant to IFRS 5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

The heading of non-current assets held for sale essentially reflects the amount associated to real estate properties derived from the dissolution of contracts involving loans to customers, which showed a year-on-year growth of 0.8% net of impairments, having shifted from 754 million euros as at 31 December 2015 to 760 million euros at the end of 2016. This movement reflected the effect of the settlement of various non-performing operation, notwithstanding the good performance of the sales of real estate properties carried out in the retail market in 2016.

Regarding the heading of investment properties, which records the real estate properties held by the real estate investment funds of the CEMG Group, a year-on-year reduction of 12.2% was observed. This heading evolved from 692 million euros as at 31 December 2015 to 608 million euros at the end of 2016, contributing to the achievement of the strategic objective of reducing the exposure to real estate risk.

Non Current Assets Held For Sale - Discontinuing Operations

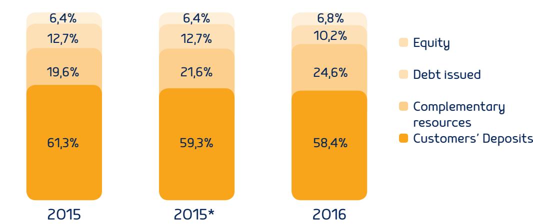
As at 31 December 2016, the heading of Non-current assets held for sale - discontinuing operations amounted to 470 million euros and corresponds to the value of the assets recorded by the Group's operations in Angola and Mozambique, after adjustment of the movements required for the consolidation process, having been stated following the application of IFRS 5 to the subsidiaries Finibanco Angola and BTM - Banco Terra, as described in Note 62 to the consolidated financial statements.

Current And Deferred Tax Assets

At the end of 2016, the aggregate value of deferred tax assets reached 534 million euros, compared to 422 million euros as at 31 December 2015, representing an increase of 26.4%.

Pursuant to the accounting policy, deferred taxes are calculated based on the tax rates which are expected to be in force on the date of the reversal of the temporary differences, which correspond to the rates that are approved or substantially approved on the reporting date.

Liabilities and Equity Structure



*2015 restated values pursuant to IFRS 5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

Liabilities

At the end of 2016, total Liabilities stood at 19,889 million euros, reflecting an increase of 0.4% compared to the value of 19,801 million euros recorded as at 31 December 2015. Therefore, as at 31 December 2016, Equity funded 6.8% of Assets, with Customer deposits continuing to be the main source of funding, accounting for 58.4%.

Deposits from Central Banks and OCI

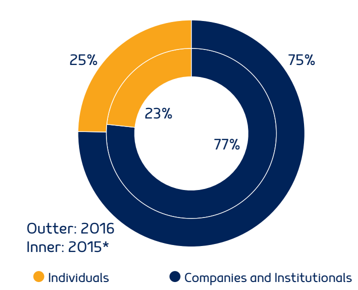
As at 31 December 2016, the funding obtained from central banks and OCI amounted to 4,599 million euros, compared to 3,825 million euros stated at the end of 2015.

This heading includes all the funds taken from the ECB, which reached 2,323 million euros at the end of 2016 (2,277 million euros as at 31 December 2015), and the funding obtained from other credit institutions, in particular through repos operations that recorded an increase of 47.0%.

Customers' Resources

During 2016, CEMG carried out a series of initiatives related to the taking and retention of customer resources, having made an opportune management of the timing, aimed at diversifying the funding sources.

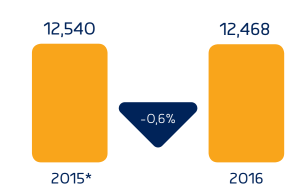
Customers' Deposits Structure



*2015 restated values pursuant to IFRS 5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

Customers' Deposits

€Mn



*2015 restated values pursuant to IFRS 5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

Total customers' resources reached 14,518 million euros, of which 13,795 million euros correspond to balance sheet funds, where 90.4% refer to customer deposits.

As at 31 December 2016, customer deposits stood at 12,468 million euros, mainly concentrated on individual customers, a segment which maintained its predominance in representing 75% of total deposits.

At the end of 2016, customer deposits remained practically at the same level as in 2015, despite the circumstances of interest rates at historically low levels and an intensely competitive environment.

(EUR million)

Customers' Resources	'15	'15*	'16	Change	
				Amount	%
Deposits from Individuals	9 794	9 619	9 397	(222)	(2,3)
Deposits from Companies and Institutionals	3 175	2 921	3 071	150	5,1
Total Deposits	12 969	12 540	12 468	(72)	(0,6)
Sight Deposits	2 832	2 655	3 302	647	24,4
Term Deposits	10 138	9 885	9 166	(719)	(7,3)
Securities placed with Customers	1 621	1 621	1 327	(294)	(18,1)
Total On-Balance sheet resources	14 590	14 161	13 795	(366)	(2,6)
Off-Balance sheet resources	810	810	723	(87)	(10,7)
Total Customers' resources	15 400	14 971	14 518	(453)	(3,0)

*2015 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

The heading of Securities placed with customers stood at 1,327 million euros at the end of 2016, compared to 1,621 million euros at the end of 2015, as a result of the securitised debt maturities, replaced by less expensive market operations, under the management of financing needs.

Off-balance sheet resources amounted to 723 million euros as at 31 December, compared to 810 million euros as at 31 December 2015. This was mainly due to the year-on-year reduction observed in terms of treasury funds and real estate investment funds.

Issued Debt

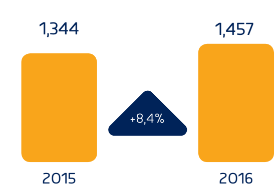
The aggregate heading of issued debt includes the amounts recorded in the balance sheet relative to Debt securities issued and Subordinated liabilities.

At the end of 2016, the amount of issued debt has fallen by 19.2%, having reached the value of 2,171 million euros at the end of 2016, compared to 2,687 million euros in 2015. This decrease reflects the reduction of 18.4% and 24.6% relative to Debt securities issued and Subordinated liabilities, respectively.

Non Current Liabilities Heldfor Sale – Discontinuing Operations

As at 31 December 2016, the heading of Non-current liabilities held for sale - discontinuing operations amounted to 354 million euros and corresponds to the value of the liabilities recorded by the Group's operations in Angola and Mozambique, after adjustment of the movements required for the consolidation process, having been stated following the application of IFRS 5 to the subsidiaries Finibanco Angola and BTM - Banco Terra., as described in Note 62 to the consolidated financial statements.

Equity
€Mn



Equity

Equity showed an increase of 8.4%, having shifted from 1,344 million euros as at 31 December 2015 to 1.457 million euros at the end of 2016, positively reflecting the increase of institutional capital by 270 million euros carried out in March 2016 and the reduction of the own securities in portfolio and, negatively, by the net income recorded in 2016, the statement of negative actuarial differences due to the change in the actuarial assumptions of the Pension Fund and the statement of negative foreign exchange reserves and fair value reserves.

4.4 Earnings

The Net income for 2016 showed an improvement of 156.9 million euros, having evolved from a negative figure of 243.4 million euros in 2015 to a value, also negative, of 86.5 million euros in 2016. This positive performance was influenced by the increased core total operating income, as a result of the rises of Net interest income and Net fees and commissions, the decreased Operating costs and the reduction of Impairments and provisions.

The improvement in Net income in 2016 also incorporates the lower gains in financial operations, due to the lower earnings recorded with the divestment of Portuguese sovereign debt securities.

(EUR million)

Synthetic Income Statement	'15*	'16	Change Amount	Change %
Net interest income	196,0	253,2	57,2	29,2
Commercial net interest income	225,1	263,3	38,2	17,0
Net fees and commissions	96,1	101,5	5,4	5,6
Core total operating income	292,1	354,7	62,6	21,4
Income from equity instruments	3,6	11,6	8,0	>100
Results from financial operations	102,7	37,0	(65,7)	(64,0)
Other operating income	5,2	(31,8)	(37,0)	(<100)
Total operating income	403,6	371,5	(32,1)	(7,9)
Staff Costs	191,4	165,5	(25,9)	(13,5)
General and administrative expenses	114,9	94,0	(20,9)	(18,2)
Amortization and depreciation	23,7	24,3	0,6	2,4
Operating costs	330,0	283,8	(46,2)	(14,0)
Comparable operating costs (a)	330,0	295,9	(34,1)	(10,3)
Net operating income before provisions and impairments	73,6	87,7	14,1	19,2
Net provisions and impairments	343,8	261,5	(82,3)	(23,9)
Share of profit of associates under the equity method	(3,9)	0,3	4,2	>100
Net income before income tax	(274,1)	(173,5)	100,6	36,7
Income tax	23,1	96,2	73,1	>100
Net income after income tax from continuing operations	(251,0)	(77,3)	173,7	69,2
Income from discontinuing operations	8,9	(7,2)	(16,1)	(<100)
Non-controlling interests	1,2	2,0	0,8	64,0
Net Income	(243,4)	(86,5)	156,9	64,5

*2015 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

(a) Excludes the impacts arising from the operational redimensioning and revision of the Collective Labour Agreement

Earnings derived from commercial activity showed a reversal of the negative value of 8.9 million euros recorded in 2015 to a positive figure of 68.9 million euros recorded in 2016. This recovery of 77.8 million euros in earnings reflects the 17.0% increase of Commercial net interest income, the 5.6% increase of Net fees and commissions and the 10.3% reduction of Comparable operating costs, year-on-year.

Total Operating Income

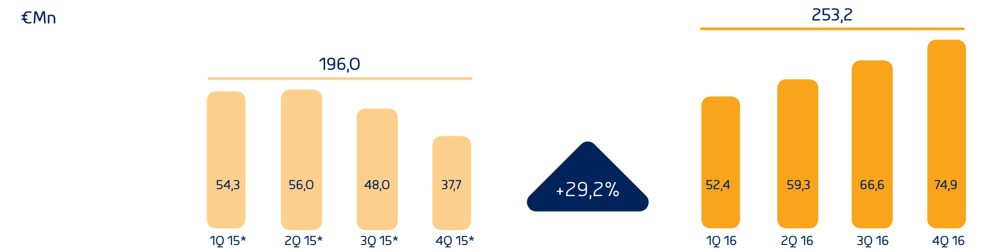
The combined effect of the positive performance of Net interest income and Net fees and commissions gave rise to an improvement of 21.4% in Core total operating income, which increased by 62.6 million euros, evolving from 292.1 million euros in 2015 to 354.7 million euros in 2016.

This performance was determined by the positive evolution of Net interest income, which showed year-on-year growth of 29.2%, and by the 5.6% increase of Net fees and commissions. The evolution of Total operating income from 403.6 million euros in 2015 to 371.5 million euros in 2016 also incorporates the positive contribution of the Income from equity instruments, as well as the lower contribution from Results of financial operations and losses in Other operating income.

Net interest income

In 2016, Net interest income, in a historically low interest rates context, showed a year-on-year growth of 29.2%, reaching 253.2 million euros, having benefited from the decreased cost of customer deposits, the lower costs related to issued debt and the loan portfolio repricing policy.

Net interest income



*2015 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

Net interest income of the fourth quarter of 2016 showed an increase of 12.4%, compared to the previous quarter, evolving from 66.6 million euros to 74.9 million euros, with successive quarterly growth having been recorded in 2016.

In 2016, Net interest income benefited from the price effect, positive by 73.6 million euros, recorded in terms of customer deposits, reflecting the impact related to the average rate having evolved from 1.65% in 2015 to 1.07% in 2016, and the continued and permanent price management in the taking of new deposits and the repricing of the existing ones upon their maturity.

Likewise, senior debt also contributed positively to the evolution of Net interest income between 2015 and 2016, namely via the price effect by 15.1 million euros, as a result of the reduction of the average rate from 3.25% in 2015 to 2.55% in 2016.

Breakdown of Net Interest Income	'15*			'16		
	Avg. amount	Avg. Rate (%)	Interest	Avg. amount	Avg. rate (%)	Interest
Assets						
Cash and deposits	350	0,00	0,0	341	0,05	0,2
Loans and advances to OCI	191	1,87	3,6	182	2,16	4,0
Loans to customers	15 909	2,71	437,3	15 317	2,54	394,4
Securities portfolio	3 044	2,05	63,3	2 962	1,99	59,9
Other (includes derivatives)	-	-	87,2	-	-	75,8
subtotal	19 495	2,99	591,5	18 802	2,80	534,3
Liabilities						
Resources from central banks	2 822	0,07	2,0	2 807	0,04	1,1
Resources from OCI	1 514	0,80	12,3	1 753	0,58	10,4
Customers' deposits	12 692	1,65	212,3	12 091	1,07	131,1
Senior debt	2 164	3,25	71,3	2 148	2,55	55,5
Subordinated debt	348	1,47	5,2	274	1,41	3,9
Other (includes derivatives)	-	-	92,4	-	-	79,1
subtotal	19 540	2,00	395,5	19 072	1,45	281,1
Net interest income		0,99	196,0		1,33	253,2

*2015 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

Loans to customers recorded a reduction of the average balance in 2016 in relation to the value of 2015 due to the deleveraging process in course, namely affecting non-performing loans and activity sectors considered non-core, in particular the construction sector. In terms of the average interest rate, reflecting the effect of the repricing of operations in a context where the main reference rates stood at negative levels in 2016, an average rate of 2.54% was recorded in 2016 that compares to 2.71% in 2015, corresponding to a negative effect of 27.3 million euros.

In 2016, the securities portfolio presented an average balance lower than that of 2015 while at the same time the average interest rate also showed an adverse evolution in shifting from 2.05% in 2015 to 1.99% in 2016, reflecting the effect of the divestment, in 2015, of Portuguese public debt securities which led to the record of positive earnings in financial operations. The impacts observed on Net interest income determined by the Securities portfolio, via volume and price, were both negative and amounted to 3.4 million euros.

Therefore, the combination of the effects described above led to a 34 b.p. increase in Net interest income, which moved from 0.99% in 2015 to 1.33% in 2016.

(EUR million)

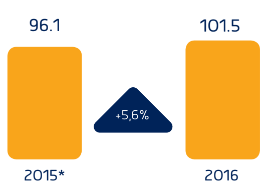
Detailed Evolution of Net Interest Income Between 2015* and 2016	Volume effect	Price effect	Residual effect	Total
Assets				
Cash and deposits	0,0	0,2	0,0	0,2
Loans and advances to OCI	(0,2)	0,6	0,0	0,4
Loans to customers	(16,1)	(27,3)	0,4	(43,0)
Securities portfolio	(1,7)	(1,7)	0,0	(3,4)
Other (includes derivatives)	-	-	(11,4)	(11,4)
subtotal	(18,0)	(28,2)	(11,0)	(57,2)
Liabilities				
Resources from central banks	0,0	(0,9)	0,0	(0,9)
Resources from OCI	1,9	(3,3)	(0,6)	(2,0)
Customers' deposits	(9,9)	(73,6)	2,4	(81,1)
Senior debt	(0,5)	(15,1)	(0,1)	(15,7)
Subordinated debt	(1,2)	(0,2)	0,0	(1,4)
Other (includes derivatives)	-	-	(13,3)	(13,3)
subtotal	(9,7)	(93,1)	(11,6)	(114,4)
Change in net interest income	(8,3)	64,9	0,6	57,2

*2015 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

Income from equity instruments

The heading of Income from equity instruments includes the income associated to variable yield securities, namely shares and participation units in investment funds, related to investments stated in the portfolio of assets available for sale. The value recorded in 2016 reached the total of 11.6 million euros, which compares favourably with the value of 3.6 million euros recorded in 2015.

Net fees and commissions
€Mn



*2015 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

Net fees and commissions

Net fees and commissions, related to services rendered to customers, reached 101.5 million euros in 2016, reflecting growth of 5.6%, compared to the value of 96.1 million euros in 2015.

The favourable evolution of Net fees and commissions during 2016 incorporates the joint effect of the measures that were implemented throughout the year aimed at adjusting the price of the services rendered to customers to the value proposition offered by CEMG.

In this context, the increase referred to above incorporates the effects of the repricing applied to the bank services rendered, namely those related to the granting loans, situations of exemption, cards and recovery of amounts owed, as well as the higher income associated to the increased cross-selling, particularly related to insurance mediation.

Results from financial operations

Results from financial operations reached 37.0 million euros in 2016, compared to 102.7 million euros stated in 2015. This reduction shows the lower gains from the divestment of Portuguese sovereign debt in 2016, which amounted to 3.2 million euros, while 85.2 million euros had been recorded in 2015. Excluding this effect, Results from financial operations would have reached 33.8 million euros in 2016, compared to 17.5 million euros in 2015.

(EUR million)

Results from Financial Operations	'15*	'15*	Change	
			Amount	%
Results from financial assets and liabilities at fair value through profit or loss	(14,2)	(18,2)	(4,0)	(28,5)
Results from financial assets available-for-sale	114,5	53,7	(60,8)	(53,0)
Results from currency revaluation	2,4	1,5	(0,9)	(34,8)
Results from financial operations	102,7	37,0	(65,7)	(64,0)
of which: Results from the sale of Portuguese sovereign debt	85,2	3,2	(81,9)	(96,2)
Results from financial operations, excluding results from the sale of Portuguese sovereign debt	17,5	33,8	16,2	92,8

*2015 restated pursuant to IFRS5 guidelines with respect to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

Other results

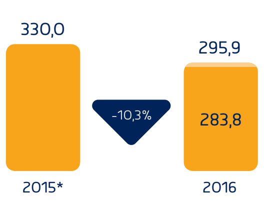
The heading of Other results incorporates the Results from the sale of other assets and Other operating income, which include, among others, the income obtained from the provision of services, the reimbursement of expenses and the assignment of employees, as well as the costs related to the bank sector's contributions to the Resolution Fund and Deposit Guarantee Fund, and credit recovery services.

In 2016, Results from the sale of other assets stood at 12.2 million euros, compared to the value of 0.4 million euros recorded in 2015, reflecting the good performance achieved in terms of the divestment of real estate properties received in lieu of repayment and respective reduction of the exposure to real estate risk.

Other operating income stood at -43.4 million euros in 2016, compared to 4.8 million euros in 2015, essentially determined by the higher losses recorded with the revaluation of investment properties, amounting to -30.3 million euros, and lower gains with the provision of services which declined by 23.1 million euros from 2015 to 2016.

Operating costs

€Mn



*2015 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.
a) Impact arising from the operating redimensioning and revision of the Colletive Labour Agreement.

Operating Costs

Operating costs in 2016, excluding the impacts of the process of resizing the operating structure and the revision of the Collective Labour Agreement, amounted to 295.9 million euros, corresponding to a year-on-year reduction of 10.3%.

The improvement of the efficiency levels recommended in the Strategic Plan 2016-2018 was embodied in 2016 by the closure of 94 branches in Portugal and the reduction of 442 CEMG employees, considering the early retirement, rescissions and situations of assignment and suspension of provision of work, contributing to the year-on-year decreases, on a comparable basis, of 7.2% in staff costs and 18.2% in general and administrative expenses.

In 2016, the Cost-to-Income efficiency ratio, excluding Results from financial operations and the effects derived from the operating structure resizing and revision of the Collective Labour Agreement, stood at 88.4% compared to 109.7% recorded in 2015.

(EUR million)

Operating costs	'15*	'16	Change Amount	Change %
Staff Costs [(a)]	191,4	177,6	(13,8)	(7,2)
General and administrative expenses	114,9	94,0	(20,9)	(18,2)
Amortization and depreciation	23,7	24,3	0,6	2,4
Operating costs [(a)]	330,0	295,9	(34,1)	(10,3)
Operating expenses with structure resizing programme	-	35,2	-	-
Revision of the collective labour agreement	-	(47,3)	-	-
Operating costs	330,0	283,8	(46,2)	(14,0)
Efficiency ratios				
Cost-to-Income (Operating costs / Total operating income) [(b)]	81,8%	76,4%		
Cost-to-Income, excluding specific impacts [(c)]	109,7%	88,4%		

(a) Excludes the impacts arising from the operational redimensioning and revision of the Collective Labour Agreement
(b) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version
(c) Excludes results from financial operations and the impacts arising from the operational redimensioning and revision of the Collective Labour Agreement
*2015 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes

Staff costs in 2016, excluding the impacts of the operating structure resizing programme and revision of the Collective Labour Agreement, reached 177.6 million euros, representing a 7.2% reduction in relation to the value recorded in 2015, which was influenced by the negotiated leaving of employees primarily made from the end of the first quarter of 2016 onwards.

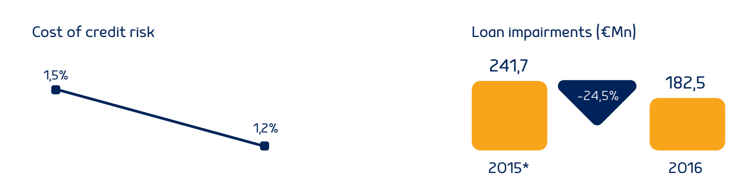
The impacts of the process of downsizing amounted to 35.2 million euros, while the effects of the revision of the Collective Labour Agreement in terms of the income statement were positive by 47.3 million euros, of which 39.9 million euros were related to the increased retirement age and 7.4 million euros to the end of the seniority bonus.

General and administrative expenses amounted to 94.0 million euros in 2016, a decrease of 18.2% in relation to the value recorded in 2015, reflecting the favourable impact induced by the negotiation of contracts with suppliers and the cost containment measures that were implemented. The reduction of general and administrative expenses occurred in various headings with particular emphasis on savings in rental, advertising and IT costs.

Impairment and Provisions

The endowments for impairments and provisions reached the value of 261.5 million euros in 2016, corresponding to a decrease of 23.9% in relation to the comparable value of 343.8 million euros recorded in 2015. This performance was influenced by the 24.5% reduction in loan impairments, evolving from 241.7 million euros to 182.5 million euros in 2016, reflecting the improvements introduced in the policy on analysis of risk in credit concession, in turn reflected in the reduction of the cost of credit risk from 1.5% in 2015 to 1.2% in 2016.

Impairment and Cost of Credit Risk



The endowments for loan impairments incorporates the result of the individual analysis made to significant exposures which showed evidence of impairment, on the one hand, and the value derived from the impairment model used to measure the impairment associated to homogeneous populations, on the other hand, pursuant to accounting policy 1.c) described in the Notes to the Financial Statements.

The impairments constituted in 2016 for other financial assets recorded an increase of 28.5 million euros in relation to the value stated in 2015, standing at 44.5 million euros, reflecting the higher endowments for impairments for securities stated in the portfolio of financial assets available for sale, namely the investments made in investment funds and business recovery funds.

In relation to the impairment of other assets and other provisions, the value recorded in 2016 stood at 34.5 million euros, showing a reduction of 59.9% in relation to the value of 2015, as a result of the higher devaluation of the real estate properties held for sale in 2015 and the recovery already perceived in the real estate sector in 2016.

(EUR million)

Impairment and Provisions	'15	'16	Change	
			Amount	%
Loan impairments	241,7	182,5	(59,2)	(24,5)
Other financial assets impairments	16,0	44,5	28,5	>100
Other assets impairments	86,1	34,5	(51,6)	(59,9)
Total of impairment and provisions	343,8	261,5	(82,3)	(23,9)

*2015 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

Tax

Current and deferred taxes reached 96.2 million euros in 2016, compared to 23.1 million euros stated in 2015, having been recorded in conformity with IAS and observing the tax framework applicable to each subsidiary of the CEMG Group.

Deferred tax assets derive, in some circumstances, from the fact that the accounting treatment diverges from the tax framework, thus leading to the statement of deferred tax assets associated to temporary differences.

Results from Discontinuing Operations

The heading of earnings from discontinuing operations incorporates the net income for the year of the subsidiaries Finibanco Angola, S.A. and BTM - Banco Terra, S.A. attributable to CEMG under the application of the accounting policy IFRS 5, which stood at -7.2 million euros in 2016 and includes the impairment constituted for these financial holdings of the value of 17.7 million euros.

For comparative purposes, the income statement for 2015 was prepared on the same accounting basis, recording the value of 8.9 million euros under this heading.

Non-Controling Interests

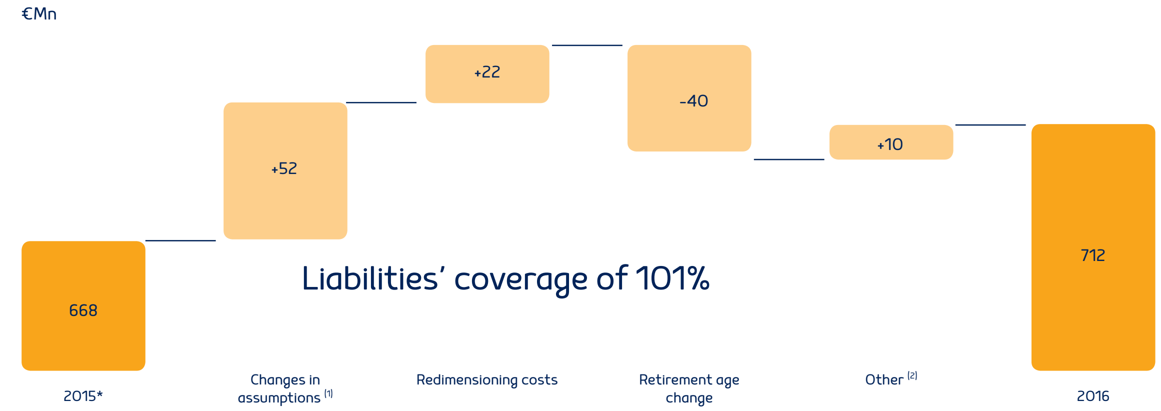
Non-controlling interests recognized in 2015 and 2016 correspond to the portion of capital held by third parties in the subsidiaries Finibanco Angola, S.A. and BTM - Banco Terra, S.A.

4.5 Pension Fund

Liabilities related to retirement and survivors' pensions amounted to 712 million euros as at 31 December 2016, showing an increase of 44 million euros in relation to the value recorded at the end of 2015.

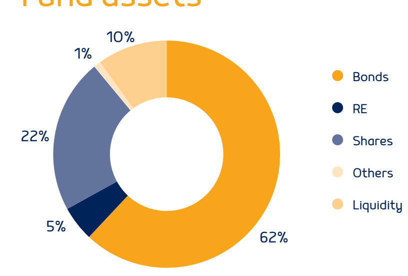
The increased liabilities referred to above was due to the effects caused by the change of the actuarial assumptions, namely the discount rate and the rate of growth of wages and pensions, the increased liabilities associated to the programme of downsizing and, positively by the impact of changes in the retirement age.

Evolution of Pension Fund liabilities



(1) Includes the impacts related to the discount rate change, the salary and pension growth rates, social security and SAMS revaluation rates.
(2) Includes costs of current services, interest, pension payment and other.

Breakdown of the Pension Fund assets



The value of the assets of the Pension Fund increased by 6.9%, amounting to 699 million euros at the end of 2016, maintaining a conservative distribution, with 72% of these assets invested in Bonds (62%) and Liquidity (10%).

(EUR million)

Pension Fund	'15	'16	Change	
			Amount	%
Total liabilities	668	712	44	6,5
Minimum liabilities to be financed	643	691	48	7,4
Value of the Pension Fund's assets	654	699	45	6,9
Coverage:				
Minimum liabilities	101,7%	101,1%	(0,6 p.p.)	
Total liabilities	97,8%	98,1%	0,3 p.p.	

De acordo com a política contabilística da CEMG, procedeu-se, no final de 2016, à apreciação da adequação dos pressupostos atuariais, tendo-se concluido pela necessidade de alterar a taxa desconto para 2,0% (2,75% em 2015) e da taxa de crescimento dos salários e das pensões, conforme quadro que a seguir se apresenta.

Actuarial Assumptions	'15	'16
Salary growth rate	0,75%	0% in 2017; 1% following years
Pension growth rate	0,25%	0% in 2017; 0,5% following years
Revaluation rate		
Salary growth rate - social security	0,75%	2,00%
Pension growth rate	0,75%	1,00%
Rate of return of Fund assets	2,75%	2,00%
Discount rate	2,75%	2,00%
Mortality table	TV 88/90	TV 88/90
Disability table	EVK 80	EVK 80

Risk Management

5 Risk Management

During 2016, 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;
- Strengthening of the credit decision-making process, with the integration of the Credit Analysis Department in the decision-making chain, embodying the principles of collegiate responsibility and separation of duties in the credit decision-making process;
- Review of the internal regulation for the process of credit recovery, including the definition of appropriate principles and rules for the recovery process and the delegation of decision-making responsibilities in the Credit Recovery Department, in order to enhance the agility of the decision-making process;
- Improvement of customer credit risk analysis capability, with the implementation of a masterscale that aggregates into a single scale all the classifications of the scoring and rating models used in the credit analysis and decision-making process. Furthermore, the internal rating models applied in the segment of non-financial companies were updated, and a new performance scoring model was implemented for the mortgage loan portfolio;
- Creation of the Model Validation Centre responsible for the independent validation of credit risk assessment models, namely their compliance with the applicable internal and external requirements in quantitative terms and back-testing;
- Implementation of new regulatory reporting on liquidity risk (Additional Liquidity Monitoring Metrics);
- Implementation of new regulatory reporting on real estate risk (Banco de Portugal Notice number 4/2016);
- Implementation of new metrics and controls on interest rate risk in the banking portfolio.

Risk Management Governance

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

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

The Risk Committee performs the duties established in article 115-L of the RGICSF (General Regime of Credit Institutions and Financial Companies), namely the monitoring of the risk strategy and risk appetite, and also assists the Executive Board of Directors in supervising the implementation of the risk strategy by the senior management.

During 2016, the Supporting Committees of the Executive Board of Directors continued their activity. These structures are dependent on the Executive Board of Directors, without deliberative competencies, unless explicitly indicated otherwise, being 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 Capital management, the 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 activity expansion scenarios, 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. Among its functions, it is worth mentioning the formulation of proposals or recommendations to the Executive Board of Directors, with a view to optimising the internal control system, improving operating risks levels and implementing corrective measures or improvements pursuant to the defined time schedule.

The Risk Committee monitors the evolution of exposure to the different types of risks, and analyses policies, methodologies, models and limits of quantification of significant risks for CEMG's business. This body also analyses the adequacy of the governance models, processes and procedures, methods and systems for identification, quantification and reporting of risk, and formulates proposals 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 analyses and monitors the management of the Pension Fund, issuing opinions on any proposals to change the management policy in force at any given 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 Risk Department mission 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, being the body responsible for the risk management function.

This Department assures the analysis and management of risks, providing advice to the Executive Board of Directors, namely through proposed rules and management models for the different risks, 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 funds 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, assured by the Audit and Inspection Department, is 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 administration and supervisory bodies.

The Audit and Inspection Department functions comprise performing audits to the Risk Management processes, following the guidelines given by the supervisory entities, the independent review of the internal models of risk assessment and the 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.

In order to assure Internal Control System objectives (performance, information and compliance objectives), various initiatives were carried out during 2016 aimed at the development of the internal control system:

a. The Regulation of the Executive Board of Directors was drawn up, establishing the organisational and functional rules of the Executive Board of Directors and the rules of conduct of its members;

b. The Group's Internal Control Policy that establishes the Corporate Model of the control functions (internal audit, risk management and compliance) for the CEMG Group was revised. This review defined the mechanisms of exchange of information between the companies of the CEMG Group.

c. The Regulation of the internal audit function (Audit Charter) was also revised, having established/strengthened its scope of action, reporting line, authority, responsibility, ethical standards and service levels in the context of relations with the audited area;

d. Credit risk management was strengthened through the development of the IRB project, with a view to improving information on the risk profile of the loan portfolio, in the context of credit granting, monitoring and recovery processes;

e. The credit decision-making process was reviewed, based on three fundamental pillars: robustness of the decision, segregation of functions and collegiality;

f. The credit recovery function was reorganised with a view to maximise the economic value recovered by the customer, through differentiated recovery approaches and strategies by segment and product, supported by efficient and effective processes;

g. A review was made of process of verification of the value of the assets (real estate properties) given as loan collateral, as a result of the implementation of new flows to verify the value of the asset and possible revaluation by an expert valuator in accordance with defined criteria;

h. The centralisation of the maintenance, settlement and cancellation of Collateral in the Operations area was boosted, so as to mitigate operating risk and achieve efficiency gains associated to the treatment of Collateral;

i. A separation was made of the back office area of the Financial and International Department, where it had been based, transferring it to the Operations Department, in order to assure a suitable segregation of functions.

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

Compliance risk is mitigated by promoting a culture of compliance, of respect for all the applicable rules and regulations by the Group's entities and its employees. The compliance function is responsible for defining the respective procedures and mechanisms to control compliance and their monitoring through independent, permanent and effective intervention.

The implemented activities are scrutinised to identify and appraise aspects that might contribute to compliance risk, especially in institutional processes, procedures associated to products and services, duties of disclosure of information to customers and provision of specialised support on matters of control and compliance.

Under its duties, the Compliance Department prepares and submits a report to the Administration and Supervisory Bodies, at least once a year, identifying any non-compliance and the corresponding recommendations, aimed at correcting the identified breaches and flaws.

In 2016, under its activities, we highlight the initiatives taken in pursuing the process of continuous improvement associated to the provisions in Banco de Portugal Notice number 5/2008 ("Principles and minimum requirements of the Internal Control System") and in the "Guidelines of the European Banking Authority on the internal governance of Institutions (GL44)", promoting efficient methods of detection and analysis of operations in the context of the prevention of money laundering and financing of terrorism, in constant alignment with the provisions of Banco de Portugal Notice number 5/2013 ("Regulating the conditions, mechanisms and procedures required for effective compliance with the duties on prevention of money laundering and financing of terrorism"), permanent collaboration and follow-up of the activities carried out by the compliance structure in the branches abroad and in the analysis and monitoring of the process of transposition and implementation of diverse legislation and regulations.

In 2016, the review and updating of all the training contents on the compliance topics under the Montepio Academy was also continued.

Credit Risk

During 2016, the work continued in the review of the credit risk management models and policies, accompanying the review of the regulatory framework and guidelines issued by national and European supervisors, with a project being underway aimed at submitting 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, process of assessment and decision-making regarding credit, and algorithm used for calculating capital requirements, among others.

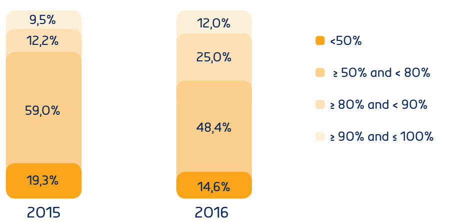
The decision-making process for credit operations is based on a series of policies using scoring models for the portfolios of individual and business customers and rating models for the company segment. The models, developed using internal historic data, enable obtaining an assessment which is reflected 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 real guarantees, constitute determinant aspects for the decision-making and price of the operations. The pricing decision levels are defined according to the risk adjusted return on equity (ROE), in accordance with the principle that the higher hierarchical levels have delegation powers to approve operations with lower risk adjusted ROE.

In addition to the rating and scoring models, the decision-making process for 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.

For the mortgage loans granted in 2016, the levels of the loan-to-value ratio (where LTV is the value of the loan divided by the value of the collateral) continue conservative, with the average LTV, excluding financing of real estate properties that were owned by CEMG, of 69.9% (66.0% in 2015). This evolution is in line with the generalised improvement of the real estate market indicators.

Distribution of the Mortgage Loan Portfolio by Ltv Level



During 2016 there were recurrent quarterly reductions of the amount of credit at risk (variation of -0.6% from the first to the second quarter, -1.3% from the second to the third quarter, and -2.9% from the third to the fourth quarter of 2016), giving rise to a ratio of 15.2% as at 31 December 2016, compared to 15.6% in the first semester of 2016. In relation to the end of 2015, the credit at risk ratio increased by 66 b.p., of which 56 b.p. were due to the effect of the reduction of the balance of the loan portfolio.

(EUR million)

Loan Quality Indicators	'15	'15*	'16	Change Amount	Change %
Gross Loans to Customers	15 944	15 611	15 041	(570)	(3,7)
Loans and Interest Overdue by more than 90 days	1 233	1 218	1 372	154	12,6
Loans impairment	1 282	1 254	1 180	(74)	(6,0)
Ratios (%)					
Loans and Interest Overdue by more than 90 days	7,7	7,8	9,1	1,3 p.p.	
Non-performing loans [a]	9,5	9,7	11,5	1,8 p.p.	
Net non-performing loans [a]	1,6	1,8	3,9	2,1 p.p.	
Credit at Risk [a]	14,3	14,6	15,2	0,6 p.p.	
Net Credit at Risk [a]	6,8	7,1	8,0	0,9 p.p.	
Restructured loans [b]	9,6	9,8	8,9	(0,9 p.p.)	
Restructured loans not included in Credit-at-Risk [b]	4,0	4,1	3,2	(0,9 p.p.)	
Coverage by Impairments (%)					
Loans and Interest Overdue by more than 90 days	104,0	103,0	86,0	(17,0 p.p.)	
Credit-at-Risk factoring in associated real estate collateral	56,1	55,2	51,6	(3,6 p.p.)	
Crédito em risco, incluindo garantias hipotecárias associadas	126,9	126,4	120,0	(6,4 p.p.)	

(a) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version.
(b) Pursuant to Banco de Portugal Instruction No. 32/2013.
*2015 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

The total amount of impairments for credit risk reached 1,180 million euros at the end of 2016, giving rise to a ratio of coverage of loans and interest overdue by more than 90 days of 86.0%. Furthermore, the coverage of credit at risk by impairments stood at 51.6%, whereas the coverage considering total loan impairments and the associated real estate collateral reached 120.0%.

Concentration Risk

In order to minimise concentration risk, CEMG seeks to diversify, as far as possible, its areas of activity and income sources, as well as its exposures and funding sources.

Concentration risk is managed centrally, with regular monitoring of concentration indices by the Risk Department. In particular, on the liabilities side, this involves monitoring the concentration level of the largest depositors and funding sources, while for the loan portfolio the individual, sector and geographic concentration levels are monitored.

Maximum exposure limits are established by customer/group of customers related among each other, as well as limits for the concentration of the largest depositors. Any surpassing of the established limits, even if temporary, requires the approval of the Executive Board of Directors.

The comparison of individual concentration risk as at 31 December 2016 with December 2015 reveals, in general, a slight increase of the relative weight of the highest exposures in the loan portfolio. Regarding the individual concentration index, an increase occurred in the loan portfolio, from 0.29 to 0.31. Nevertheless, the weight of the 100 largest exposures in the loan portfolio shifted from 19% in December 2015 to 18.5% in December 2016.

As a consequence of the diversification strategy implemented by CEMG, the sector concentration index in the portfolio of loans to companies/business as at 31 December 2016 was lower than in December 2015, having fallen from 9.8% to 9.1%. This evolution is related to reduction of the weight of the construction sector (from 17.5% to 15.1%) and the trade sector (from 17.6% to 17.1%).

Proportion of the Largest Exposures in the Loan Portfolio	'15	'16
20 largest exposures	8,3%	8,4%
50 largest exposures	14,2%	14,0%
100 largest exposures	19,0%	18,5%
Individual concentration index	0,29	0,31
Gini coeficient	0,79	0,79

Proportion of the Major Activity Sectors in the Loan Portfolio	'15	'16
Construction	17,5%	15,1%
Trade and repairs	17,6%	17,1%
Financial activities and insurance	11,1%	9,8%
Real estate	8,6%	9,0%
Other business services	6,8%	8,5%
Sectoral concentration index	9,8	9,1

Market Risk

Market risks reflect the potential loss that may be recorded in a given portfolio as a consequence of changes in interest and exchange rates and/or in the prices of the different financial instruments comprising the portfolio, considering both the correlations that exist between them and their volatility.

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

CEMG's investment policy has aimed to increase its exposure to national sovereign debt securities against a reduction of the exposure to Spanish and Italian public debt. This investment policy has led to variations in terms of the rating structure, namely in the BB+, BBB and BBB+ buckets. Hence, a reduction occurred in the weight of bonds classified as investment grade in the total bond portfolio as at December 2016 compared to December 2015, with preponderance of Portuguese sovereign debt in the non-investment grade bonds.

(EUR million)

Structure of the Board Portfolio by Rating Classes (Excluding covered bonds and securitizations)	'15	'15*	'16		Change	
			Amount	%	Amount	%
AAA	0	0,0	8	0,3	8	-
AA+	0	0,0	2	0,1	2	-
AA	3	0,1	1	0,0	(2)	(46,3)
AA-	4	0,2	1	0,0	(3)	(76,6)
A+	3	0,1	5	0,1	2	69,2
A	57	2,1	4	0,1	(53)	(92,2)
A-	45	1,7	5	0,2	(40)	(87,9)
BBB+	628	23,4	180	5,8	(448)	(71,4)
BBB	649	24,2	177	5,7	(472)	(72,7)
BBB-	30	1,1	24	0,8	(6)	(21,2)
BB+	1 048	39,1	2 477	79,4	1 429	>100
BB	24	0,9	0	0,0	(24)	-
BB-	0	0,0	0	0,0	0	-
B+	134	5,0	3	0,1	(131)	(98,1)
B	4	0,1	143	4,6	139	>100
B-	0	0,0	0	0,0	0	-
CCC+	0	0,0	0	0,0	0	-
CCC	11	0,4	12	0,4	1	10,5
CCC-	0	0,0	0	0,0	0	-
CC	0	0,0	1	0,0	1	-
D	0	0,0	35	1,1	35	-
NR	42	1,6	41	1,3	(1)	(1,9)
Total	2 682	100,0	3 119	100,0	437	16,3

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 2015 and 2016 is presented below:

VaR Indicators (1)	'15		'16	
	Available for sale	Trading	Available for sale	Trading
Market VaR	0,80%	2,71%	0,24%	1,17%
Interest rate risk	0,79%	0,68%	0,29%	0,36%
Foreign exchange risk	0,11%	0,28%	0,04%	0,29%
Pricing risk	0,39%	0,47%	0,26%	1,17%
Spread risk (CDS)	0,00%	1,94%		
Diversification effect	(0,49%)	(0,66%)	(0,35%)	(0,66%)
Loans VaR (2)	0,73%	0,23%	0,93%	0,63%
Total VaR	1,53%	2,94%	1,17%	1,80%

(1) - 10-day time horizon and significance level of 99%. As a % of total assets. Includes the portfolios of CEMG and Montepio Investimento.
(2) - Includes positions held to maurity.

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 2016 the following results were obtained from the analysis of scenarios:

(EUR million)

Stress Test of the Trading Portfolio	'16
Scenario	
Rise of 100 bp in interest rates	(6,8)
25% drop of the equity market	(1,4)
Credit spreads increase by 100 bp (bonds)	(1,1)

Exchange Rate Risk

In what regards exchange rate risk, as a rule, CEMG invests the resources attracted in different currencies in 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, equity 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 non-existence of perfect correlation between different indexers with the same repricing period (basis risk), and from the options related 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 performance 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:

(EUR million)

Interest Rate Repricing Gaps	Residual maturities of repricing				
	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years
Assets	8,4	3,3	0,7	1,7	2,4
Off-Balance sheet	8,0	0,0	0,0	0,1	0,0
Total assets	16,3	3,3	0,7	1,7	2,4
Liabilities	4,8	2,0	2,0	9,0	0,3
Off-Balance sheet	7,9	0,1	0,0	0,1	0,0
Total liabilities	12,7	2,0	2,0	9,1	0,3
GAP (Assets - Liabilities) in 2016	3,6	1,3	(1,3)	(7,3)	2,2
GAP (Assets - Liabilities) in 2015	4,3	1,6	(1,8)	(6,6)	1,2

In view of the interest rate gaps observed, as at 31 December 2016, an instantaneous positive change and parallel shift of the interest rates by 100 basis points would lead to a variation in income in the expected economic value of the banking portfolio of approximately -30,531 thousand euros (31 December 2015: +16,662 thousand euros).

Liquidity Risk

Liquidity risk is assessed 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 assuring 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 uncompromised securities portfolio are added to these projections so as to determine the accumulated liquidity gap for various time horizons.

(EUR million)

Liquidity Position Gaps	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		1 374	1 400	1 384	407	70

As at 31 December 2016, customers' resources continued to be the main source of funding, accounting for 62.7% of total funding sources:

Liabilities	%
Resources from central banks	11,7
Resources from other credit institutions	11,4
Resources from Customers	62,7
Debt securities issued	9,7
Other liabilities	4,5
Total	100,0

The liquidity coverage ratio (LCR) reached 106.6%, above the minimum requirement in force as at 1 January 2016, which was established at 70%. Special note should also be made of the maintenance of a balanced commercial account with the credit-to-deposit ratio, considering loans and customers' resources on the balance sheet, standing at 96.3% compared to 96.4% in 2015.

Liquidity management constraints in 2017

The process of the United Kingdom leaving the Euro Zone, alongside the legislative elections that will be held in France, Germany and Italy, may bring some instability to the financial markets, reflected in various moments of volatility. Liquidity might become constrained, even if only occasionally, especially in the repos market with securities of these jurisdictions. It is expected that the interest rates of the euro should remain at minimum levels, with surplus liquidity continuing to be channelled to risk-free assets, exerting downward pressure on their yields. The Euribor rates should clearly illustrate this fact, due to the ECB's expansionary monetary policy. Some relief of the unconventional measures of monetary policy is expected in the second half of 2017, by the announcement of the reduction of the Quantitative Easing programme. The end of the long term liquidity assignments by the ECB (TLTRO) is also expected to cause some moments of volatility in the markets, although structural increases of interest rates throughout the year are not expected.

Real Estate Risk

Real estate risk is derived from possible negative impacts on earnings and capital levels, due to oscillations in the market price of real estate assets. The exposure to this risk arises from the value in real estate assets, namely exposures derived from credit recovery processes, those stated under investment properties and associated to participation units in real estate investment funds held in the portfolio of securities. These exposures are regularly monitored with analyses of scenarios which seek to estimate potential impacts of changes in the real estate market on the portfolios of real estate investment funds, investment properties and real estate given in lieu of repayment of loans.

Throughout 2016, CEMG's exposure to real estate risk, in the components described above, fell by approximately 83 million euros, in shifting from 1,658 million euros at the end of 2015 to 1,575 million euros as at 31 December 2016.

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 the event of the occurrence of these variations, CEMG may have to make exceptional contributions to the Pension Fund.

During 2016, the negative actuarial deviation of the Pension Fund stood at 20 million euros, having evolved from 131 million euros in 2015 to 151 million euros in 2016, reflecting the change of the actuarial assumptions of the Pension Fund, namely in terms of the discount rate.

Operating Risk

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

With regard to the monitoring of operating risk, the activities of collection and analysis of loss events have been maintained and the risk and control charts were updated.

In terms of exposure to operating risk, the business lines which show greatest exposure are retail activity and intermediation relative to the retail network.

Events Distribution by Business Line in 2016	Frequency	Severity
Retail banking	24,5%	52,6%
Payment and settlement	59,2%	9,8%
Intermediation regarding the retail portfolio	16,3%	37,6%

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.

Tests were conducted in 2016 to assess the recovery of critical business applications. The tests are included in monitoring established in the Management of Business Continuity methodology, in order to prepare CEMG for an effective response to the possible occurrence of an incident, identifying opportunities for improvement and assessing the efficacy of the strategies.

Internal Capital Adequacy Assessment Process - ICAAP

The internal capital adequacy assessment process (ICAAP) is an essential component in the CEMG Group's risk management, and seeks to analyse the evolution in the practices of qualitative and quantitative assessment of the risks to which the Group is exposed, appraise the internal controls and effects that enable mitigating exposure to risk, conduct simulations of adverse situations with impact on the CEMG Group's solvency and assess the adequacy of internal capital.

CEMG's ICAAP exercise is carried out at a consolidated level, with the following main objectives:

- Promoting the ICAAP as a tool to support strategic decision-making in the CEMG Group;
- Boost a risk culture that fosters the participation of the entire organisation in the management of internal capital (Executive Board of Directors, Business Areas and internal control functions);
- Assure the adequacy of the internal capital in view of its risk profile and risk and business strategies;
- Assure the appropriate identification, quantification, control and mitigation of the material risks to which the Group is exposed;
- Assure the appropriate documentation of the demonstrated results, by strengthening the integration of the risk management processes in the Group's risk culture and in the decision-making processes; and
- Establish a contingency plan to assure the management of the activity and the adequacy of the internal capital in the event of a recession or crisis.

The results of the ICAAP enable assessing whether the Group's capitalisation is adequate, in a sustainable basis, to the risks derived from its activity. This capital adequacy is assessed based on a comparison between the available internal capital and the economic capital requirements, taking into account the risk appetite level established by the Executive Board of Directors.

At a first stage, the material risks to which the activity of the CEMG Group is subject are identified based on an internal classification of risks. All the risks identified as material and the risks considered in Basel Pillar I, regardless of being considered material or not, are incorporated in the ICAAP process.

At a second stage, the material risks are modelled with a view to the quantification of the respective economic capital requirements, based on an extreme adverse scenario in line with the defined risk appetite level. The risks are thus incorporated via add-on to the regulatory capital. The add-on values of capital therefore include the requirements relative to other risks not considered in Pillar I (regulatory vision) and the difference between the regulatory and economic requirements, taking into account the risk quantification methodologies used in-house by the CEMG Group.

Capital adequacy is assessed based on a comparison between the economic capital requirements and the internal capital that is available to absorb risks, calculated taking into account the established risk appetite level.

The result of the capital adequacy assessment is supplemented with the values obtained in stress test scenarios. The aim is to assess CEMG Group's capacity to absorb unexpected losses, where potential contingency plans should be drawn up to meet possible internal capital insufficiencies, duly aligned with other financial exercises of capital planning, namely the Funding and Capital Plan and Recovery Plan.

In light of the defined strategic plan and the Funding and Capital Plan agreed with Banco de Portugal and revised periodically, no significant changes are anticipated in the material dimensions of the various types of risk. The ICAAP exercise of 2016 demonstrated that, in view of the forecasts, the CEMG Group continues to be adequately capitalised. Furthermore, measures have been established in the Funding and Capital Plan that will enable strengthening the Group's solvency levels, whether via reinforcement of own funds or by reduction of risk-weighted assets.

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 in 2016.

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 outcome of these tests enables 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, 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).

Montepio

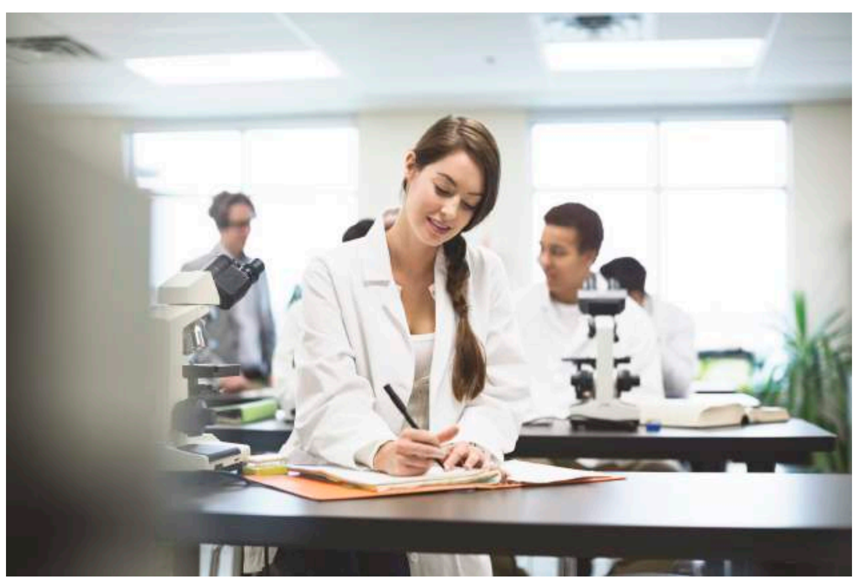
Participation Fund

6 Participation Fund

The year of 2016 was marked by the integration, on 21 March, of the Participation Units in the Portuguese reference stock exchange index, as a result of the annual review of the PSI20 index.

With the aim of strengthening its own funds, on 25 November 2013, CEMG launched the first Public Subscription Offer of 200,000,000 Participation Units, with a nominal value of 1 euro, representative of its Participation Fund, with this event having marked the opening of its capital to public investment.

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

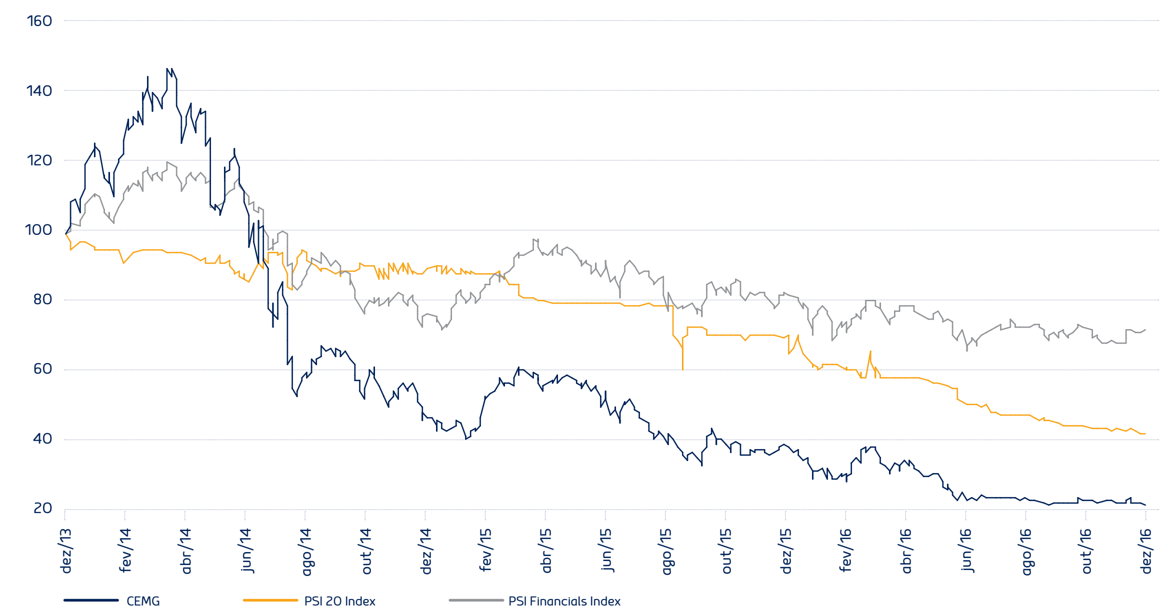


On 26 June 2015, the second issue of CEMG's Participation Fund was paid-up and registered, by private subscription of Montepio Geral - Associação Mutualista of the total number of 200,000,000 Participation Units, with a nominal value of 1 euro. Therefore, as at 31 December 2015, CEMG's Participation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

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 stock exchange indices "General PSI" and "Sectoral PSI (Financial)" since the end of 2013.

Price Evolution

(Base 100, 17.Dez.2013)



Key Indicators	Unit	'15	'16
Adjusted prices			
Maximum price	eur	0,895	0,700
Minimum price	eur	0,600	0,420
Average price of the year	eur	0,779	0,501
Closing price	eur	0,655	0,421
Liquidity			
Turnover	eur	29 193 246	27 488 160
Average daily turnover	eur	117 242	107 376
Volume	unid	37 456 913	54 900 157
Average daily volume	unid	150 429	214 454

Rating

7 Rating

With respect to ratings, 2016 was marked by an overall improvement of the assessment of the rating agencies Fitch Ratings, Moody's Investors Service and DBRS, attributed to Covered Bonds issued by CEMG.

Thus, following the press release issued by Banco de Portugal dated 29 December 2015, which identified the institutions of systemic importance at a domestic level and included CEMG, on 14 January 2016, Fitch Ratings upgraded its rating attributed to CEMG's Covered Bonds from 'BB+' to 'BBB-', with 'Stable' Outlook. On 11 July 2016, Fitch Ratings raised the Covered Bonds rating to 'A-', this time following the approval, by the Meetings of Covered Bond Holders held on 1 July 2016, of the implementation of the Conditional Pass-Through (CPT) mechanism for the series issued under the Covered Bonds Programme. By the end of 2016, under the annual review of the Covered Bonds Programme, Fitch Ratings made an upward revision of CEMG's Covered Bond rating to 'A', with 'Stable' Outlook, where this assessment was due to the level of protection conferred by the assets allocated to these bonds and the implementation of the new assessment methodology applied by Fitch Ratings.

At the same time, following the implementation of the CPT mechanism in July 2016, the agencies Moody's Investors Service and DBRS also made an upward revision of the ratings attributed to CEMG's Covered Bonds from 'Baa1' to 'A3' and from 'A' to 'A(high)', respectively.

Subsequently, in October 2016, DBRS revised the Covered Bonds to 'A', following the revision of the rating from 'BB(high)' to 'BB', on 28 September 2016, attributed to CEMG as a consequence of the low interest rates, sluggish economic recovery in Portugal and complex regulatory framework. The agency highlighted though that the rating attributed to CEMG continues to reflect its solid franchise, its loyal base of customers and the resilience of its foundations, which enabled it to avoid having to resort to State support during the period of economic and financial crisis. In the same press release, DBRS highlights the positive progress that CEMG has been making since the appointment of the new Executive Board of Directors and that it expects a gradual improvement of its medium-term profitability, as a result of the cost reduction programme which was implemented and the signs of stabilisation in asset quality deterioration, due to the management measures taken.

Also during 2016, the agencies Fitch Ratings and Moody's Investor Service revised the long-term rating attributed to CEMG from 'B+' to 'B' and from 'B1' to 'B3', respectively.

Regarding the credit securitisation operations, it is noteworthy the confirmation, on 11 March 2016, of the rating attributed to the Class A of the credit securitisation operation originated by CEMG "Pelican SME no. 2" by Fitch Ratings of 'A+(sf)' and by DBRS of 'A(low)(sf)'. In a press release, Fitch Ratings stressed the robustness of the portfolio's performance and positive selection of the credit comprising the securitised portfolio. In turn, DBRS emphasised the timely payment of the interest and principal to this Class A.

Therefore, as at 31 December 2016, the ratings assigned to CEMG were as follows:

Moody's Investors Service	
Deposits LT / ST	B3 / NP
Outlook	Negative
Counterparty Risk Assessment	B1 (cr)
Senior Unsecured MTN	(P) B3
Baseline Credit Assessment	Caa1
Adjusted Baseline Credit Assessment	Caa1
Subordinate MTN	(P) Caa2
Junior Subordinate MTN	(P) Caa3
Other Shor Term Debt	(P) NP
Covered Bonds	A3

Fitch Ratings	
Deposits LT / ST	B / B
Outlook	Stable
Senior Unsecured LT / ST	B/RR4 / B
Viability Rating	B
Support Rating	5
Support Rating Floor	No Floor
Obrigações Hipotecárias	A
DBRS	
Deposits LT / ST	BB / R-4
Outlook	Stable
Subordinated Debt	BB (low)
Covered Bonds	A

LT - Long Term | ST - Short Term

During the first quarter of 2017, the agency Fitch Ratings confirmed all the ratings attributed to CEMG, maintaining the Outlook at 'Stable', while DBRS communicated a new rating category named Issuer Rating, attributing a rating of 'BB' with 'Stable' Outlook to CEMG, in line with the current long-term rating given by the agency.

8 CONSOLIDATED FINANCIAL STATEMENTS FOR 2016

Demonstração dos Resultados Consolidados para os exercícios findos em 31 de dezembro de 2016 e 2015 (Thousands of Euro)	'16	'15
Interest and similar income	534 338	591 504
Interest and similar expense	281 165	395 498
Net interest income	253 173	196 006
Dividends from equity instruments	11 647	3 632
Net fee and comission income	101 489	96 071
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss	(18 194)	(14 161)
Net gains/ (losses) arising from available-for-sale financial assets	53 736	114 451
Net gains/ (losses) arising from foreign exchange differences	1 445	2 369
Net gains/ (losses) arising from the sale of other assets	12 161	444
Other operating income	(43 935)	4 775
Total operating income	371 522	403 587
Staff costs	165 505	191 355
General and administrative expenses	94 024	114 939
Depreciation and amortisation	24 270	23 702
	283 799	329 996
Loans impairment	182 479	241 704
Other financial assets impairment	44 484	16 000
Other assets impairment	40 833	88 603
Other provisions	(6 308)	(2 480)
Operating net income/(loss)	(173 765)	(270 236)
Share of profit of associates under the equity method	250	(3 910)
Net income/(loss) before income taxes	(173 515)	(274 146)
Income taxes		
Current	(1 697)	3 129
Deferred	97 941	19 981
Net income/ (loss) after tax from continuing operations	(77 271)	(251 036)
Net income/ (loss) from discontinued operations	(7 184)	8 866
Consolidated net income/ (loss) for the year	(84 455)	(242 170)
Consolidated net income/ (loss) for the year attributable to the holders of Institutional Capital and Participation Fund	(86 484)	(243 407)
Institutional Capital and Participation Fund	2 029	1 237
Non-controlling interests	(84 455)	(242 170)

CERTIFIED ACCOUNTANT THE EXECUTIVE BOARD OF DIRECTORS

Consolidated Statement of financial position as at 31 December 2016 and 2015 (Thousands of Euro)	'16	'15
Assets		
Cash and deposits at central banks	381 289	424 450
Loans and advances to credit instituitions repayable on demand	69 568	238 007
Other loans and advances to credit institutions	559 091	172 044
Loans and advances to customers	13 861 034	14 662 277
Financial assets held-for-trading	78 168	51 093
Financial assets available-for-sale	2 399 504	3 068 501
Hedging derivatives	-	9
Held-to-maturity investments	1 126 125	161 540
Investments in associated companies	4 042	3 908
Non-current assets held-for-sale	760 204	754 898
Non-current assets held for sale - discontinued operations	470 416	-
Investment properties	607 968	692 485
Property and equipment	237 097	89 115
Intangible assets	34 921	65 862
Current tax assets	11 855	27 861
Deferred tax assets	521 716	403 506
Other assets	222 911	329 660
Total Assets	21 345 909	21 145 216
Liabilities		
Deposits from central banks	2 322 947	2 277 258
Deposits from other financial institutions	2 275 940	1 573 131
Deposits from customers	12 467 819	12 969 431
Debt securities issued	1 920 035	2 354 202
Financial liabilities held-for-trading	26 148	70 289
Hedging derivatives	-	439
Non-current liabilities held-for-sale - discontinued operations	354 781	-
Provisions	21 820	16 587
Current tax liabilities	1 865	3 069
Other subordinated debt	251 028	333 039
Other liabilities	247 028	203 625
Total Liabilities	19 889 411	19 801 070
Equity		
Institutional capital	1 770 000	1 500 000
Participation fund	400 000	400 000
Other equity instruments	6 323	8 273
Treasury stock	(81)	(31 581)
Fair value reserves	(6 860)	646
Other reserves and retained earnings	(649 601)	(318 454)
Consolidated net income / (loss) for the year attributable to the holders of Institutional Capital and Participation Fund	(86 484)	(243 407)
Total equity attributable to the holders of Institutional Capital and Participation Fund	1 433 297	1 315 477
Non-controlling interests	23 201	28 669
Total Equity	1 456 498	1 344 146
Total Liabilities and Equity	21 345 909	21 145 216

CERTIFIED ACCOUNTANT THE EXECUTIVE BOARD OF DIRECTORS

9 Proposal for the Aplication of Results - Individual Basis

Considering that the Net income of Caixa Económica Montepio Geral was negative on an individual basis, amounting to 243,767 thousand euros, pursuant to the provisions in sub-paragraph f) of No. 1 of article 16 of the Articles of Association of Caixa Económica Montepio Geral,

It is proposed:

That the Net income determined on an individual basis, mentioned above, should be transferred to Retained earnings.

Part II

Consolidated Financial Statements and Explanatory Notes

Consolidated financial statements and explanatory notes

Consolidated Income Statement for the years ended at 31 December 2016 and 2015 (Thousands of Euro)	Notas	'16	'15
Interest and similar income	3	534 338	591 504
Interest and similar expense	3	281 165	395 498
Net interest income	3	253 173	196 006
Dividends from equity instruments	4	11 647	3 632
Net fee and comission income	5	101 489	96 071
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss	6	(18 194)	(14 161)
Net gains/ (losses) arising from available-for-sale financial assets	7	53 736	114 451
Net gains/ (losses) arising from foreign exchange differences	8	1 445	2 369
Net gains/ (losses) arising from the sale of other assets	9	12 161	444
Other operating income	10	(43 935)	4 775
Total operating income		371 522	403 587
Staff costs	11	165 505	191 355
General and administrative expenses	12	94 024	114 939
Depreciation and amortisation	13	24 270	23 702
		283 799	329 996
Loans impairment	14	182 479	241 704
Other financial assets impairment	15	44 484	16 000
Other assets impairment	16	40 833	88 603
Other provisions	17	(6 308)	(2 480)
Operating net income/(loss)		(173 765)	(270 236)
Share of profit of associates under the equity method	18	250	(3 910)
Net income/(loss) before income taxes		(173 515)	(274 146)
Income taxes			
Current	32	(1 697)	3 129
Deferred	32	97 941	19 981
Net income/ (loss) after tax from continuing operations		(77 271)	(251 036)
Net income/ (loss) from discontinued operations		(7 184)	8 866
Consolidated net income/ (loss) for the year		(84 455)	(242 170)
Consolidated net income/ (loss) for the year attributable to the holders of Institutional Capital and Participation Fund		(86 484)	(243 407)
Institutional Capital and Participation Fund	48	2 029	1 237
Non-controlling interests		(84 455)	(242 170)

CERTIFIED ACCOUNTANT THE EXECUTIVE BOARD OF DIRECTORS

Consolidated Statement of financial position as at 31 December 2016 and 2015 (Thousands of Euro)	Notas	'16	'15
Assets			
Cash and deposits at central banks	19	381 289	424 450
Loans and advances to credit institutions repayable on demand	20	69 568	238 007
Other loans and advances to credit institutions	21	559 091	172 044
Loans and advances to customers	22	13 861 034	14 662 277
Financial assets held-for-trading	23	78 168	51 093
Financial assets available-for-sale	24	2 399 504	3 068 501
Hedging derivatives	25	-	9
Held-to-maturity investments	26	1 126 125	161 540
Investments in associated companies	27	4 042	3 908
Non-current assets held-for-sale	28	760 204	754 898
Non-current assets held for sale - discontinued operations	62	470 416	-
Investment properties	29	607 968	692 485
Property and equipment	30	237 097	89 115
Intangible assets	31	34 921	65 862
Current tax assets	32	11 855	27 861
Deferred tax assets	32	521 716	403 506
Other assets	33	222 911	329 660
Total Assets		21 345 909	21 145 216
Liabilities			
Deposits from central banks	34	2 322 947	2 277 258
Deposits from other financial institutions	35	2 275 940	1 573 131
Deposits from customers	36	12 467 819	12 969 431
Debt securities issued	37	1 920 035	2 354 202
Financial liabilities held-for-trading	23	26 148	70 289
Hedging derivatives	25	-	439
Non-current liabilities held-for-sale - discontinued operations	62	354 781	-
Provisions	38	21 820	16 587
Current tax liabilities	32	1 865	3 069
Other subordinated debt	39	251 028	333 039
Other liabilities	40	247 028	203 625
Total Liabilities		19 889 411	19 801 070
Equity			
Institutional capital	41	1 770 000	1 500 000
Participation fund	42	400 000	400 000
Other equity instruments	43	6 323	8 273
Treasury stock	44	(81)	(31 581)
Fair value reserves	46	(6 860)	646
Other reserves and retained earnings	45 & 46	(649 601)	(318 454)
Consolidated net income / (loss) for the year attributable to the holders of Institutional Capital and Participation Fund		(86 484)	(243 407)
Total equity attributable to the holders of Institutional Capital and Participation Fund		1 433 297	1 315 477
Non-controlling interests	48	23 201	28 669
Total Equity		1 456 498	1 344 146
Total Liabilities and Equity		21 345 909	21 145 216

CERTIFIED ACCOUNTANT THE EXECUTIVE BOARD OF DIRECTORS

Consolidated Statement of Cash Flows for the years ended at 31 December 2016 and 2015 (Thousands of Euro)

	'16	'15
Cash flows arising from operating activities		
Interest income received	511 819	597 642
Commission income received	137 795	134 077
Interest expense paid	(317 952)	(467 740)
Commission expense paid	(34 408)	(33 014)
Payments to employees and suppliers	(468 438)	(424 292)
Recovery of loans and interests	7 154	9 596
Other payments and receivables	(96 433)	(44 711)
Interest tax payment	13 105	(37 600)
	(247 358)	(266 042)
(Increase) / decrease in operating assets		
Loans and advances to credit institutions	248 542	660 821
Other assets	70 030	(43 149)
	318 572	617 672
Increase / (decrease) in operating liabilities		
Deposits from customers	(466 564)	(1 314 435)
Deposits from credit institutions	703 001	503 228
Deposits from central banks	46 240	(200 000)
	282 677	(1 011 207)
	353 891	(659 577)
Cash flows arising from investing activities		
Divesture of investments in subsidiaries and associated companies with loss of control	(107 176)	-
Dividends received	11 647	3 636
(Acquisition) / sale of financial assets held-for-trading	(42 390)	21 368
(Acquisition) / sale of financial assets available-for-sale	665 152	521 132
Interests received from financial assets available-for-sale	33 497	87 433
(Acquisition) / sale of held-to-maturity investments	(945 741)	(40 846)
(Acquisition) / sale of shares in associated companies	45 571	20 000
Deposits owned with the purpose of monetary control	46 770	(120 946)
(Acquisition) / sale of other financial assets	(2 244)	14 395
Fixed assets and investment properties acquisition	(240 821)	(54 608)
Fixed assets and investment properties sale	75 903	65 982
	(459 832)	517 546
Cash flows arising from financing activities		
Own securities	18 302	(23 863)
Capital increase	270 000	200 000
Other equity instruments	(2 320)	(758)
Proceeds from issuance of bonds and subordinated debt	1 300 000	726 937
Reimbursement of bonds and subordinated debt	(1 874 183)	(715 328)
Increase / (decrease) in other sundry liabilities	227 869	(21 814)
	(60 332)	165 174
Exchange effects on cash and cash equivalents	1 445	16 510
Net changes in cash and cash equivalents	(164 828)	39 653
Cash and cash equivalents at the beginning of the year	446 044	406 391
Cash (note 19)	208 037	189 348
Loans and advances to credit institutions repayable on demand (note 20)	238 007	217 043
Cash and cash equivalents at the end of the year	281 216	446 044
Cash and cash equivalents at the end of the year includes:	211 648	208 037
Cash (Note 19)	69 568	238 007
Loans and advances to credit institutions repayable on demand (note 20)	281 216	446 044

Consolidated Statement of Changes in Equity for the years ended at 31 December 2016 and 2015 (Thousands of Euro)

					Other reserves and retained earnings				
	Institutional Capital	Participation fund	Other equity instruments	Fair value reserves	General and special reserve	General and special reserve	Total equity attributable to holders of institutional capital and participation fund	Non-controlling interests	Total Equity
Balance on 1 january 2015	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 gains/(losses) for the year (note 51)	-	-	-	-	-	22 492	22 492	-	22 492
Deferred taxes related to balance sheet changes accounted for against reserves (note 32)	-	-	-	-	-	538	538	-	538
Fair value changes (note 46)	-	-	-	(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 net income / (loss) for the year	-	-	-	-	-	(243 407)	(243 407)	1 237	(242 170)
Total comprehensive income / (loss) for the year	-	-	-	(14 312)	-	(241 848)	(256 160)	2 229	(253 931)
Increase in capital by subscription of participation fund (note 41)	-	200 000	-	-	-	-	200 000	-	200 000
Cost related to the issue of perpetual subordinated instruments (note 43)	-	-	-	-	-	(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
Other comprehensive income:									
Exchange difference arising from the consolidation	-	-	-	-	-	(24 242)	(24 242)	(7 982)	(32 224)
Actuarial gains/(losses) for the year (note 51)	-	-	-	-	-	(60 284)	(60 284)	-	(60 284)
Deferred taxes related to balance sheet changes accounted for against reserves (note 32)	-	-	-	-	-	13 024	13 024	-	13 024
Fair value changes (note 46)	-	-	-	(19 876)		-	(19 876)	-	(19 876)
Deferred taxes related to fair value changes (note 32)	-	-	-	12 370	-	-	12 370	-	12 370
Consolidated net income / (loss) for the year	-	-	-	-	-	(86 484)	(86 484)	2 029	(84 455)
Total comprehensive income / (loss) for the year	-	-	-	(7 506)	-	(157 986)	(165 492)	(5 953)	(171 445)
Institutional capital increase (note 41)	270 000	-	-	-	-	-	270 000	-	270 000
Acquisition of perpetual subordinated instruments (note 43)	-	-	(1 950)	-	-	-	(1 950)	-	(1 950)
Financial expense regarding the issue of perpetual subordinated instruments (note 43)	-	-	-	-	-	(370)	(370)	-	(370)
Acquisition of participation fund	-	31 500	-	-	-	(13 198)	18 302	-	18 302
Other consolidation reserves	-	-	-	-	-	(2 670)	(2 670)	485	(2 185)
Balance on 31 December 2016	1 770 000	399 919	6 323	(6 860)	255 805	(991 890)	1 433 297	23 201	1 456 498

Consolidated Statement of Comprehensive Income for the year ended at 31 December 2016
(Thousands of Euro)

		'16				
	Notes	Continuing operations	Discountinued operations	Total	Holders of institutional capital and participation fund	Non-controlling interests
Items that may be reclassified into the Income Statement						
Fair value reserves						
Financial assets available-for-sale	46	(19 876)	-	(19 876)	(19 876)	-
Taxes	32 e 46	12 370	-	12 370	12 370	-
Exchange difference arising from the consolidation		(32 224)	-	(32 224)	(24 242)	(7 982)
		(39 730)	-	(39 730)	(31 748)	(7 982)
Items that will not be reclassified into the Income Statement						
Acturial gains / (losses) for the year	51	(60 284)	-	(60 284)	(60 284)	-
Deferred taxes	32	13 024	-	13 024	13 024	-
		(47 260)	-	(47 260)	(47 260)	-
Other comprehensive income / (loss) for the year		(86 990)	-	(86 990)	79 008	(7 982)
Consolidated net income / (loss) for the year		(75 242)	(9 213)	(84 455)	(86 484)	2 029
Total comprehensive income / (loss) for the year		(162 232)	(9 213)	(171 445)	(165 492)	(5 953)

Consolidated Statement of Comprehensive Income for the year ended at 31 December 2015
(Thousands of Euro)

		'15				
	Notes	Continuing operations	Discountinued operations	Total	Holders of institutional capital and participation fund	Non-controlling interests
Items that may be reclassified into the Income Statement						
Fair value reserves						
Financial assets available-for-sale	46	(68 488)	-	(68 488)	(68 488)	-
Taxes	32 e 46	22 197	-	22 197	22 197	-
Exchange difference arising from the consolidation		(20 479)	-	(20 479)	(21 471)	992
Disposal of the participation in Montepio Seguros, S.G.P.S., S.A.		31 979	-	31 979	31 979	-
		(34 791)	-	(34 791)	(35 783)	992
Items that will not be reclassified into the Income Statement						
Acturial gains / (losses) for the year	51	22 492	-	22 492	22 492	-
Deferred taxes	32	538	-	538	538	-
		23 030	-	23 030	23 030	-
Other comprehensive income for the year		(11 761)	-	(11 761)	(12 753)	992
Consolidated net income / (loss) for the year		(251 036)	8 866	(242 170)	(243 407)	1 237
Total comprehensive income / (loss) for the year		(262 797)	8 866	(253 931)	(256 160)	2 229

The following notes form an integral part of these Consolidated Financial Statements

1 Accounting policies

Basis of presentation

Caixa Económica Montepio Geral ("CEMG") is a credit institution with head office at Rua Áurea, 219-241, Lisboa, 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 thousands.

As at 31 March, 2011, Montepio Geral Associação Mutualista (hereinafter referred to as "MGAM") 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 Legal Framework of 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. 5/2015 of Bank of Portugal, from 7 December, 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"), from 2015 onwards. 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 26 April 2017. The financial statements are presented in Euro rounded to the nearest thousand. All references regarding normatives in this document report to the current version.

The consolidated financial statements of the Group for the year ended 31 December 2016 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 years beginning on or after 1 January 2016.
The accounting policies presented 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 year.
The financial statements were 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 and available for sale financial 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).

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 at 31 December 2016 and 2015.

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. The financial statements of the subsidiaries are included on the consolidated financial statements since the moment that the Group acquires control until the moment that the control ceases.
Accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognise 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 is 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, liabilities and contingent liabilities acquired, respectively, depending on the option choosen.

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 highest value between the value in use of the assets and its fair value less costs to sell, 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

A The acquisition of the non-controlling interests that do not impact the control position of a subsidiary is accounted as a transaction with shareholders and, therefore, no additional goodwill is recognized 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. 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 not 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 unrealised gains and losses arising from intragroup transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised 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.

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 in the balance sheet 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 loans portfolio. Impairment losses identified are recorded in the income statement being subsequently reversed, if there is a

reduction in 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 it's ability to generate sufficient cash flow to cover 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 existing of privileged creditors; and
- The amount and estimated recovery periods.

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 recognise 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) above).

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 Circular letter 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 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. This charge-off is carried out only for loans that are considered not to be recoverable and fully provided.

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 from financial assets at fair value through profit or loss

The interest from debt instruments are recognised as net interest income.

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 captions.

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 (Fair Value Option) 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 embedded 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 (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) Held-to-maturity investments

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 amortised 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
On 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 those event (or events) have 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 separately accounted 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.

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 as trading instruments.

Derivative hedging instruments are recorded at fair value and gains and losses on re-measurement are recognised in accordance with the hedge accounting model adopted by the Group. An 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 amortised 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.

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 Held-to-maturity investments.

The Group 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 to customers - 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.

Derecognition

The Group 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 the Group does not maintain control over the assets.

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

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 when they are deducted to equity.

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 collateralised 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.

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 independent experts registered with CMVM.

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.

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 period 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.

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).

Financial results (Results arising from financial assets available-for-sale 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 financial assets available-for-sale 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.

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.

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 period to which they relate.

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 a 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 of the period.

Investiment 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.

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 to six years. The Group does not capitalise internal costs arising from software development..

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.

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.

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.

Long term and post-employment benefits

Defined benefit plan

CEMG has the responsibility to pay its employees old age, disability and survival pensions, health benefits and death subsidy, in accordance with the terms and conditions of "Acordo Colectivo de Trabalho" ("ACT"). In 2016, amendments to this agreement were introduced, namely the change of the retirement age, in line with the General Social Security System and the attribution of an end-of-career award which corresponds to 1.5 times the monthly retribution received at the retirement date.

Arising from the signing of "Acordo Colectivo de Trabalho" ("ACT") and subsequent amendments, the Group 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 3.0% 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 n°. 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.

In December 2016, CEMG issued a new ACT, introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award which replaced the extinguished old-age bonus, as described in note 51.

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 costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the retirement age.

Other benefits non-related with pensions, namely retired employees' health expenses and benefits to spouses and descendants by death and expenses with house loans, 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.

Defined contribution plan
As at 31 December 2016, CEMG has a defined contribution plan for employees who were hired after 3 March 2009. For this plan, designated as contributory, contributions are made on a monthly basis and equal to 1.5% of the effective remuneration to be made by the company and 1.5% to be made by the employee.

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.

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 Tax 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 net income for the year 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 hedge derivatives recognised in equity are subsequently recognised in the income statement 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 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 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 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 realise 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.

Segmental reporting

The Group adopted the IFRS 8 - Operational Segments for the purposes of disclosure of financial information by operating 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, Cabo Verde and Mozambique).

Provisios

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.

Insurance and reinsurance brokerage services

The CEMG is duly authorised 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;

- 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".

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 financial assets available-for-sale

The Group determines that financial assets available-for-sale 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.

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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 consolidated 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 Group and its Portuguese subsidiaries' determination of its annual taxable earnings, for a period of four years, except in cases of any deduction or tax credit reportable has been made in which the period is the exercise of that right. 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 and others, such as discount rate, pensions and wages growth rate and mortality table, 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.

Valuation of non-current assets held for sale and investment properties

Non-current assets held for sale are measured at the lower between its fair value net of selling costs and the book value of the existing credit on the date of depreciation. Investment properties are measured at fair value. Fair value is determined on the basis of periodic assessments made by external experts registered with CMVM. Different methodologies and assumptions would have an impact on the determination of the assets fair value and consequently on the financial statements.

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. Different assumptions and judgements would have an impact in determining the amount of provisions and consequently the consolidated financial statements.

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

IFRS requires a separate disclosure of net interest income, net gains arising from assets and liabilities at fair value through profit or loss and financial assets available-for-sale, 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 financial assets available-for-sale 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 financial assets available-for-sale.

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Net interest income	253 173	196 006
Net gains arising from assets and liabilities ar fair value through profit and loss	(18 194)	(14 161)
Net gains arising from financial assets available-for-sale	53 736	114 451
	288 715	296 296

3 Net interest income

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Interest and similar income		
Interest from loans to customers	394 449	437 336
Interest from deposits and other investments	4 180	3 641
Interest from available-for-sale financial assets	40 741	61 715
Interest from held-for-trading financial assets	75 889	88 029
Interest from held-to-maturity investments	18 762	653
Interest from hedging derivatives	307	128
Other interest and similar income	10	2
	534 338	591 504
Interest and similar expense		
Interest from deposits of customers	131 147	212 285
Interest from loans of Central Banks and other financial institutions	11 435	14 301
Interest from securities issued	55 527	71 281
Interest from subordinated liabilities	3 909	5 197
Interest from held-for-trading financial liabilities	71 626	87 007
Interest from hedging derivatives	20	544
Other interest and similar expense	7 501	4 883
	281 165	395 498
Net interest income	253 173	196 006

The balances Interest from loans to customers and Other interest and similar expenses include, respectively, the positive amount of Euro 21,416 thousands and the negative amount of Euro 7,465 thousands (31 December 2015: the positive amount of Euro 21,871 thousands and the negative amount of Euro 4,783 thousands), 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).

Interest and similar income includes in 2016 the amount of Euro 68,983 thousands related to income from customers with signs of impairment, representing 12.9% of the caption´s total.

4 Dividends from equity instruments

Esta rubrica inclui dividendos e rendimentos de unidades de participação recebidos durante o exercício, relativos a ativos financeiros disponíveis para venda.

5 Net fee and commission income

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Fee and commission income		
Banking services	87 376	85 623
Transactions on behalf of third parties	20 666	21 095
Guarantees provided	6 523	6 776
Insurance brokerage services	11 418	8 180
Commitments to third parties	3 566	4 310
Other fee and commission income	6 414	2 709
	135 963	128 693
Fee and commission expense		
Banking services rendered by third parties	19 557	20 459
Transactions with securities	717	629
Other fee and commission expense	14 200	11 534
	34 474	32 622
Net fee and commission income	101 489	96 071

As at 31 December, 2016 and 2015, commissions received on insurance brokerage services or reinsurance are presented as follows::

(Thousands of Euro)

	'16	'15
Life insurance	7 807	4 916
Non-life insurance	3 611	3 264
	11 418	8 180

Insurance brokerage 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. e 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:

(Thousands of Euro)

	'16			'15		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held-for-trading						
Securities						
Bonds and other fixed income securities						
Issued by public entities	6 138	5 814	324	15 037	17 772	(2 735)
Issued by other entities	8 111	-	8 111	163	137	26
Shares	10 025	10 989	(964)	14 656	13 480	1 176
Investment units	836	981	(145)	441	466	(25)
	25 110	17 784	7 326	30 297	31 855	(1 558)
Derivative financial instruments						
Intereste rate contracts	147 029	144 058	2 971	218 959	208 602	10 357
Exchange rate contracts	58 090	58 027	63	85 345	84 804	541
Futures contracts	6 055	6 033	22	4 598	4 165	433
Commodities contracts	7 751	7 716	35	106 578	106 496	82
Options contracts	10 182	10 633	(451)	19 858	20 450	(592)
Credit default contracts (CDS)	21 787	46 629	(24 842)	165	35 343	(35 178)
	250 894	273 096	(22 202)	435 503	459 860	(24 357)
Other financial assets	-	-	-	14 088	131	13 957
	-	-	-	14 088	131	13 957
Other financial assets at fair value through profit or loss						
Loans to customers	420	1 219	(799)	1 532	2 051	(519)
	420	1 219	(799)	1 532	2 051	(519)
Hedging derivatives						
Interest rate contracts	22	35	(13)	2 253	1 353	900
				2 253	1 353	900
Financial liabilities at fair value through profit or loss						
Deposits from other credit institutions	1 874	1 356	518	1 384	63	1 321
Deposits from customers	284	288	(4)	435	423	12
Debt securities issued	1 130	2 846	(1 716)	1 610	2 741	(1 131)
Other subordinated liabilities	-	1 304	(1 304)	-	2 786	(2 786)
	3 288	5 794	(2 506)	3 429	6 013	(2 584)
	279 734	297 928	(18 194)	487 102	501 263	(14 161)

The balance Financial liabilities, includes fair value changes related with changes in the own credit risk (spread) of operations of Euro 4,914 thousands (31 December 2015: Euro 5,387 thousands), 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 financial assets available-for-sale

The amount of this account is comprised of:

(Thousands of Euro)

	'16			'15		
	Gains	Losses	Total	Gains	Losses	Total
Fixed income securities						
Bonds						
Issued by public entities	25 931	300	25 631	89 784	3 115	86 669
Issued by other entities	16 547	2 175	14 372	27 351	6 259	21 092
Shares	17 008	3 286	13 722	3 521	2 465	1 056
Other variable income securities	1 436	1 425	11	5 864	230	5 634
	60 922	7 186	53 736	126 520	12 069	114 451

As at 31 December 2016, the balance Fixed income securities - Bonds - Issued by public entities includes the amount of Euro 22,623 thousands related with capital gains generated with the sale of Spanish and Italian treasury bonds. As at 31 December 2015, this balance includes the amount of Euro 86,600 thousands, related with capital gains generated with the sale of treasury bonds of Portuguese domestic debt.

The balance Shares includes the amount of Euro 11,975 thousands related with the capital gain generated with the sale of Visa Europe Limited shares: (i) Euro 8,421 thousands regarding the up-front consideration; (ii) Euro 2,850 thousands regarding the received preference shares; and (iii) Euro 704 thousands regarding a deferred payment to be settled in 2019, as described in notes 24 and 32.

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

The amount of this account is comprised of:

(Thousands of Euro)

	'16			'15		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	82 450	81 005	1 445	208 397	206 028	2 369

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 the sale of other assets

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Sale of investment in associates	1 490	17 217
Sale of other assets	596	(777)
Sale of loans and advances to customers	7 872	(1 662)
Sale of non-current assets held-for-sale	2 203	(14 334)
	12 161	444

As at 31 December 2016, the balance Sale of investments in associates refers to the capital gain generated with the disposal of the shareholding in Iberpartners Cafés, S.G.P.S., S.A., as described in note 27.

As at 31 December 2016, the balance Sale of loans and advances to customers includes the capital gain of Euro 14,695 thousands, obtained through the sale of a portfolio of loans to customers which were in default and were booked outside the Statement of Financial Position. The nominal value of the loans sold amounted to Euro 362,996 thousands, as described in note 22.

As at 31 December 2015, the balance Sale of loans and advances to customers includes the gain on the sale of a portfolio of loans to customers which were in default and were booked outside the Statement of Financial Position. The nominal value of loans sold amounted to Euro 94,033 thousands, 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, as described in note 28.

10 Other operating income/(expenses)

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Other operating income		
Profits arising from investment properties revaluation	33 941	11 577
Services rendered	9 492	32 605
Profits arising from investment properties rentals	12 828	13 183
Profits arising from deposits on demand management	12 463	9 181
Staff transfer	10 381	7 702
Reimbursement of expenses	7 106	7 166
Repurchase of own securities	701	439
Other	27 579	29 804
	114 491	111 657
Other operating expense		
Contributions		
Banking sector	13 226	10 666
Ex-ante for the Resolution Fund	10 121	8 590
Resolution fund	3 005	2 280
Deposit Guarantee Fund	10	653
Revaluation losses in investment properties	64 236	49 009
Servicing and expenses with loan recovery	25 776	1 634
Expenses with real estate trading	8 060	1 622
Taxes	2 623	5 110
Donations and membership	852	998
Repurchase of own securities	-	4 355
Other	30 517	21 965
	158 426	106 882
Other net operating income	(43 935)	4 775

As at 31 December 2016, the balance Other operating income - Services rendered includes the amount of Euro 3,268 thousands (31 December 2015: Euro 26,000 thousands), referring to the income charged to Montepio Geral Associação Mutualista, as described in note 33.

As at 31 December 2016, the balance Other operating income - Staff transfer includes the amount of Euro 10,381 thousands (31 December 2015: Euro 7,702 thousands) referring to the staff transfers from CEMG to Montepio Geral Associação Mutualista and to entities under its control.

As at 31 December 2016 and 2015, 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 of 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, 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) and with the conditions provided by the Implementing Regulation 2015/81 of the Council from 19 December 2014 (Implementing 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 must be transferred to the Single Resolution Fund until 30 September each year, in accordance with the Agreement for the Transfer and Mutualisation of the contributions to the Single Resolution Fund signed in Brussels on 21 may 2014 and approved by Resolution No. 129/2015 of the Assembly of the Republic, from 3 September, according to paragraph 4 of Article 67 of Regulation (EU) No. 806/2014 of the European Parliament and of the Council, from 15 July 2014 ("Regulation MUR").

Additionally, the Single Resolution Council ("SRB"), in close cooperation with Bank of Portugal, as a national resolution authority, is responsible for the calculation of these contributions on an annual basis, according to and for the purposes of paragraph 2, Article 70, of Regulation MUR. In 2016, CEMG decided to use irrevocable payment commitments in the proportion of 15% of the contribution amount, in accordance with paragraph 3, Article 8, of the Implementing Regulation. On this basis, CEMG opted for the settlement of Euro 1,774 thousands, in the form of irrevocable payment commitments booked in the caption Loans and advances to credit institutions abroad - term deposits, as described in note 21. It should be noted that only cash collateral is accepted as collateral for irrevocable payment commitments.

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.

The item Servicing and credit recovery expenses registers servicing costs applied to a portfolio of non-performing credits made by third parties.

11 Staff costsl

O valor desta rubrica é composto por:

(Thousands of Euro)

	'16	'15
Remunerations	129 685	137 252
Mandatory social securities charges	34 503	37 056
Charges with the pension fund	(11 749)	12 943
Other staff costs	13 066	4 104
	165 505	191 355

Within the strategic plan of Caixa Económica Montepio Geral (CEMG) for 2016-2018, it was defined a set of measures with the purpose of, among others, recover CEMG's profitability, liquidity and capital levels. In this respect, and regarding the staff downsizing measures, it was developed a project that included, in a summarised manner, the following approaches:

- Active Retirement Scheme ("ARS") for the CEMG employees with more than 55 years of age;
- Termination by Mutual Agreement ("TMA"), subject to approval by the Chief Officer; and
- Other situations, subjected to a case-by-case analysis.

This program was completed in 2016, being recorded in the consolidated financial statements of 2016 a cost of Euro 35,225 thousands related to the charges that the Group incurred in relation to the agreements signed with each of the involved employees. On this basis, as at 31 December 2016, the caption Charges with the pensions fund includes the amount of Euro 21,510 thousands related to costs with early retirements and the caption Other staff costs includes the amount of Euro 13,715 thousands related with compensations and other charges paid under the above mentioned project.

Additionally, on 31 December 2016, the caption Charges with the pension fund includes the amount of Euro 4,846 thousands (31 December 2015: Euro 12,263 thousands) regarding the current service cost.

Following the review of the ACT applicable to CEMG, gains were recorded under Other costs of Euro 39,899 thousands and Euro 7,421 thousands, related, respectively, with the change in the retirement age to 66 years and with the extinction of the seniority award, which was replaced by the end-of-career award.

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

The balance Management Bodies includes the remuneration of 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.

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

As at 31 December 2016 and 2015, the Executive Board of Directors and Other Key management personnel did not received any retribution of variable remuneration (31 December 2015: Euro 652 thousands).

The compensation values for the termination of service to key management elements amounted to Euro 592 thousands in 2016 (in 2015 there were no compensations paid).

The costs with salaries and other benefits attributed to the Executive Board of Directors, General and Supervisory Board, General Meeting Board, Audit Committee and Other key management personnel, in 2016, are presented as follows:

(Thousands of Euro)

	Managing Directors	General and Supervisory Board, General Meeting Board and Audit Committe	Other key management personnel	Total
Salaries and short-term benefits	2 956	953	3 855	7 764
Pension costs	34	-	263	297
Costs with health-care benefits (SAMS)	24	-	148	172
Variable remunerations	-	-	-	-
	3 014	953	4 266	8 233
Social Security charges	705	175	868	1 748
Pension Fund charges	27	-	227	254
Seniority bonuses	-	-	88	88
	732	175	1 183	2 090

The costs with salaries and other benefits attributed to the Executive Board of Directors, General and Supervisory Board, General Meeting Board, Audit Committe and Other key management personnel of the Group, in 2015, are presented as follows:

(Thousands of Euro)

	Managing Directors	General and Supervisory Board, General Meeting Board and Audit Committe	Other key management personnel	Total
Salaries and short-term benefits	2 789	500	3 631	6 920
Pension costs	58	-	287	345
Costs with health-care benefits (SAMS)	23	-	151	174
Variable remunerations	-	-	32	32
	2 870	500	4 101	7 471
Social Security charges	618	77	813	1 508
Pension Fund charges	43	-	236	279
Seniority bonuses	-	-	13	13
	661	77	1 062	1 800

No exercício de 2016, a remuneração do Conselho Geral e de Supervisão ascen-During 2016, the remuneration of the General and Supervisory Board amounted to Euro 864 thousands (31 December 2015: Euro 407 thousands).

As at 31 December 2016, loans granted to key management personnel amounted to Euro 3,489 thousands (31 December 2015: Euro 4,398 thousands), to the General and Supervisory Board amounted to Euro 859 thousands (31 December 2015: Euro 844 thousands) and to the Executive Board of Directors amounted to Euro 145 thousands (31 December 2015: Euro 155 thousands), as referred in note 53.

The average number of employees by professional category at service in the Group during 2016 and 2015 is as follows:

(Thousands of Euro)

	'16	'15
Management	212	238
Managerial staff	686	739
Technical staff	1 276	1 268
Administrative staff	1 604	1 740
Staff	58	65
	3 836	4 050

12 General and administrative expenses

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Rental costs	12 126	24 660
Specialized services		
IT services	11 040	14 534
Independent work	2 627	2 985
Other specialized services	25 217	23 992
Communication costs	6 321	7 929
Advertising costs	5 417	7 176
Maintenance and related services	7 205	6 146
Water, energy and fuel	4 884	5 370
Insurance	2 508	3 093
Transportation	2 740	2 805
Travel, hotel and representation costs	1 200	1 411
Consumables	1 610	1 538
Training costs	474	296
Other	10 655	13 004
	94 024	114 939

The Rental costs balance includes the amount of Euro 10,380 thousands (31 December 2015: Euro 22,653 thousands) 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:

(Thousands of Euro)

	'16	'15
Up to 1 year	894	57
1 to 5 years	1 135	3 284
	2 029	3 341

The balance Other specialised services includes fees invoiced (excluding VAT) by the Group's Statutory Auditor within its functions of statutory audit as well as other services, including the ones rendered by its network, as follows:

(Thousands of Euro)

	'16	'15
Statutory Audit services	1 235	1 197
Other realiability services required by law	892	968
Tax services *	143	234
Other realiability services not required by law	1 510	1 281
	3 780	3 680

* Service contracted in 2015 and provided over the 2015 financial statements

The balance Other administrative costs includes the amount of Euro 3,735 thousands (31 December 2015: Euro 3,150 thousands) 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:

(Thousands of Euro)

	'16	'15
Intangible assets		
Software	12 543	12 971
Other tangible assets		
Real estate		
For own use	3 655	1 255
Leasehold improvements	2 379	2 567
Equipment		
IT equipment	3 336	4 072
Interior installations	1 313	1 446
Furniture and materials	496	641
Transportation	161	185
Security	275	321
Machinery and tools	16	45
Operational leases	69	122
Other tangible assets	27	77
	11 727	10 731
	24 270	23 702

14 Loans impairment

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Loans and advances to customers		
Charge for the year net of reversals	189 633	250 043
Recovery of loans and interest charged-off	(7 154)	(8 339)
	182 479	241 704

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:

(Thousands of Euro)

	'16	'15
Impairment of financial assets available-for-sale		
Charge for the year net of reversals	44 484	16 000

As at 31 December 2016, the balance Impairment of financial assets available-for-sale - Charge for the year includes the amount of Euro 17,064 thousands (31 December 2015: Euro 554 thousands) 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 described in notes 22 and 59.

As at 31 December 2016, this caption includes an impairment loss in the amount of Euro 27,641 thousands on the position held in Fixed income securities - Bonds issued by other entities - Foreign.

As at 31 de December 2016, the balance Impairment for available-for-sale financial assets - Write-back for the year includes the amount of Euro 6,930 thousands (31 December 2015: included on the balance Impairment for available-for-sale financial assets - charge for the year the amount of Euro 1,491 thousands) that corresponds to the impairment recognised for sovereign debt of Greece, as referred in note 58.

16 Other assets impairment

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Impairment for non-current assets held-for-sale		
Charge for the year	44 059	100 222
Write-back for the year	(11 453)	(29 859)
	32 606	70 363
Impairment for intangible assets		
Charge for the year	-	60
Impairment for other assets		
Charge for the year	7 874	18 680
Write-back for the year	(1 047)	(1 607)
	6 827	17 073
Impairment for other fixed assets		
Charge for the year	1 400	-
Impairment for investments in associated companies and others		
Charge for the year	-	1 107
	40 833	88 603

As at 31 December 2016, the Group recognised an impairment for other tangible assets in the amount of Euro 1,400 thousands, since the book value of the asset exceeds its recoverable amount, as described in note 30.

17 Other provisions

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Provisions for guarantees and commitments		
Charge for the period	11 456	13
Write-back for the period	(19 952)	(7)
	(8 496)	6
Provisions for other liabilities and charges		
Charge for the period	35 944	13 594
Write-back for the period	(33 756)	(16 080)
	2 188	(2 486)
	(6 308)	(2 480)

18 Share of profit under the equity method

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

(Thousands of Euro)

	'16	'15
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	250	66
Montepio Seguros, S.G.P.S., S.A.	-	(4 013)
Iberpartners Cafés, S.G.P.S., S.A.	-	37
	250	(3 910)

19 Cash and deposits at central banks

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Cash	211 648	208 037
Deposits at central banks		
Bank of Portugal	169 641	159 199
Other central banks	-	57 214
	381 289	(424 450)

The caption Deposits at central banks - Bank of Portugal, corresponds 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 2016, the deposits within Bank of Portugal are not remunerated (31 December 2015: average rate of return: 0.05%), as well as deposits at Other central banks.

20 Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Credit institutions in Portugal	7 480	194 780
Credit institutions abroad	13 147	16 168
Amounts due for collection	48 941	27 059
	69 568	238 007

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

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Loans and advances to credit institutions in Portugal		
Loans and advances to central banks	150 000	-
Term deposits	2 131	2 076
Other loans and advances	6 010	6 006
	158 141	8 082
Loans and advances to credit institutions abroad		
Repos	25 444	63 191
CSA's	46 312	75 219
Term deposits	21 339	25 461
Subordinated investments	1 612	91
Very short term investments	30 000	-
Other loans and advances	276 243	-
	400 950	163 962
	559 091	172 044

As at 31 December 2016, Loans and advances to credit institutions in Portugal - Loans and advances to central banks includes Euro 150,000 thousands regarding an investment made in the Bank of Portugal with maturity in the beginning of January 2017.

The caption Loans and advances to credit institutions abroad - Term deposits includes the amount of Euro 1,774 thousands regarding the deposit performed as collateral under the ex-ante contribution to the Single Resolution Fund, as described in note 10.

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.

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 46,312 thousands (31 December 2015: Euro 75,219 thousands) related to deposits in credit institutions given as collateral for the referred operations.

The caption Loans and advances to credit institutions abroad - Other loans and advances includes the amounts deposited on behalf of the vehicles incorporated for the purpose of the Group´s securitization transactions and which in 2015 were distributed by other asset items.

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

(Thousands of Euro)

	'16	'15
Up to 3 months	259 058	142 260
3 months to 6 months	1 774	-
6 months to 1 year	1 000	1 000
1 to 5 years	15 521	23 475
Over 5 years	280 613	4 242
Undetermined	1 125	1 067
	559 091	172 044

22 Loans and advances to customers

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Corporate		
Loans not represented by securities		
Loans	2 903 554	2 669 607
Commercial lines of credits	589 750	745 753
Finance lease	467 042	481 194
Discounted bills	89 126	94 817
Factoring	115 264	83 141
Overdrafts	9 245	33 412
Other loans	783 564	1 229 065
Loans represented by securities		
Commercial paper	223 424	339 054
Bonds	278 749	358 488
Retail		
Mortgage loans	7 045 714	7 391 219
Finance lease	66 232	70 232
Consumer and other loans	1 015 024	1 087 274
	13 586 688	14 583 256
Correction value of assets subject to hedge operations		
Other credits	625	2 509
Overdue loans and interest		
Less than 90 days	81 718	125 345
More than 90 days	1 371 620	1 232 905
	1 453 338	1 358 250
	15 040 651	15 944 015
Impairment for credit risks	(1 179 617)	(1 281 738)
	13 861 034	14 662 277

As at 31 December 2016, the balance Loans and advances to customers includes de amount of Euro 2,725,631 thousands (31 December 2015: Euro 2,727,400 thousands) related to the issue of covered bonds held by CEMG, as referred in note 37.

As at 31 December 2016, 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 45,625 thousands (31 December 2015: Euro 86,483 thousands), as referred in note 54. The conclusion of businesses between CEMG and the holders of institutional capital or individual or collective persons related to them, according to article 20 of the Portuguese Securities Code, regardless the value, it's always submitted to deliberation and examination 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. The impairment amount for credit risks related with these contracts amounts to Euro 528 thousands as at 31 December 2016 (31 December 2015: Euro 689 thousands).

During 2016, CEMG performed a Loans and advances to customers sale operation which were in default and recorded off balance sheet. The total amount of loans and advances sold amounted to Euro 362,996 thousands and generated a capital gain of Euro 14,695 thousands, as described in note 9.

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 thousands in loans and advances to customers; (ii) Euro 39,229 thousands recorded in Financial assets available for trading (note 23) and (iii) Euro 40,550 thousands 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 Regulation of Bank of Portugal No. 7/2007, from 18 April, in accordance with subparagraph c) of paragraph 4 of Instruction of Bank of Portugal No. 7/2008, from 15 may, for 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 idirect, 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 thousands, 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 thousands with a major degree of subordination with compliance of the disposed in Notice of Bank of Portugal No. 9/2010 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 over the paid amount, in the amount of Euro 1,144 thousands, was constituted.

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 thousands, being recorded as at 31 December 2015, a gain of Euro 6,025 thousands, as described in note 9.

As at 31 december 2016 and within the sale of credits and real estate properties performed, it is outstanding by SilverEquation the amount of Euro 101,012 thousands (31 december 2015: Euro 161,420 thousands), as described in note 33.

As at 31 December 2016, CEMG performed sales of loans and advances to customers to funds specialized in credit recovery. The global amount of credits sold in 31 December 2016 amounted to Euro 5,495 thousands, originating a gain of Euro 1,314 thousands.

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 thousands and with an associated fair value reserve of Euro 3,858 thousands, as described in note 24. Also within this transfer, the Group recorded an impairment in the amount of Euro 1,565 thousands, as described in note 24.

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. Thus, as at 31 December 2016, the value of loans and advances to customers (net of impairment), includes the amount of Euro 46,878 thousands (31 December 2015: Euro 170,819 thousands) related to securitisation transactions where, in accordance with the accounting policy described in note 1 b), are consolidated under the full method.

As at 31 December 2016, the balance Loans and advances to customers includes the amount of Euro 3,916,300 thousands (31 December 2015: Euro 4,086,815 thousands) related with loans object of securitisation that, in accordance with note 1 g), were not subject of derecogniton.

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 analysis of Loans and advances to customers, by type of rate, as at 31 December 2016 and 2015, is presented as follows:

(Thousands of Euro)

	'16	'15
Variable interest rate contract	13 659 978	14 712 099
Fixed interest rate contract	1 380 673	1 231 916
	15 040 651	15 944 015

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

(Thousands of Euro)

	'16	'15
Asset-backed loans	925 287	838 063
Other guarantee loans	327 108	327 465
Financial leases	35 002	43 293
Secured loans	4 300	19 050
Other loans	161 641	130 379
	1 453 338	1 358 250

The analysis of loans and advances to customers, by maturity and by type of credit as at 31 December 2016, is as follows:

(Thousands of Euro)

	Loans and advances to customers				
	Up to 1 year	1 to 5 years	Over 5 years	Undetermined	Total
Asset-backed loans	271 949	663 301	9 378 528	925 287	11 239 065
Other guarantee loans	574 530	273 387	435 158	327 108	1 610 183
Finance leases loans	34 891	241 254	257 129	35 002	568 276
Secured loans	223 424	-	-	4 300	227 724
Bonds loans	68 540	202 709	7 500	-	278 749
Other loans	310 876	265 893	378 244	161 641	1 116 654
	1 484 210	1 646 544	10 456 559	1 453 338	15 040 651

The analysis of loans and advances to customers, by maturity and by type of credit as at 31 December 2015, is as follows:

(Thousands of Euro)

	Loans and advances to customers				
	Up to 1 year	1 to 5 years	Over 5 years	Undetermined	Total
Asset-back 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 Financial leases, by maturity as at 31 December 2016, is analysed as follows:

(Thousands of Euro)

	Financial leases			
	Up to 1 year	1 to 5 years	Over 5 years	Total
Outstanding rents	71 860	257 198	149 488	478 546
Outstanding interests	(13 498)	(39 465)	(30 924)	(83 887)
Residuals values	17 966	68 750	51 899	138 615
	76 328	286 483	170 463	533 274

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

(Thousands of Euro)

	Financial leases			
	Up to 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)
Residuals values	12 333	64 004	39 305	115 642
	73 839	307 650	169 937	551 426

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

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

(Thousands of Euro)

	'16	'15
Corporate		
Construction/Production	303 668	264 958
Investments	499 744	468 861
Treasury	323 421	298 540
Other loans	62 882	84 408
Retail		
Mortgage loans	117 990	96 860
Consumer credit	68 411	64 961
Other loans	77 222	79 662
	1 453 338	1 358 250

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

(Thousands of Euro)

	'16	'15
Balance on 1 january	1 281 738	1 385 872
Charge for the period net of reversals		
Continuous operations	189 633	250 043
Discountinued operations	11 103	18 243
Impairment charged-off	(241 396)	(372 420)
Transfers	(22 753)	-
Transfers associated to discontinued operations	(38 708)	-
Balance on 31 December	1 179 617	1 281 738

The balance Transfers is related to the impairment associated with credit exposures off balance sheet, which in 2016 began to be registered in the balance Provisions, as described in note 38 and to the impairment associated with renting, which began to be registered in the balance Other assets, as described in note 33, in the amounts of Euro 22,340 thousands and Euro 397 thousands, respectively.

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:

(Thousands of Euro)

	'16	'15
Asset-backed loans	739 566	743 332
Other guaranteed loans	307 075	345 022
Unsecured loans	132 976	193 384
	1 179 617	1 281 738

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 was already received.

This charge-off is carried out for loans that are fully provided.

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

(Thousands of Euro)

	'16	'15
Asset-backed loans	60 279	81 775
Other guaranteed loans	79 443	95 001
Unsecured loans	101 674	195 644
	241 396	372 420

The total recovered loans and overdue interest, regarding the credit recovery with real guarantees, booked in the years 2016 and 2015 amounts to Euro 7,154 thousands and Euro 8,339 thousands, respectively, as described in note 14.

In addition, the loan portfolio includes loans that, towards the financial difficulties of the customer, initial conditions of the contract were amended in the amount of Euro 1,341,438 thousands (31 December 2015: Euro 1,518,194 thousands) which have an impairment of Euro 403,396 thousands (31 December 2015: Euro 399,409 thousands).

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, CEMG adopted the ones included in Instruction 32/2013 of the Bank of Portugal, in 15 January 2014, 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.

The restructuring operations that were performed during 2016 and 2015 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, performed in 2016 and 2015, by type of credit, is as follows:

(Thousands of Euro)

	'16	'15
Corporate		
Loans not represented by securities		
Loans	186 012	137 176
Commercial lines of credits	13 353	7 014
Finance lease	19 219	1
Other loans	42 776	1 060
Retail		
Mortgage loans	19 681	36 899
Consumer and other loans	7 553	10 777
	288 594	192 927

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 26,812 thousands (31 December 2015: Euro 339,409 thousands).

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 their market value, 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.

23 Financial assets and liabilities held for trading

The balance financial assets and liabilities held for trading is analysed as follows:

(Thousands of Euro)

	'16	'15
Financial assets held-for-trading		
Securities		
Shares	6 871	7 363
Bonds	37 770	12 435
Investment fund units	299	-
	44 940	19 798
Derivatives		
Derivative financial instruments with positive fair value	33 228	31 295
	78 168	51 093
Financial liabilities held-for-trading		
Securities		
Short sales	1 458	1 896
Derivatives		
Derivative financial instruments with negative fair value	24 690	68 393
	26 148	70 289

The balance Derivatives financial instruments with positive fair value includes, at 31 December 2016, the amount of Euro 15,905 thousands (31 December 2015: Euro 7,921 thousands) referred to instruments associated to assets or liabilities at fair value through profit and loss and negotiation.

The balance Derivative financial instruments with negative fair value, includes as at 31 december 2016 the valuation of the embedded derivatives separated from the host contract in accordance with the accounting policy described in Note 1 d), in the amount of Euro 1,306 thousands (31 december 2015: Euro 35,166 thousands).

As at 31 December 2016, the balance Derivatives financial instruments with negative fair value also includes the amount of Euro 6,651 thousands (31 December 2015: Euro 8,394 thousands) referred to instruments associated to assets or liabilities at fair value through profit or loss and to trading, with the exception of loans and advances to customers in the amount of Euro 716 thousands (31 December 2015: negative fair value of Euro 1,449 thousands).

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.

During 2016, the Group concluded a sale of assets operation (credit and real estate) in the amount of Euro 311,532 thousands. As part of this business, CEMG acquired the right to return over a set of parameters of the assets sold. As of 31 December 2016, the amount of this transaction amounted to Euro 12,000 thousands.

As referred in IFRS 13 financial instruments are measured in accordance with the following levels of valuation, described in note 50, as follows:

(Thousands of Euro)

	'16		
	Level 1	Level 2	Total
Financial assets held-for-trading			
Securities			
Shares	6 871	-	6 871
Bonds	37 770	-	37 770
Investment fund units	299	-	299
	44 940	-	44 940
Derivatives			
Derivative financial instruments with positive fair value	-	33 228	33 228
	44 940	33 228	78 168
Financial liabilities held-for-trading			
Securities			
Short sales	1 458	-	1 458
Derivatives			
Derivative financial instruments with negative fair value	-	24 690	24 690
	1 458	24 690	26 148

(Thousands of Euro)

	'15		
	Level 1	Level 2	Total
Financial assets held-for-trading			
Securities			
Shares	7 363	-	7 363
Bonds	12 435	-	12 435
	19 798	-	19 798
Derivatives			
Derivative 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			
Derivative financial instruments with negative fair value	-	68 393	68 393
	1 896	68 393	70 289

The balance of financial assets and liabilities held for trading as at 31 December 2016, in comparison with the assets and liabilities associated, registered in the fair value, can be analysed as follows:

(Thousands of Euro)

		'16						
		Derivate			Related asset/liability			
Derivative	Related financial asset/liability	Notional	Fair value	Fair value changes in the year[1]	Fair value	Fair value changes in the period	Book value	Reimbursement amount at maturity date
Interest rate swap	Debt securities issued	90 956	940	123	(1 008)	3 020	82 921	82 469
Interest rate swap	Deposits from customers	15 900	(48)	443	12	4	15 631	15 631
Interest rate swap	Deposits from financial institutions	51 294	2 576	(3 961)	3	(518)	53 818	40 000
Interest rate swap	Covered bonds	5 456 363	(2 380)	655				-
Interest rate swap	Loans	43 520	(716)	733	534	(799)	40 713	40 562
Interest rate swap	Other	4 126 321	(4 223)	642	-	-	-	-
Currency swap (Short)	-	67 540	379	(157)	-	-	-	-
Currency swap (Long)	-	67 914						
Futures (Short)	-	10 935	-	-	-	-	-	-
Futures (Long)	-	466	-	-	-	-	-	-
Forwards (Short)	-	4 812	4	7	-	-	-	-
Forwards (Long)	-	4 817						
Options (Short)	-	67 666	12 006	11 975	-	-	-	-
Options (Long)	-	395 019			-	-	-	-
Credit Default Swaps	-	-	-	35 176	-	-	-	-
		10 403 523	8 538	45 636	(459)	1 707	193 083	178 662

(1) Includes the derivative result disclosed in note 6.

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:

(Thousands of Euro)

		'15						
		Derivate			Related asset/liability			
Derivative	Related financial asset/liability	Notional	Fair value	Fair value changes in the year[1]	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)	521	(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	Other	2 773 877	(4 865)	10 551	-	-	-	-
Exchange swap	-	94 521	536	(126)	-	-	-	-
Futures (Short)	-	4 676	-	-	-	-	-	-
Futures (Long)	-	805	-	-	-	-	-	-
Forwards	-	275 068	(3)	1	-	-	-	-
Options	-	107 034	31	(328)	-	-	-	-
Credit Default Swaps	-	85 000	(35 176)	(35 176)	-	-	-	-
		9 048 315	(37 098)	(26 876)	(2 166)	2 065	284 396	272 176

(1) Includes the derivative result disclosed in note 6.

The fair value component of financial liabilities recognised at fair value through profit or loss attributable to the Group's credit risk is negative and the respective accumulated value at 31 December 2016 amounts to Euro 1,437 thousands (31 December 2015: Euro 7,458 thousands), as referred in note 6 and 35.

The analysis of financial instruments held for trading, by maturity date as at 31 December 2016, is as follows:

(Thousands of Euro)

	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 swap	120 044	5 510 846	4 153 464	9 784 354	19 224	23 075
Options	-	2 199	85 338	87 537	1 601	1 595
Futures	6 513	-	-	6 513	-	-
Exchange rate contracts						
Currency swap	135 454	-	-	135 454	399	20
Forwards	7 664	1 965	-	9 629	4	-
Index/ shares contracts						
Futures	4 888	-	-	4 888	-	-
Options	5 075	58 291	250	63 616	-	-
Loan contracts						
Credit default swaps	-	-	-	-	-	-
Options	-	-	311 532	311 532	12 000	-
	279 638	5 573 301	4 550 584	10 403 523	33 228	24 690

The analysis of financial instruments held for trading, by maturity date as at 31 December 2015, is as follows:

(Thousands of Euro)

	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 swap	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	93 239	1 282	-	94 521	647	111
Forwards	265 952	3 854	5 262	275 068	2	5
Index contracts						
Index futures	5 481	-	-	5 481	-	-
Loan contracts						
Credit default swaps	-	-	85 000	85 000	49	35 225
	426 108	5 555 291	3 066 916	9 048 315	31 295	68 393

On 31 December 2016, the loan obtained from BEI is collateralized by obligations of the Portuguese State at a nominal amount of Euro 2,500 thousands, provided as guarantee and recorded under the caption financial assets held for trading.

24 Financial assets available-for-sale

This balance is analysed as follows:

(Thousands of Euro)

	'16				
		Fair value reserve			
	Cost [1]	Positive	Negative	Impairment losses	Book value
Fixed income securities					
Issued by public entities					
Domestic	1 420 357	3 345	(63 285)	-	1 360 417
Foreign	348 243	1 260	(8 470)	-	341 033
Issued by other entities					
Domestic	61 430	518	(49)	(29 251)	32 648
Foreign	131 893	1 755	(782)	(34 641)	98 225
Commercial paper	-	-			-
Variable income securities					
Shares					
Domestic	76 159	9 814	(1 625)	(1 920)	82 428
Foreign	72 628	14 746	(24)	(77)	87 273
Investment fund units	408 666	21 801	(600)	(32 387)	397 480
	2 519 376	53 239	(74 835)	(98 276)	2 399 504

(1) Acquisition cost related to shares and amortised cost by debt securities.

(Thousands of Euro)

	'15				
		Reserva de justo valor			
	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 related to shares and amortised cost by debt securities.

The balance Financial assets available for sale includes securities subject to hedging operations, whose impact in the financial statement position at 31 December 2015 is positive and amounts to Euro 286 thousands, as referred in note 25.

As referred in note 59, the balance Variable income securities - Investment fund units includes at 31 December 2016 the amount of Euro 104,203 thousands (31 December 2015: Euro 113,482 thousands) 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 2016, this amount includes Euro 7,838 thousands (31 December 2015: Euro 6,153 thousands) engaged to junior securities (investment fund units with a more subordinated character), which are fully provided, according to notes 22 and 59.

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:

- reclassification of securities from financial assets available for sale portfolio to the loans and receivables category 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 amortized 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.

In this context, as at 31 December 2015, the Group reclassified the securities portfolio from financial assets available for sale to loans and advances to customers, in the amount of Euro 358,488 thousands and an impairment in the amount of Euro 1,565 thousands, as described in note 22. The fair value reserve of the securities transferred amounted, at the date of reclassification, to Euro 3,858 thousands.

The analysis of the impact of reclassifications until 31 December 2016, is presented as follows:

(Thousands of Euro)

	At the reclassification date		'16		
	Book value	Fair value	Book value	Book value	Diference
Financial assets available-for-sale to:					
Loans and advances to customers	358 488	358 488	268 706	280 840	12 134
	358 488	358 488	268 706	280 840	12 134

The amounts recorded in profit or loss and fair value reserves at 31 December 2016, related to financial assets reclassified in prior years, are as follows:

(Thousands of Euro)

	Profit/ (loss) in the year	Variation	
	Interests	Fair value reserves	Equity
Financial assets available-for-sale to:			
Loans and advances to customers	12 075	(1 381)	(1 381)
	12 075	(1 381)	(1 381)

If the reclassifications described above had not taken place, the additional amounts recognised in equity at 31 December 2016, would be as follows:

(Thousands of Euro)

	Profit/ (loss) in the year		
	Fair value variation	Fair value reserves	Equity
Financial assets available-for-sale to:			
Loans and advances to customers	12 134	13 515	13 515
	12 134	13 515	13 515

The analysis of the impact of reclassifications until 31 December 2015, is presented as follows:

(Thousands of Euro)

	At the reclassification date		'15		
	Book value	Fair value	Book value	Fair value	Diference
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 2016 and 2015, the analysis of financial assets available-for-sale net of impairment, by valuation levels, is presented as follows:

(Thousands of Euro)

	'16				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Issued by public entities					
Domestic	1 360 417	-	-	-	1 360 417
Foreign	341 033	-	-	-	341 033
Issued by other entities					
Domestic	1 496	30 456	696	-	32 648
Foreign	85 329	12 896	-	-	98 225
	1 788 275	43 352	696	-	1 832 323
Variable income securities					
Shares					
Domestic	-	-	77 539	4 889	82 428
Foreign	1 288	-	85 647	338	87 273
Investment fund units	6 878	-	390 602	-	397 480
	8 166	-	553 788	5 227	567 181
	1 796 441	43 352	554 484	5 227	2 399 504

	'15				
	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

As referred in IFRS 13, financial instruments are measured according to the valuation levels described in note 50.

The assets included in level 3, in balance Variable income securities - investment funds units includes participation units in real estate investment funds, in credit recovery specialized funds and venture capital funds which are valued in accordance with the Net Asset Value of the Fund (VLGF) determined by the management company in the amount of Euro 390,602 thousands (31 December 2015: Euro

256,011 thousands) of which Euro 213,063 thousands (31 December 2015: 75,780 thousands) relate to real estate investment funds. The assets of specialized credit recovery funds which are valued in the accounts of the respective funds, at fair value, by internal methodologies used by the management company.

The assets of real estate investment funds are valued by the management company based on the valuation reports prepared by experts registered on CMVM.

For all financial assets recorded in level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial asset, and consequently, an impact of Euro 55,448 thousands was calculated on 31 December 2016 (31 December 2015: Euro 40,407 thousands).

Instruments classified as level 3 have associated unrealized gains and losses in the positive amount of Euro 42,812 thousands (31 December 2015: positive amount of Euro 22,976 thousands) recognised in fair value reserves.

As at 31 December 2016, the impairment amount registered for these securities amounts to Euro 67,492 thousands (31 December 2015: Euro 51,658 thousands).

The movements occurred in financial assets available for sale recorded in level 3 are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 january	404 066	821 132
Acquisitions	17 102	223 235
Revaluations	6 771	(2 864)
Disposals	(8 659)	(637 437)
Transfers	135 204	-
Balance on 31 December	554 484	404 066

The balance Transfers is analysed in note 50.

As at 31 December 2015, financial assets available for sale classified in level 3 also include the shares held by the Group in Visa Europe Limited, amounting to Euro 7,900 thousands. During 2016, CEMG received an up front of Visa Inc. in the amount of Euro 8,421 thousands and recognised in the financial statements the earned-out (deferred cash: it shall be paid shortly after the 3rd year of the transaction conclusion), in the amount of Euro 704 thousands, as described in notes 7 and 33.

Additionally, the 3,057 preference shares of Visa Inc (Series C) were recorded in the portfolio of financial assets available-for-sale. Those preference shares were recognised in the balance sheet in the amount of Euro 2,850 thousands, at the date of completion of the transaction. The revaluation of these preference shares, as at 31 December 2016, resulted in the recognition of a positive fair value reserve in the amount of Euro 307 thousands.

The movements occurred in Impairment of financial assets available-for-sale are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 January	67 309	55 763
Charge for the year		
Continuing operations	79 278	71 254
Descountinued operations	3	-
Write-back for the period		
Continuing operations	(34 794)	(55 254)
Descountinued operations	-	(3)
Charge-off	(13 517)	(4 451)
Transfers associated to discountinued operations	(3)	-
Balance on 31 December	98 276	67 309

The analysis of the available-for-sale financial assets by maturity date, as at 31 December 2016, is as follows:

(Thousands of Euro)

	'16				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Issued by public entities					
Domestic	14 918	81 790	1 263 709	-	1 360 417
Foreign	5 612	13 473	321 948	-	341 033
Issued by other entities					
Domestic	-	10	31 942	696	32 648
Foreign	5 466	254	91 717	788	98 225
	25 996	95 527	1 709 316	1 484	1 832 323
Variable income securities					
Shares					
Domestic	-	-	-	82 428	82 428
Foreign	-	-	-	87 273	87 273
Investment fund units	-	-	1 805	395 675	397 480
	-	-	1 805	565 376	567 181
	25 996	95 527	1 711 121	566 860	2 399 504

The analysis of the available-for-sale financial assets by maturity date, as at 31 December 2015, is as follows:

(Thousands of Euro)

	'15				
	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
Comercial 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

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 amounts to Euro 3,508 million at 31 December 2016 after hair cut (31 December 2015: Euro 3,758 million);
- Securities pledged as collateral to the Portuguese Securities Market Commission under the Investors' Compensation Fund in the nominal amount of Euro 1,000 thousands at 31 December 2016 and 2015;
- The amount of the EIB loan obtained is collateralized by securities of Portuguese and Greek states in the nominal amount of Euro 331,855 thousands (31 December 2015: 706,638 thousands), 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 thousands at 31 December 2016 and 2015.

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:

(Thousands of Euro)

	'16	'15
Asset		
Interest rate swap	-	9
Liability		
Interest rate swap	-	439

As of 31 December 2015, 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.

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:

(Thousands of Euro)

	'16	'15
Financial assets available-for-sale	-	286

The analysis of the hedging derivatives portfolio by maturity date, as at 31 December 2015 is as follows:

(Thousands of Euro)

	'15							
	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)

As at 31 December 2015, the fair value hedge operations can be analysed as follows:

(Thousands of Euro)

	'15						
Derivate	Hedged item	Hedged risk	Notional	Fair value derivative[1]	Changes in the fair value of the derivative in the year	Fair value hedged item[2]	Changes in the fair value of the hedged item in the year [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.

26 Held-to-maturity investments

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Fixed income securities	1 126 125	26 130
Bonds issued by portuguese public entities	-	135 410
Bonds issued by foreign public entities	1 126 125	161 540

The Group assessed, with reference to 31 December 2016, 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 2016 are analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OT 2.875% 15-October-2025	January 2015	October 2025	Fixed rate of 2.875%	36 058
OT 4.450% 15-June-2018	March 2008	June 2018	Fixed rate of 4.450%	216 604
OT 2.200% 17-October-2022	September 2015	October 2022	Fixed rate of 2.200%	90 422
OT 3.850% 15-April-2021	February 2005	April 2021	Fixed rate of 3.850%	256 707
OT 4.950% 25-October-2023	June 2008	October 2023	Fixed rate of 4.950%	99 465
OT 5.650% 15-February-2024	May 2013	February 2024	Fixed rate of 5.650%	98 618
OT 2.875% 21-July-2026	January 2016	July 2026	Fixed rate of 2.875%	328 251
				1 126 125

The held-to-maturity investments, as at 31 December 2015 are analysed as follows:

(Thousands of Euro)

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
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

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
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 are valued in accordance with the established in note 1 d). During 2016 and 2015, CEMG did not transfer to or from this assets category.

As part of the planned modification of the subsidiaries Finibanco Angola S.A. and Banco Terra S.A., the Group presents the financial investments held to maturity recorded by these subsidiaries in the balance Non-current assets held for sale - discontinued operations, as referred in note 62.

As at 31 December 2016, the analysis of held-to-maturity investments by maturity date is as follows:

(Thousands of Euro)

	'16				
	Due within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds issued by portuguese public issuers	10 879	10 022	462 041	643 183	1 126 125

As at 31 December 2015, the analysis of held-to-maturity investments by maturity date is as follows:

(Thousands of Euro)

	'15				
	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
Bonds issued by foreign public issuers	-	32 674	102 736	-	135 410
	-	32 674	128 866	-	161 540

As of 31 December 2016, the amount of the loan obtained from EIB is collateralized by obligations of the Portuguese state at a nominal amount of Euro 303,934 thousands, provided as guarantee and recorded in the caption held-to-maturity Investments.

27 Investments in subsidiaries and associated companies

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	3 344	3 210
Iberpartners Cafés, S.G.P.S., S.A.	-	1 107
Montepio - Gestão de Activos Imobiliários, ACE	698	698
Pinto & Bulhosa, S.A.	-	191
Naviser - Transportes Marítimos Internacionais, S.A.	150	150
	4 192	5 356
Impairment of investments in associated companies	(150)	(1 448)
	4 042	3 908

The subsidiaries and associates included in the consolidation perimeter are presented in note 61.

As at December 2016, the Group performed the write-off of the investment held in Pinto & Bulhosa, S.A., which was 100% impaired.

At 27 June 2016, the Group sold its shareholding in Iberpartners Cafés, S.G.P.S., S.A. in the amount of Euro 1,490 thousands. This sale generated a capital gain of Euro 1,490 thousands, as described in note 9.

On 30 December 2015, the Group sold its shareholding in Montepio Seguros, S.G.P.S., SA, for Euro 46,350 thousands and also received the supplementary capital contributions in the amount of Euro 18,750 thousands. This sale generated a capital gain of Euro 17,217 thousands.

Additionally, after this transaction, the existent fair value reserve was recycled in the amount of Euro 31,979 thousands.

The financial information concerning associated companies is presented in the following tables:

(Thousands of Euro)

	Assets	Liabilities	Equity	Income	Profit/(Loss) for the year	Acquisition cost
31 December 2016						
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	39 089	22 371	16 718	9 510	1 248	3 344
Montepio - Gestão de Ativos Imobiliários, ACE	3 734	1 284	2 450	4 927	-	698
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

(Thousands of Euro)

	Percentage held		Book value		Associated companies net profit	
	2016	2015	2016	2015	2016	2015
Montepio Seguros, S.G.P.S., S.A.	-	-	-	-	-	(4 013)
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	20,00%	20,00%	3 344	3 210	250	66
Iberpartners Cafés S.G.P.S., S.A.	-	29,41%	-	-	-	37
Montepio - Gestão de Activos Imobiliários, ACE	28,50%	28,50%	698	698	-	-
Pinto & Bulhosa, S.A.	-	16,00%	-	-	-	-
Naviser - Transportes Marítimos Internacionais, S.A.	20,00%	20,00%	-	-	-	-

The movement for this balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 january	5 356	24 991
Disposals	(1 107)	(15 725)
Share of profit of associates	250	(3 910)
Other reserves and retained earnings	(307)	-
Balance on 31 December	4 192	5 356

The movements of impairment in investments in associated companies and others are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 january	1 448	341
Charge for the period associated to continuing operations	-	1 107
Charge-off	(1 298)	-
Balance on 31 December	150	1 448

The Group analyses, on a regular basis, the impairment related to investments in associated companies.

28 Non-current assets held for sale

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Investments arising from recovered loans	908 615	892 163
Impairment of non-current assets held-for-sale	(148 411)	(137 265)
	760 204	754 898

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 2,089 thousands (31 December 2015: Euro 2,098 thousands) related with other non-current assets held for sale resulting from the foreclosure of loans to customers' contracts, which have an associated impairment in the amount of Euro 1,939 thousands (31 December 2015: Euro 1,593 thousands).

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 13,347 thousands (31 December 2015: Euro 18,980 thousands).

The movements, in 2016 and 2015, for non-current assets held-for-sale are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance at the beginning of the year	892 163	934 230
Acquisitions	189 249	212 976
Disposals	(148 773)	(255 071)
Transfers associated to discounted operations	(575)	-
Transfers	(23 102)	-
Exchange differences	-	(26)
Other movements	(347)	54
Balance at the end of the year	908 615	892 163

The movements in impairment for non-current assets held-for-sale are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 January	137 265	134 491
Charge for the year associated to continuing operations	44 059	100 222
Reversal of the year associated to continuing operations	(11 453)	(29 859)
Charge-off	(21 460)	(67 589)
Balance on 31 December	148 411	137 265

In addition to the impairment losses, the Group recognised in the income statement for 2016, gains arising from real estate disposal in the amount of Euro 2,203 thousands (31 December 2015: losses of Euro 14,334 thousands), 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", "Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto" and Ssagincentive, S.A." which are fully consolidated, according to the accounting policy described in note 1 b), and the real estate properties held by Ssagincentive - Sociedade de Seviços Auxiliares e de Gestão de Imóveis, S.A.

The real estate properties are measured in accordance with the accounting policy described in note 1 q), based on independent evaluations peformed by experts registered with CMVM and in compliance with legal requirements.

The amount of income received related to properties amounts to Euro 15,469 thousands (31 December 2015: Euro 13,183 thousands) and maintenance costs of leased and not leased properties amounts to Euro 9,632 thousands (31 December 2015: Euro 7,570 thousands).

The movements in this balance are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance at the beginning of the year	692 485	715 737
Acquisitions	19 078	28 709
Revaluations	(44 996)	(30 206)
Disposals	(81 701)	(58 488)
Transfers	23 102	36 733
Balance at the end of the year	607 968	692 485

The balance Transfers refers to transfers from Non-current assets held-for-sale.

30 Property and equipment

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Investment		
Real estate		
For own use	219 194	39 266
Leasehold improvements in rented buildings	41 545	54 170
Constructions in progress	-	17 671
Equipment		
IT Equipment	89 098	90 053
Interior installations	20 767	22 303
Furniture and materials	18 849	22 239
Transport equipment	2 007	5 302
Security equipment	7 242	8 086
Office equipment	2 677	3 396
Other equipment	5	34
Assets in financial lease	38	38
Assets in operational lease	534	656
Works of art	2 870	2 870
Other tangible assets	2 063	2 405
Work in progress	4 515	4 114
	411 404	272 603
Accumulated depreciation		
Charge for the year	11 727	10 731
Accumulated charge in previous years	161 180	172 757
	172 907	183 488
Impairment for property and equipment	1 400	-
	237 097	89 115

During the first quarter of 2016, CEMG acquired from Montepio Geral Associação Mutualista premises for own use, in the amount of Euro 199,444 thousands, as described in note 63.

As at 31 December 2016, the Group recorded an impairment for other property and equipment in the amount of Euro 1,400 thousands, given that the carrying amount of the asset exceeds its recoverable amount, as referred in note 16.

As at 31 December 2016, the movements in the balance Other property and equipment are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Acquisitions/ Charges: Continuing operations	Acquisitions/ Charges: Discounted operations	Disposals/ Write-offs	Adjustments/ Transfers	Transfers from descountinued operations	Balance on 31 December
Cost							
Real estate							
For own use	39 266	199 591	-	2 815	(2 301)	(14 547)	219 194
Leasehold improvements in rented buildings	71 841	33	-	12 245	13 170	(31 254)	41 545
Equipment							
IT Equipment	90 053	3 064	-	195	6	(3 830)	89 098
Interior installations	22 303	361	-	63	(241)	(1 593)	20 767
Furniture and materials	22 239	233	-	1 120	-	(2 503)	18 849
Transport equipment	5 302	604	-	1 772	-	(2 127)	2 007
Security equipment	8 066	88	-	118	-	(814)	7 242
Office equipment	3 396	2	-	157	-	(564)	2 677
Other equipment	34	-	-	-	-	(29)	5
Assets in financial lease	38	-	-	122		-	(84)
Assets in operational lease	656	-	-	-	-	-	656
Works of art	2 870	-	-	-	-	-	2 870
Other tangible assets	2 405	-	-	88	-	(254)	2 063
Work in progress	4 114	1 369	-	-	(299)	(669)	4 515
	272 603	205 345	-	18 695	10 335	(58 184)	411 404
Accumulated depreciation							
Real estate							
For own use	10 096	3 655	274	1 010	4 711	(1 479)	16 249
Leasehold improvements in rented buildings	39 447	2 379	142	11 106	1 309	(7 021)	25 150
Equipment							
IT Equipment	82 088	3 336	447	198	1	(2 502)	83 172
Interior installations	16 708	1 313	92	62	-	(583)	17 468
Furniture and materials	18 839	496	207	1 120	-	(661)	17 761
Transport equipment	3 267	161	340	1 454	(8)	(1 159)	1 147
Security equipment	7 487	275	44	116	-	(844)	6 846
Office equipment	2 939	16	29	158	(1)	(175)	2 650
Other equipment	(26)	-	1	-	-	30	5
Assets in financial lease	38	-	-	-	-	-	38
Assets in operational lease	424	69	-	99	(1)	1	394
Other tangible assets	2 179	27	9	88	-	(100)	2 027
	183 488	11 727	1 585	15 411	6 011	(14 493)	172 907
Impairment	-	1 400	-	-	-	-	1 400
	89 115						237 097

As at 31 December 2015, the movements in the balance Other property and equipment are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Acquisitions/ Charges: Continuing operations	Acquisitions/ Charges: Discountinued operations	Disposals/ Write-offs	Transfers and changes in the consolidation perimeter	Exchange differences	Balance on 31 December
Cost							
Real estate							
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
Constructions in progress	19 989	728	-	-	(187)	(2 859)	17 671
Equipment							
IT Equipment	87 389	3 631	-	560	228	(635)	90 053
Interior installations	21 953	355	-	23	276	(258)	22 303
Furniture and materials	22 103	188	-	177	491	(366)	22 239
Transport equipment	5 517	1 233	-	1 054	(7)	(387)	5 302
Security equipment	8 155	166	-	101	9	(143)	8 086
Office equipment	3 682	89	-	273	(2)	(100)	3 396
Other equipment	42	-	-	-	-	(8)	34
Assets in financial 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	1 254	275	96	-	(926)	10 098
Leasehold improvements in rented buildings	37 021	2 567	218	167	-	(192)	39 447
Equipment			-		-		
IT Equipment	78 547	4 072	501	559	-	(473)	82 088
Interior installations	15 228	1 446	133	23	-	(76)	16 708
Furniture and materials	18 293	641	239	176	-	(158)	18 839
Transport equipment	3 796	185	481	802	-	(394)	3 267
Security equipment	7 291	321	60	100	-	(85)	7 487
Office equipment	3 168	45	36	272	-	(38)	2 939
Other equipment	(17)	-	7	-	-	(16)	(26)
Assets in financial lease	38	-	-		-	-	38
Assets in operational lease	522	122	-	220	-	-	424
Other tangible assets	2 105	78	12	10	-	(6)	2 179
	175 585	10 731	1 962	2 427	-	(2 364)	183 488
Impairment	-						-
	98 931						89 115

The movements in the balance Other property and equipment are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 January	-	-
Charge for the year associated to continuing operations	1 400	-
Balance on 31 December	1 400	-

31 Intangible assets

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Investment		
Software	97 546	88 856
Revaluation and consolidation differences (goodwill)	9	56 304
Other intangible assets	1 645	409
Work in progress	5 921	8 073
	105 121	153 642
Accumulated depreciation		
Charge for the period	12 543	13 902
Accumulated charge in previous years	57 597	47 306
	70 140	61 208
Impairment of intangible assets	(60)	(26 572)
	34 921	65 862

Following the application of IFRS 5 to the financial investments held in the subsidiaries Finibanco Angola and Banco Terra, goodwill and associated impairment were reclassified to the balance Non-current assets held for sale - Discontinued operations, as described in note 62.

As at 31 December 2015, 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 Angola, S.A. acquired by the Group on 31 March 2011 to Montepio Geral - Associação Mutualista, as described in note 1 a), in the amount of Euro 53,024 thousands with an associated impairment of Euro 26,512 thousands and; (ii) of Banco Terra, acquired in December 2014 in the amount of Euro 3,280 thousands.

These intangible assets do not have finite useful life, and as referred in the accounting policies, notes 1 b) 1 r) and 1 aa), its recoverable amount is annually reviewed, regardless of the existence of impairment signs. Any impairment losses are recognised in the 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 may afect each subsidiary, the budgets and the latest projections approved by the Executive Board of Directors for those subsidiaries and their extrapolation to future periods. The assumptions undertaken for these valuations may vary with the change in economic conditions and in the market.

The Group performed an impairment analysis regarding the investments in its subsidiaries, considering the recoverable amount of the business developed by each of these subsidiaries. The recoverable amount, according with the accounting policy described in this report, was determined by the higher value between the fair value net of selling costs and the value in use.

The value in use was determined based on the business plan approved by management. Depending on the business specificity and the markets where the Group subsidiaries develop their activity, were also considered differentiated levels for the discount rate, for the solvency levels required for banking activity and growth in perpetuity of net income.

The validation of the assumptions used and the evolution of the macroeconomic and market conditions may result in the change of these assumptions and, consequently, in the recoverable amount calculated for the subsidiaries object of this analysis, as detailed in note 62.

The movements in Intangible assets, during 2016 and 2015, are analysed as follows:

(Thousands of Euro)

	'16						
		Acquisitions/Charges					
	Balance on 1 January	Continuing operations	Discountinued operations	Disposals	Adjustments/ Transfers	Impact of discounted operations	Balance on 31 December
Cost							
Software	88 856	5 544	-	-	10 229	(7 083)	97 546
Revaluation and consolidation differences (Goodwill)	56 304	-	-	-	9	(56 304)	9
Other intangible assets	409	-	-	-	-	1 236	1 645
Work in progress	8 073	10 854	-	-	(11 384)	(1 622)	5 921
	153 642	16 398	-	-	(1 146)	(63 773)	105 121
Accumulated depreciation							
Software	61 208	12 543	400	-	-	(4 011)	70 140
	61 208	12 543	400	-	-	(4 011)	70 140
Impairment	26 572	-	17 672	-	-	(44 184)	60
	65 862						34 921

(Thousands of Euro)

	'15						
		Acquisitions/Charges					
	Balance on 1 January	Continuing operations	Discountinued operations	Disposals	Adjustments/ Transfers	Impact of discounted operations	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	12 971	930	-	171	(927)	61 208
	48 063	12 971	930	-	171	(927)	61 208
Impairment	26 512	60	-	-	-	-	26 572
	66 054						65 862

Impairment movements for other intangible assets are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 january	26 572	26 512
Charge for the year		
Continuing operations	-	60
Discontinued operations	17 672	-
Transfers associated to discontinued operations	(44 184)	-
Balance on 31 December	60	26 572

32 Taxes

Deferred tax assets and liabilities as at 31 December 2016 and 2015 are analysed as follows:

(Thousands of Euro)

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Financial instruments	24 924	24 284	(12 778)	(24 508)	12 146	(224)
Outros ativos tangíveis						
Provisions/Impairment	230 526	168 255	-	-	230 526	168 255
Impairment on loans granted	6 594	9 470	-	-	6 594	9 470
Other risks and charges	49 783	2 039	-	-	49 783	2 039
Impairment in securities, non-financial assets:	45 867	41 201	-	-	45 867	41 201
Benefits to employees	2 210	1 719	(117)	(1)	2 093	1 718
Other	174 707	181 047	-	-	174 707	181 047
Net deferred tax assets/(liabilities)	534 611	428 015	(12 895)	(24 509)	521 716	403 506

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 13,266 thousands (31 December 2015: Euro 15,919 thousands) 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 3,410 thousands (31 December 2015: Euro 3,633 thousands) 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 in 2011 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 the Group).

As at 31 December 2016, deferred taxes associated with Employee benefits includes the amount of Euro 13,551 (31 December 2015: Euro 10,194 thousands) thousands related with employee benefits in excess when compared with the existing limits.

The deferred tax rate is analysed as follows:

(Thousands of Euro)

	'16	'15
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.

Analysis of the recoverability of deferred tax assets

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 recognised in CEMG's financial statements have an underlying high expectation of recoverability. The evaluation of the recoverability of deferred tax assets is supported in the last year prepared on the Funding and Capital Plan for the period from 2017 to 2019, at the opportunity, to the Bank of Portugal, assuming a pre-tax growth assumption between 2019 and 2024.

Thus, the recoverability of deferred tax assets, namely related to tax losses carried forward, is supported in CEMG's forecasted financial statements, prepared under the aforementioned Funding and Capital Plan, which took into account the macroeconomic and competitive environment where CEMG operates as well as the strategic priorities established in the Strateg Plan for the period betwenn 2016 and 2018.

The recovery of profitability, liquidity and capital levels recommended in the Strategic Plan is fundamentally supported by favorable impacts induced by:

(i) (i) recovery of the core banking product: by increasing the net interest income provided by the monitoring of turnover and pricing, particularly the cost of deposits, as well as by the increase in commissions, benefiting from the impact of the price increase to be implemented;

(ii) a reduction in operating costs: this is reflected in the positive effects associated with the downsizing of the branch network and the number of employees completed in 2016, as well as the reduction in the level of investments;

(iii) reinforcing risk management: materializing the favorable effects of the improvement introduced in the credit granting, monitoring and recovery processes that have been put into practice; and

(iv) strengthening of the institutional model.

Following this assessment, and as at 31 December 2016 and 2015, CEMG recognised all deferred tax assets, thus, there are no deferred tax assets to be recognised.

In addition, a sensitivity analysis was carried out considering a scenario in which the results before tax evolved at a 10% rate lower than those considered in the aforementioned projections, and no impact on deferred taxes was determined.

The expiry date of recognised tax losses carried forward is presented as follows:

(Thousands of Euro)

Expire date	'16	'15
until 2017	-	34 136
2018	-	47 805
2027	50 915	99 106
2028	123 792	-
	174 707	181 047

Main assumptions used
With the publication of the Notice no. 5/2015 of the Bank of Portugal, the entities that presented the individual financial statements in accordance with the Adjusted Accounting Standards issued by the Bank of Portugal (NCA) have now applied the International Financial Reporting Standards as adopted in the European Union. As a result of this change, the disclosure in CEMG's individual financial statements of loans granted to customers, guarantees provided and other similar operations, is subject to the calculation of impairment in accordance with the requirements of International Accounting Standard 39 - Financial Instruments: Recognition and Measurement (IAS 39), replacing the rules stipulated in Notice no. 3/95 of the Bank of Portugal.

Regulatory Decree no. 5/2016, of 18 of November, stipulated the maximum limits of impairment losses and other corrections of value for specific credit risk deductible for purposes of determining IRC taxable income in the year 2016, assuming that Notice no. 3/95 of the Bank of Portugal should be considered for the purpose of calculating the maximum limits of impairment losses accepted for tax purposes in 2016.

In addition, this Regulatory Decree also included a transitional rule, of optional application, which provides for the possibility of a positive difference between the value of the provisions for loans and advances established on 1 January 2016 under Notice no. 3/95 of the Bank of Portugal and the impairment losses recorded at 1 January 2016 relating to the same loans and advances are considered in the calculation of the taxable income of 2016 only in the part that exceeds the tax losses generated in taxation periods beginning on or after 1 January 2012 and that have not been used, and CEMG has opted to apply the aforementioned transitional rule to the tax losses carried forward, with the respective impacts recorded on the financial statements as at 31 December 2016.

Tax recognised in the income statement and reserves for the years ended at 31 December 2016 and 2015 is analysed as follows:

(Thousands of Euro)

	'16			'15		
	Charged to net income / (loss)	Charged to reserves and retained earnings	Other movements from discontinued operations	Charged to net income / (loss)	Charged to reserves and retained earnings	Other movements from discontinued operations
Financial instruments	-	12 370	-	-	22 197	-
Provisions/Impairments	107 139	-	-	(16 452)	653	-
Employees benefits	3 963	703	-	4 977	324	-
Other	768	-	(393)	(67 327)	(7)	-
Tax losses carried forward	(13 929)	12 321	(4 732)	98 783	203	4 518
Deferred tax recognized as profit/(loss)	97 941	25 394	(5 125)	19 981	23 370	4 518
Current tax recognized as profit/(loss)	(1 697)	-	-	3 129	-	-
	96 244	25 394	(5 125)	23 110	23 370	4 518

The reconciliation of the effective tax rate is analysed as follows:

(Thousands of Euro)

	'16		'15	
	%	Valor	%	Valor
Net income / (loss) before before taxes		(173 515)		(274 146)
Income tax based on the current nominal tax rate	21,0	36 438	21,0	57 571
Impact of municipal and state surcharge	0,1	(245)	0,4	(1 107)
Extraordinary contribution for the banking sector	1,6	(2 778)	0,8	(2 240)
Tax benefits	0,0	(5)	(0,2)	659
Autonomous taxation	0,8	(1 349)	0,8	(2 102)
Other	(1,0)	1 690	6,7	(18 288)
Deferred taxes not previously recorded		-	(5,6)	15 366
Previous periods adjustments	(0,6)	1 005	(3,7)	10 109
Impact on tax rate differences	(9,1)	15 808	26,7	(73 320)
Taxable profit deductions (*)	(26,3)	45 681	(13,3)	36 462
Income taxes for the year	(55,5)	96 244	(8,4)	23 110

(*) Relates to the losses generated by investment funds included in the consolidation perimeter and other consolidation adjustments.

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 2014 period. As a result of the inspection, CEMG was object of some corrections to the taxable profit determined in that year, and CEMG paid the settled amounts, without prejudice of appeal regarding some corrections made by the tax authorities.

33 Outros ativos

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Other debtors	172 390	271 233
Sundry debtors	36 587	49 870
Other accrued income	44 405	30 213
Recoverable subsidies from Portuguese Government	5 521	5 241
Prepayment and deferred costs	1 856	2 639
	260 759	359 196
Impairment for other assets	(37 848)	(29 536)
	222 911	329 660

As at 31 December 2016 and 2015, the balance Other debtors is analysed as follows:

(Thousands of Euro)

	'16	'15
SilverEquation	101 012	161 420
Supplementary capital contributions	14 910	14 910
Public entities	6 983	14 198
Montepio Geral Associação Mutualista	-	45 100
Real estate	-	7 115
Others	49 485	28 490
	172 390	271 233

The balance SilverEquation includes the receivable amounts under the operation of sale of credits and property to SilverEquation in 2014. The amount of Euro 101,012 thousands is expected to be received in 2017, with the exception of Euro 30,266 thousands that will be received in 2019.

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 thousands. These contributions are fully provided.

As at 31 December 2016, the balance Public Entities includes receivable amounts from public entities, mostly related with courts in the context of insolvency proceedings and lodge claims.

As at 31 December 2015, Montepio Geral Associação Mutualista includes the receivable amount under the sale of the shareholding in Montepio Seguros, S.G.P.S., S.A., in the amount of Euro 45,100 thousands, as described in note 27.

As at 31 December 2015, the balance Real Estate includes the amount of Euro 7,115 thousands related with the receivable amount from the sale of properties classified as non-current assets held for sale.

As at 31 December 2016, the balance Others includes the amount receivable of Euro 7,569 thousands under the operation of sale of credits carried out during the first semester of 2016, as described in note 22.

As at 31 December 2016, the balance Sundry debtors includes the earn-out (deferred cash: to be paid shortly after the 3rd year of the completion of the transaction) of Visa Inc., in the amount of Euro 704 thousands, as described in note 24.

As at 31 December 2016, the balance Other receivables includes an amount of Euro 36,000 thousands (31 December 2015: Euro 26,000 thousands), referring to receivables related with services rendered by CEMG to Montepio Geral Associação Mutualista, as described in note 10.

The balance recoverable subsidies from the Portuguese Government corresponds to recoverable subsidies referring to mortgage and PME's loans, in accordance with the legal provisions applicable to low-interest loan. These amounts do not bear interest and are claimed monthly.

As at 31 December 2016 and 2015, the balance recoverable subsidies receivable from the Portuguese Government are presented as follows:

(Thousands of Euro)

	'16	'15
Overdue subsidies unclaimed	3 262	3 283
Recoverable subsidies from the Portuguese Government outstanding	2 206	1 768
Subsidies unclaimed	53	190
	5 521	5 241

The movements in impairment for other assets are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 january	29 536	16 240
Charge for the period associated to continuing operations	7 874	18 680
Write-back for the year		
Continuing operations	(1 047)	(1 607)
Discontinued operations	-	(73)
Charge-off	(660)	(3 704)
Transfers	2 145	-
Balance on 31 December	37 848	29 536

The balance Transfers refers to the impairment associated to the renting, which is now recorded in the balance Other assets, in the amount of Euro 397 thousands which were transferred from the balance Loans and advances to customers and Euro 1,748 thousands which were transferred from the balance Provisions, as described in notes 22 and 38, respectively.

34 Deposits from central banks

As at 31 december 2016 and 2015, 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, as described in note 24.

As at 31 December 2016 and 2015, the analysis of deposits from Central Banks by maturity is as follows:

(Thousands of Euro)

	'16	'15
Up to 3 months	375 000	550 027
More than 6 months	1 947 947	1 727 231
	2 322 947	2 277 258

35 Deposits from other financial institutions

This balance is analysed as follows:

(Thousands of Euro)

	'16			'15		
	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	10 304	-	10 304	3 899	-	3 899
Term deposits	-	26 521	26 521	-	25 042	25 042
Loans	-	25	25	-	-	-
Other deposits	-	416	416	-	-	-
	10 304	26 962	37 266	3 899	42 898	46 797
Deposits from credit institutions abroad						
EIB loan	-	460 471	460 471	-	560 644	560 644
Loans	-	-	-	-	1 668	1 668
Money Markets	-	-	-	-	2 264	2 264
Deposits repayable on demand	80 785	-	80 785	9 535	-	9 535
Term deposits	-	4 672	4 672	-	3 670	3 670
Sales operations with repurchase agreement	-	1 625 776	1 625 776	-	860 210	860 210
CSA's	4 340	-	4 340	10 530	-	10 530
Repos	-	5 917	5 917	-	48	48
Other deposits	2 905	53 805	56 710	4 966	72 278	77 244
	88 030	2 150 641	2 238 671	25 031	1 500 782	1 525 813
Adjustments arising from hedging operations	3	-	3	521	-	521
	98 337	2 177 603	2 275 940	29 451	1 543 680	1 573 131

The balance Deposits from other financial institutions, analysed by maturity, is as follows:

(Thousands of Euro)

	'16	'15
Up to 3 months	821 026	155 381
3 to 6 months	82 828	200 181
6 months to 1 year	11 419	151 230
1 year to 5 years	504 494	629 004
More than 5 years	856 170	436 814
	2 275 937	1 572 610
Adjustments arising from hedging operations	3	521
	2 275 940	1 573 131

As part of derivative financial instruments operations with institutional counterparties, according to the signed contracts, CSA has, on 31 December 2016, the amount of Euro 4,340 thousands (31 December 2015: Euro 10,530 thousands) deposits from other credit institutions received as collateral for these operations.

The funds obtained under CSA with international financial institutions, are remunerated at EONIA rate. However, because these rates have shown negative values, these funds have not been remunerated.

The balance Deposits from other financial institutions includes issues at fair value through profit or loss according to internal valuation methodologies, considering mainly market observed data, in the amount of Euro 53,818 thousands (31 December 2015: Euro 71,065 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 d).

The amount of the EIB loan is collateralised by Portuguese and Greek states securities in the amount of Euro 638,289 thousands (31 December 2015: Euro 706,638 thousands), recorded in the balance Financial assets held for trading, Financial assets available-for-sale and Held-to-maturity investments, as described in notes 23, 24 and 26, respectively.

The fair value adjustment at 31 December 2016 amounts to Euro 3 thousands (31 December 2015: Euro 521 thousands). Financial liabilities included in this balance are revaluated against results, according with the accounting policy described in note 1 d), having been, at 31 December 2016, a gain of Euro 518 thousands (31 December 2015: a gain of Euro 1,321 thousands), related to changes in the fair value, as referred in notes 6 and 23.

The balance Repos refers to the Margin Maintenance of the Repos in accordance with the Global Master Repurchase Agreement.

36 Deposits from customers

This balance is analysed as follows:

(Thousands of Euro)

	'16			'15		
	Interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	3 144 799	137 699	3 282 498	2 650 825	181 105	2 831 930
Term deposits	-	8 751 841	8 751 841	-	10 021 093	10 021 093
Saving accounts	-	113 823	113 823	-	106 359	106 359
Other resources	19 735	299 910	319 645	10 041	-	10 041
Adjustments arising from fair value option operations	12	-	12	8	-	8
	3 164 546	9 303 273	12 467 819	2 660 874	10 308 557	12 969 431

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 11/94 of the Bank of Portugal, of 29 December.

The caption Term deposits includes deposits at fair value through profit or loss, measured in accordance with internal evaluation techniques considering, mainly, observable market inputs, in the amount of Euro 15,631 thousands (31 December 2015: Euro 54,654 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 d), having been recognised a loss, at 31 December 2016, in the amount of Euro 4 thousands (31 December 2015: Euro 12 thousands) related to fair-value variations associated to CEMG credit risk, as referred in notes 6 and 23.

The balance Deposits from customers, analysed by maturity, is as follows:

(Thousands of Euro)

	'16	'15
Deposits repayable on demand	3 282 498	2 831 930
Term deposits and saving accounts		
Due within 3 months	703 235	1 533 022
3 months to 6 months	3 412 458	3 633 831
6 months to 1 year	1 804 298	2 129 825
1 year to 5 years	2 893 762	2 775 847
Over 5 years	51 911	54 927
	12 148 162	12 959 382
Other resources		
Due within 3 months	319 645	10 041
	12 467 807	12 969 423
Adjustments arising from hedging operations	12	8
	12 467 819	12 969 431

During 2016, deposits from clients were remunerated at the average rate of 1.07% (31 December 2015: 1.65%).

37 Responsabilidades representadas por títulos

The balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Bonds	1 040 534	1 340 138
Covered bonds	265 028	520 113
Securitizations	574 560	430 293
Euro Medium Term Notes (EMTN)	39 913	61 138
Commercial paper	-	2 520
	1 920 035	2 354 202

The fair value of the debt securities issued is presented in note 50.

The balance Debt securities issued includes issues at fair value throughprofit or loss, in the amount of Euro 67,237 thousands (31 December 2015: Euro 98,167 thousands), 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 the income statement, as referred in the accounting policy presented in note 1 d). As at 31 December 2016 a loss in the amount of Euro 1,716 thousands (31 December 2015: a loss of Euro 1,131 thousands) was recognised regarding the fair value variations associated to credit risk of CEMG, as described in notes 6 and 23.

As at 31 December 2016 and 2015, the analysis of debt securities issued outstanding by maturity is as follows:

(Thousands of Euro)

	'16	'15
Due within 6 months	434 428	95 466
6 months to 1 year	160 347	347 216
1 year to 5 years	750 688	1 478 681
Over 5 years	574 524	434 507
	1 919 987	2 355 870
Adjustments arising from hedging operations	48	(1 668)
	1 920 035	2 354 202

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousands, the Group presents live issues amounting to Euro 2,300,000 thousands at nominal value.

As at 31 December 2016, the main characteristics of these issues are as follows:

(Thousands of Euro)

	Nominal value	Nominal value sold	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody´s/ Fitch/Dbrs)
Covered bonds - 4S	500 000	265 028	500 053	May 2013	May 2017	monthly	Euribor 1M + 0,75%	A3/A/A
Covered bonds - 5S	500 000	-	500 148	December 2015	December 2020	quarterly	Euribor 3M + 0,80%	A3/A/A
Covered bonds - 6S	300 000	-	300 211	November 2016	November 2023	quarterly	Euribor 3M + 0,80%	A3/A/A
Covered bonds - 7S	500 000	-	500 090	December 2016	December 2022	quarterly	Euribor 3M + 0,75%	A3/A/A
Covered bonds - 8S	500 000	-	500 122	December 2016	December 2026	quarterly	Euribor 3M + 0,90%	A3/A/A
	2 300 000	265 028	2 300 624					

As at 31 December 2015, the main characteristics of these issues are as follows:

(Thousands of Euro)

	Nominal value	Nominal value	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody´s/ Fitch/Dbrs)
Covered bonds - 2S	1 000 000	320 083	1 000 259	December 2009	December 2016	quarterly	Euribor 3M + 0,75%	Baa1/BB+/A
Covered bonds - 4S	500 000	200 030	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 3M + 0,80%	Baa1/BB+/A
	2 000 000	520 113	2 000 546					

The operations carried out by the Group under the Issuance of Covered Bonds Programme of CEMG, in 2016 and 2015, are presented as follows:

- December 2016: Euro 500,000 thousands Issue; within 6 years; at an interest rate of Euribor 3M plus 0.75%
- December 2016: Euro 500,000 thousands Issue; within 10 years; at an interest rate of Euribor 3M plus 0.90%
- December 2016: Euro 1,000,000 thousands reimbursement;
- November 2016: Euro 300,000 thousands Issue; within 7 years; at an interest rate of Euribor 3M plus 0.80%;
- December 2015: Euro 500,000 thousands Issue; within 5 years; at an interest rate of Euribor 3M plus 0.80%; and
- November 2015: Euro 500,000 thousands reimbursement

The covered bonds are guaranteed by a cover assets pool, comprised of mortgage loans 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.

The legal and regulatory framework of these obligations is set out 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 2016, the amount of credits that collateralize these issues amounted to Euro 2,725,631 thousands (31 December 2015: EUR 2,727,400 thousands), according with note 22.

The movements in debt securities issued during the year of 2016 is analysed as follows:

(Thousands of Euro)

	Balance on 1 january	Issue	Reimbursements	Net purchases	Other movements [a]	Balance on 31 December
Bonds	1 340 138	-	(114 898)	(175 112)	(9 594)	1 040 534
Covered bonds	520 113	1 300 000	(1 000 000)	(620 000)	64 915	265 028
Securitizations	430 293	-	(87 380)	231 647	-	574 560
Euro Medium Term Notes (EMTN)	61 138	-	-	(23 000)	1 775	39 913
Commercial paper	2 520	-	(2 520)	-	-	-
	2 354 202	1 300 000	(1 204 798)	(586 465)	57 096	1 920 035

(a) Include the issue of Euro 65,000 thousand, the accrued interest variation, corrections for operations at the fair value option and exchange variation.

During 2016, the Group did not issue any debt securities issue.

The movements in debt securities issued during 2015 is analysed as follows:

(Thousands of Euro)

	Balance on 1 january	Issue	Reimbursements	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)	-	520 113	520 113
Securitizations	511 514	-	(81 221)	-	-	430 293
Euro Medium Term Notes (EMTN)	150 145	-	(125 000)	36 950	(957)	61 138
Commercial paper	21 576	2 500	(21 350)	-	(206)	2 520
	2 469 562	530 600	(1 001 898)	(154 880)	510 818	2 354 202

(a) Include the issuance of Euro 520 million, the accrued interest variation, corrections for operations at the fair value option.

As at 31 December, CEMG performed the reimbursement of securities in the amount of Euro 1,204,798 thousands (31 December 2015: 920,677 thousands).

During 2016, CEMG issued 3 series, the 6th (Euro 300,000 thousands), the 7th (Euro 500,000 thousands) and the 8th (Euro 500,000 thousands), of covered bonds in the nominal global amount of Euro 1,300,000 thousands and reimbursed the 2nd series in the nominal amount of Euro 1,000,000 thousands.

As at 31 December 2016, the Group sold the amount of Euro 65,000 thousands of covered bonds - 4th series (31 December 2015: the Group sold the amount of Euro 320,000 thousands of covered bonds - 2nd series and the amount of Euro 200,000 thousands of covered bonds - 4th series).

As at 31 December 2016, CEMG did not performed EMTN issues neither cash bonds (31 December 2015: CEMG issued Euro 28,100 thousands).

During the year of 2015, the Group issued Euro 530,600 thousands of debt securities and Euro 1,001,898 thousands were reimbursed.

During 2015, the Group issued the 5th series of covered bonds in the nominal amount of Euro 500,000 thousands and reimbursed the 3rd series in a nominal amount of Euro 500,000 thousands.

In accordance with the account policy described in note 1 d), debt issued repurchased by CEMG is cancelled 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 2016 and 2015, CEMG recognised a profit of Euro 701 and a loss of Euro 3,916 thousands), as referred in note 10.

As at 31 December 2016, bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 0.38% and 13.61% (31 December 2015: 0.55% and 13.39%).

As at 31 December 2016, the balance Debt securities issued is comprise of the following issues:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGAÇÕES CAIXA-MG TAXA FIXA SETEMBRO 2010-2020	09/09/10	09/09/20	Annual Fixed Rate 4%	100
OBRIGAÇÕES CAIXA-FNB DEZEMBRO 07/17	20/12/10	19/12/17	1st year: Fixed rate of 5%; from the 2nd year the remuneration is calculated according to the formula: Minimum [15 * (30 Yr Swap Rate - 10 Yr Swap Rate) + 0.75%;15 * (10 Yr swap Rate - 2 Yr Swap Rate) + 1.25%], with a minimum of 0% and a maximum of 6.5% per year	23 735
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-1.SERIE	31/01/12	01/02/17	Biannually Fixed Rate of 6.035% (7th and 8th Biannual rate 7.686% and 9th and 10th Biannual rate 10.162%)	5 650
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-2.SERIE	28/02/12	01/03/17	Annual Fixed Rate 5.6667% (4th year rate 7.3333% and 5th year rate 9.8333%)	9 750
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-3.SERIE	30/03/12	31/03/17	Annual Fixed Rate 4.9539% (4th year rate 5.6122% and 5th year rate 6.5997%)	30 000
OBRIGAÇÕES CAIXA-CRPC-2012-2020-1.SERIE	30/03/12	31/03/20	Annual Fixed Rate 5.25% (4th year: 6% and 5th year: 6.75%; 6th 7th and 8th coupon Max[6.25% and Min (IPC+2%;9.15%)]	3 300
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-4.SERIE	30/04/12	01/05/17	Annual Fixed Rate 4.80% (4th year: 5.40% and 5th year: 6.35%)	51 000

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-5.SERIE	31/05/12	01/06/17	Annual Fixed Rate 6.8874%(4th year: 9.6247% and 5th year: 13.6063%)	8 700
OBRIGAÇÕES CAIXA-MONTEPIO CAPITAL CERTO 2012-2020-2ªSERIE	31/05/12	01/06/20	Annual Fixed Rate 8.2583% (4th year: 9.7083%; 5th year: 10.7250%; 6th year: 7.4750%; 7th year: 8.3% and 8th year: 11.1583%)	600
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-6.SERIE	29/06/12	30/06/17	Annual Fixed Rate 7.27% (4th year: 9.27% and 5th year: 12.77%)	5 000
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-7.SERIE	31/07/12	01/08/17	Annual rate of 8.40% (4th year: 10.40%; 5th year: 11.90%)	6 000
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-8.SERIE	31/08/12	01/09/17	Annual Fixed Rate 9.7667% (4th year: 12.1% and 5th year: 10.7%)	9 000
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-9.SERIE	28/09/12	29/09/17	Annual rate of 11.9179% (4th year rate: 13.3857% and 5th year rate: 12.3286%)	14 000
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-10.SERIE	31/10/12	01/11/17	Annual rate of 5.15% (4th year rate: 5.60% and 5th year rate: 6.15%)	43 000
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-11.SERIE	28/11/12	29/11/17	Annual Fixed Rate 5.15% (4th year rate: 5.25%; 5th year rate: 5.70%)	36 000
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-12.SERIE	15/01/13	29/12/17	Annual Fixed Rate 5% (3th year rate: 5.25%; 4th year rate: 5.40% and 5th year rate: 5.75%)	21 250
OBRIGAÇÕES CAIXA-MG POUPANÇA FAMILIAR 2.SERIE	15/01/13	29/12/17	Annual Fixed Rate 5% (3th year rate: 5.40%; 4th year rate: 5.60%; 5th year rate: 6.25%)	1 700
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2018-1.SERIE	31/01/13	01/02/18	Annual Fixed Rate 5.00% (3th year rate: 5.15%; 4th year rate: 5.25%; 5th year rate: 5.50%)	44 000
OBRIGAÇÕES CAIXA-MONTEPIO PARTIC-USD-FEV/13	13/02/13	13/02/18	Fixed rate of 3.90%	254
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2018-2.SERIE	28/02/13	01/03/18	Annual Fixed Rate 4.85% (3th year and 4th year rate: 5.00%; 5th year rate: 5.40%)	33 300
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2021-1.SERIE	28/02/13	01/03/21	Annual Fixed 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%)])	2 148
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-05032018	05/03/13	05/03/18	Annual Fixed Rate 4.25% (3th year rate: 4.50%; 4th year rate: 4.70%; 5th year rate: 4.90%)	256
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2018-3.SERIE	28/03/13	29/03/18	Annual Fixed Rate 4.40% (3th year rate: 4.75%; 4th year rate: 4.90%; 5th year rate: 5.65%)	23 500
OBRIGAÇÕES CAIXA-MONTEPIO POUPANÇA FAMILIAR 2013-2018-1.SERIE	30/04/13	01/05/18	Annual Fixed Rate 4.40% (3th year rate: 4.75%; 4th year rate: 4.90%; 5th year rate: 6.70%)	1 550
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2018-4.SERIE	30/04/13	01/05/18	Annual Fixed Rate 4.40% (3th year rate: 4.75%; 4th year rate: 4.90%; 5th year rate: 6.70%)	31 200
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2018-5.SERIE	31/05/13	01/06/18	Annual Fixed Rate 4.4% (3th year rate: 4.75%. 4th year rate: 4.9% and 5th year rate: 5.65%)	34 650
OBRIGAÇÕESS CAIXA-MG CAPITAL CERTO 2013/2018-6.SERIE	28/06/13	29/06/18	Annual Fixed Rate of 4,4% (3rd year rate: 4,6%, 4th year rate: 4,75% and 5th year rate: 4,9%)	30 100
OBRIGAÇÕESS CAIXA-MG CAPITAL CERTO 2013/2021-2.SERIE	28/06/13	29/06/21	Annual Fixed Rate of 4,9% (3rd year rate: 5,1%, 4th year rate: 5,1%, 5th year rate: 5,65% and do 6th ao 8th year rate: Max(5,95%;-Min(IPC+2%;8,15%))	812
OBRIGAÇÕESS CAIXA-MG CAPITAL CERTO 2013/2018-7.SERIE	31/07/13	01/08/18	Annual Fixed Rate of 3,85% (3rd year rate: 4,35%, 4th year rate: 4,55% and 5th year rate: 4,9%)	33 800
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2018-8.SERIE	30/08/13	31/08/18	Annual Fixed Rate of 3,65% (3rd year rate: 4,35%, 4th year rate: 4,55% and 5th year rate: 4,90%)	30 000
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2018-9.SERIE	30/09/13	01/10/18	Annual Fixed Rate of 3,65% (3th year rate: 4%, 4th year rate: 4,2% and 5th year rate: 4,4%)	35 900

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2018-10. SERIE	31/10/13	01/11/18	Annual Fixed Rate of 3,75% (3rd year: 4%, 4th year rate: 4,1% and 5th year rate: 4,4%)	30 950
CEMG CAPITAL CERTO 2013/2018 11 SERIE	29/11/13	30/11/18	Annual Fixed Rate of 3,65% (3th year rate: 3,7%, 4th year rate: 3,75% and 5th year rate: 4%)	27 000
MONTEPIO CAPITAL CERTO 2013/2018 12ª SERIE	30/12/13	31/12/18	Annual Fixed Rate of 3,65% (3rd year rate: 3,7%, 4th year rate: 3,75% and 5th year rate: 4%)	20 600
MONTEPIO CAPITAL CERTO 2014/2019 1S	31/01/14	01/02/19	Annual Fixed Rate of 3,4% (3th year rate: 3,45%, 4th year rate: 3,5%, 5th year rate: 3,75%)	27 400
MONTEPIO CAPITAL CERTO 2014/2019 2S	28/02/14	01/03/19	Annual Fixed Rate of 3,4% (3rd year rate: 3,45%, 4th year rate: 3,5%, 5th year rate: 3,75%)	33 050
CEMG CAIXA PARTICULAR 2014/06.03.2017	06/03/14	06/03/17	Fixed rate of 2,675%	400
CEMG CAPITAL CERTO 2014/2019 3 SERIE	28/03/14	29/03/19	Annual Fixed Rate of 3,4% (3rd year rate: 3,45%, 4th year rate: 3,5%, 5th year rate: 3,75%)	33 400
CEMG CAPITAL CERTO 2014/2019 4 SERIE	30/04/14	01/05/19	Annual Fixed Rate of 3,4% (3rd year rate: 3,45%, 4th year rate: 3,5%, 5th year rate: 3,75%)	35 450
CEMG CAPITAL CERTO 2014/2019 5 SERIE	30/05/14	31/05/19	Annual Fixed Rate of 3,4% (3rd year rate: 3,45%, 4th year rate: 3,5%, 5th year rate: 3,75%)	33 100
CEMG CAPITAL CERTO 2014/2019 6 SERIE	30/06/14	01/07/19	Annual Fixed Rate of 3,4% (3rd year rate: 3,45%, 4th year rate: 3,5%, 5th year rate: 3,75%)	31 450
CEMG CAPITAL CERTO 2014/2019 7 SERIE	31/07/14	01/08/19	Annual Fixed Rate of 3,15% (3rd year rate: 3,20%, 4th year rate: 3,25%, 5th year rate: 3,50%)	50 600
CEMG CAPITAL CERTO 2014/2019 8 SERIE	29/08/14	30/08/19	Annual Fixed Rate of 3,15% (3rd year rate: 3,20%, 4th year rate: 3,25%, 5th year rate: 3,50%)	34 950
CEMG CAPITAL CERTO 2014/2019 9S	30/09/14	01/10/19	Annual Fixed Rate of 2,75% (3rd year rate: 3,00%, 4th year rate: 3,10%, 5th year rate: 3,35%)	17 900
CEMG CAPITAL CERTO 2014/2019 10 SERIE	31/10/14	01/11/19	Annual Fixed Rate of 2,90% (3rd year rate: 2,95%, 4th year rate: 2,95%, 5th year rate: 3,25%)	25 050
CEMG CAPITAL CERTO 2014/2019 11 SERIE	28/11/14	29/11/19	Annual Fixed Rate of 2,90% (3rd year rate: 2,95%, 4th year rate: 2,95%, 5th year rate: 3,25%)	26 650
MONTEPIO CAPITAL CERTO 2014/2029 12S	02/01/15	31/12/19	Annual Fixed Rate of 2,90% (2nd a 4th year rate: 2,95%, 5th year rate: 3,25%)	15 000
EMPRÉSTIMO OBRIGACIONISTA - CEMG 07	30/01/07	30/01/17	1st year: 4,2%; 2nd year: 1 x 10yr CMS rate	39 750
OBRIGAÇÕES HIPOTECÁRIAS - 5S	09/12/15	09/12/20	Euribor 3M + 0,80%	265 000
PELICAN MORTGAGES n.° 3	30/03/07	15/09/54	Euribor 3M + 0,13%	121 955
PELICAN SME n.° 2	05/03/15	25/02/43	Euribor 3M + 0,30%	416 200
Pelican Mortgages No. 1 A	19/12/13	19/12/37	Euribor 3M + 0,28%	3 155
Pelican Mortgages No. 1 B	19/12/13	19/12/37	Euribor 3M + 0,65%	16 250
Pelican Mortgages No. 1 C	19/12/13	19/12/37	Euribor 3M + 1,35%	17 000
			Debt securities issued	1 892 509
			Adjustments arising from fair value option operations	48
			Accruals, deferred gains and losses	27 478
				1 920 035

38 Provisions

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Provisions for guarantees and commitments	13 857	252
Provisions for other liabilities and charges	7 963	16 335
	21 820	16 587

The movements in provisions for guarantees and commitments assumed in 2016 are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 january	252	418
Charge for the year		
Continuing operations	11 456	13
Descontinued operations	1 749	66
Write-back for the year		
Continuing operations	(19 952)	7
Descontinued operations	(1 327)	(207)
Charge-off	-	(45)
Transfers	22 353	-
Transfers associated to discontinued operations	(674)	-
Balance on 31 December	13 857	252

The balance Transfers refers to the impairment associated with off balance sheet credit exposure which, in 2016, are registered in the balance Provisions, in the amount of Euro 22,340 thousands and Euro 3 thousands transfered to Other assets, as described in notes 22 and 33, respectively.

The movements in provisions for liabilities and charges are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 january	16 335	19 911
Charge for the year		
Continuing operations	35 944	13 594
Discontinued operations	684	141
Write-back for the year		
Continuing operations	(33 756)	(16 080)
Discontinued operations	(54)	-
Charge-off	(8 250)	(1 231)
Transfers	(1 745)	-
Transfers associated to discontinued operations	(1 195)	-
Balance on 31 December	7 963	16 335

The balance Transfers includes the amount of Euro 1,745 that were transferred to Other assets, as desribed in note 33.

These provisions are accounted in accordance with the probability of occurrence of certain contingencies related with the CEMG's activity, and are revised in each reporting date in order to reflect the best estimate of the loss amount.

39 Other subordinated debt

As at 31 December 2016, the main characteristics of Other subordinated debt, are analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Issue amount	Interest rate	Book value
CEMG/08 1.ª série	Feb 2008	Feb 2018	150 000	Euribor 6 months+1.5%	111 348
CEMG/08 2.ª série	Jul 2008	Jul 2018	150 000	Euribor 6 months+1.5%	113 216
CEMG/08 3.ª série	Jun 2008	Jun 2018	28 000	Euribor 12 months+1.5%	4 202
FNB 08/18 1ª/2ª Série	Dec 2008	Dec 2018	10 363	Euribor 6 months+0.15% (i)	7 504
Ob. Cx Subordinadas Finicrédito	Nov 2007	Nov 2017	17 902	Base rate+0.90% (barrier level)	15 814
					252 084
				Adjustments arising from hedging operations	(1 056)
					251 028

As at 31 December 2015, the main characteristics of Other subordinated debt, are analysed as follows:

(Thousands of Euro)

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	Jul 2008	Jul 2018	150 000	Euribor 6 months+1.5%	120 894
CEMG/08 3.ª série	Jun 2008	Jun 2018	28 000	Euribor 12 months+1.5%	18 177
FNB 08/18 1ª/2ª Série	Dec 2008	Dec 2018	10 363	Euribor 6 months+0.15% (i)	9 589
FNB Grandes empresas 07/16_ 1ª série	May 2007	May 2016	6 450	Max (6.0%*(1-n/8)) (ii)	4 753
FNB Grandes empresas 07/16 2ª/3ª série	Jun 2011	Jun 2016	22 602	Max (6.0%*(1-n/8)) (ii)	18 922
Ob. Cx Subordinadas Finicrédito	Nov 2007	Nov 2017	17 902	Base rate+0.90% (barrier level)	15 684
					335 399
				Adjustments arising from hedging operations	(2 360)
					333 039

(i) - The payment will be semiannual with the first coupon 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)

(ii) - The following coupons will be paid on the end of each year (May 9, to the 1st serie and June 20, to 2nd and 3rd series)

Coupon	Interest rate/range
1st coupon	5,50%
2nd coupon	5,50%
3rd coupon	Max [0;6.0% x (1-n/3)]
4th coupon	Max [0;6.0% x (1-n/4)]
5th coupon	Max [0;6.0% x (1-n/5)]
6th coupon	Max [0;6.0% x (1-n/6)]
7th coupon	Max [0;6.0% x (1-n/7)]
8th coupon	Max [0;6.0% x (1-n/8)]
9th coupon	Max [0;6.0% x (1-n/9)]

Notes:

where, n is the accumulated number of reference entities in which a credit event has occurred.

If a merger between two or more reference entites 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.

(Thousands of Euro)

	Balance 1 January 2016	Reimbursements	Net purchases	Other movements [a]	Balance on 31 December 2016
CEMG/06	26 148	(26 100)	-	(48)	-
CEMG/08 1.ª série	121 232	-	(9 740)	(144)	111 348
CEMG/08 2.ª série	120 894	-	(7 507)	(171)	113 216
CEMG/08 3.ª série	18 177	-	(13 808)	(167)	4 202
FNB 08/18 1ª/2ª Série	9 589	-	(2 042)	(43)	7 504
FNB Grandes empresas 07/16_ 1ª série	4 753	(4 670)	-	(83)	-
FNB Grandes empresas 07/16 2ª/3ª série	18 922	(18 554)	-	(368)	-
Ob. Cx Subordinadas Finicrédito	15 684	-	-	130	15 814
	335 399	(49 324)	(33 097)	(894)	252 084

(a) Includes the accrued interest in the balance sheet.

(Thousands of Euro)

	Balance 1 January 2015	Reimbursements	Net purchases	Other movements [a]	Balance on 31 December 2015
CEMG/06	26 154	-	-	(6)	26 148
CEMG/08 1.ª série	121 330	-	-	(98)	121 232
CEMG/08 2.ª série	121 031	-	-	(137)	120 894
CEMG/08 3.ª série	18 179	-	-	(2)	18 177
FNB 08/18 1ª/2ª Série	9 681	-	-	(92)	9 589
FNB Grandes empresas 07/16_ 1ª série	4 863	-	-	(110)	4 753
FNB Grandes empresas 07/16 2ª/3ª série	19 397	-	-	(475)	18 922
FNB Indices estratégicos 07/17 1ª	10 257	(10 257)	-	-	-
FNB Indices estratégicos 07/17 1ª	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) Includes the accrued interest in the balance sheet.

The financial assets included in this balance were revaluated through the income statement in accordance with the accounting policy described in note 1 d) and at 31 December 2016 a negative amount of Euro 1,304 thousands (31 December 2015: negative amount of Euro 2,786 thousands) was recognised related with the variations in fair value associated with the Group's credit risk, as described in note 6.

As at 31 December 2016 and 2015, the subordinated debt bears postponed interest every six and 12 months and its effective interest rate range is set between 1.31% and 1.53% (31 December 2015: 0.8% and 2.03%).

Other subordinated debt portfolio is recorded at fair value, as presented in note 50.

40 Other liabilities

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Creditors		
Suppliers	10 681	12 510
Other creditors	74 933	96 765
Administrative public sector	13 080	15 213
Charges with staff expenses	27 881	36 039
Other administrative costs	16 190	8 517
Deferred income	6 061	4 245
Other sundry liabilities	98 202	30 336
	247 028	203 625

As at 31 December 2016, the balance Charges with staff expenses includes the amount of Euro 7,127 thousands (31 December 2015: Euro 14,548 thousands), related with the seniority award. Additionally, as at 31 December 2016, this balance includes the amount of 20,754 thousands (31 December 2015: Euro 21,490 thousands) related to holiday paid accrual.

As at 31 December 2016, the balance Other sundry liabilities includes the amount of Euro 13,300 thousands (31 December 2015: Euro 14,765 thousands), related with the net liabilities recognised in the balance sheet, which present the difference between the costs with pensions, health benefits and death subsidy and the assets, as referred in note 51.

As at 31 December 2016, the balance Other sundry liabilities includes the amount of Euro 3,068 thousands (31 December 2015: Euro 172 thousands), relating to balances of outstanding securities transactions.

41 Institutional capital

CEMG's institutional capital, which is fully paid, amounts to Euro 1,770,000 thousands (31 December 2015: Euro 1,500,000 thousands), fully belonging to Montepio Geral - Associação Mutualista.

At 18 March 2016, the Group performed a capital increase subscribed by Montepio Geral Associação Mutualista ("MGAM"), in accordance with the statutory resolutions of MGAM General Council, the General and Supervisory Council and the Executive Board of Directors of CEMG.

The referred capital increase was materialised by MGAM fully paid-up in cash through the realisation of institutional capital in the amount of Euro 270,000 thousands, as described in note 63.

42 Participation Fund

As at 31 December 2016 and 2015, the Group's participation fund has a total nominal value of Euro 400,000 thousands, 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 thousands, 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 Articles of Association 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 include: (i) the right to receive an annual payment when, existing sufficient results to distribute, the General Shareholders Meeting decides 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) the right to the reimbursement following the amortisation of these participation units by deliberation of CEMG General Meeting of Shareholders, always subject to the prior approval from Bank of Portugal. The right to information to the owners of these participation units is made through a common representative elected in the General Meeting of owners of these participation units, 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 the Group's participation fund held by related parties are presented as follows:

(Thousands of Euro)

	'16		'15	
	Number of Investment Fund Units held	Percentage	Number of Investment Fund Units held	Percentage
Related parties				
Montepio Geral Associação Mutualista	284 113 190	71,03%	207 260 984	51,82%

43 Other equity instruments

This caption includes the issuance of Euro 15,000 thousands 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.

CEMG repurchased perpetual subordinated instruments in the amounts of Euro 6,727 thousands, during 2013, and Euro 1,950 thousands in March 2016. After these operations, the balance Other equity instruments amounts to Euro 6,323 thousands (31 December 2015: Euro 8,273 thousands).

Payment
The Issuer is prevented from proceeding to the interest payment if, in the Executive Board of Directors or Bank of Portugal opinion, this payment endanger compliance with the Regulatory equity requirements regulation.

During 2016, the Group proceeded to the interest payment for this emission in the amount of Euro 370 thousands (31 December 2015: Euro 758 thousands)

Reimbursement
These values are perpetual securities and are only refundable under the terms of early repayment provided below.

By prior 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 with prior agreement from Bank of Portugal, these Securities are redeemable at the option of the Issuer, at any time.

A disqualification event as Core Capital is defined as a change in any legal document or its official interpretation which implies that these securities values may no longer be classified as Core Capital of the Issuer.

On this basis, at 31 December 2016 and 2015, these obligations are not seen as a positive element of the Group's Equity.

44 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 2016, the Group owned 80,918 units (31 December 2015: 31,580,918 units), with an average unit cost of Euro 0,782 (31 December 2015: Euro 0,809) and a nominal value of Euro 81 thousands (31 December 2015: Euro 31,581 thousands).

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.

45 General and special reserve

The general and special reserve 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 cover future losses 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, annually, 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 cover losses or to increase capital.

The variation of the general and special reserves balances is analysed in note 46.

46 Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Fair value reserves		
Fair value reserves		
Available-for-sale financial assets	(21 596)	(3 101)
Loans and advances to customers	2 477	3 858
	(19 119)	757
Taxes		
Available-for-sale financial assets	12 989	1 027
Loans and advances to customers	(730)	(1 138)
	12 259	(111)
Fair value reserve net of taxes	(6 860)	646
Other reserve and retained earnings		
General reserve	187 532	187 532
Special reserve	68 273	68 273
Deferred tax reserve	55 526	42 502
Consolidation exchange reserves	(43 694)	(19 452)
Other reserves and retained earnings	(917 238)	(597 309)
	(649 601)	(318 454)

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 periods 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 2016, are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Revaluation	Acquisitions	Disposals	Impairment change of the year	Balance on 31 December
Fixed income securities						
Bonds issued by public Portuguese entities	(16 967)	(23 893)	(13 950)	(5 130)	-	(59 940)
Bonds issued by public foreign entities	7 853	(12 780)	(1 930)	(7 696)	7 343	(7 210)
Bonds issued by other entities:	-	-	-	-	-	
Domestic	186	2 818	(6)	(722)	(1 807)	469
Foreign	(21 756)	49 112	499	(950)	(25 932)	973
Commercial paper	-	-	-	(998)	998	-
	(30 684)	15 257	(15 387)	(15 496)	(19 398)	(65 708)
Variable income securities						
Shares						
Domestic	7 900	(4 064)	-	289	4 064	8 189
Foreign	3 697	18 506	322	(9 840)	2 037	14 722
Investment fund units	15 986	23 704	164	(984)	(17 669)	21 201
	27 583	38 146	486	(10 535)	(11 568)	44 112
	(3 101)	53 403	(14 901)	(26 031)	(30 966)	(21 596)

The movements in the fair value reserve on financial assets available-for-sale, during 2015, are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Revaluation	Acquisitions	Disposals	Impairment change of the year	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 fair value reserves on financial assets available-for-sale, are detailed as follows:

(Thousands of Euro)

	'16	'15
Amortized cost of available-for-sale financial assets	2 519 376	3 138 911
Accumulated impairment recognized	(98 276)	(67 309)
Amortized cost of available-for-sale financial assets, net of impairment	2 421 100	3 071 602
Market value of available-for-sale financial assets	2 399 504	3 068 501
Unrealized gains/(losses) recognized in the fair value reserve	(21 596)	(3 101)

47 Dividends distribution

During 2016 and 2015, CEMG did not distributed profits.

48 Non-controlling interests

This balance is analysed as follows:

(Thousands of Euro)

	Statement of Financial Position		Income Statement	
	2016	2015	2016	2015
Finibanco Angola, S.A.	12 121	12 853	1 992	1 679
Banco Terra, S.A.	11 080	15 816	37	(442)
	23 201	28 669	2 029	1 237

(Thousands of Euro)

	'16	'15
Opening balance	28 669	26 440
Exchange differences	(7 982)	992
Others	485	-
	21 172	27 432
Net income attributable to non-controlling interests	2 029	1 237
Closing balance	23 201	28 669

			Percentage held by non-controlling interests	
Name	Headquarters	Segment	2016	2015
Finibanco Angola, S.A.	Luanda	Banca	18,43%	18,43%
Banco Terra, S.A.	Maputo	Banca	54,22%	54,22%

The summary of the financial information for the Institutions referred above, prepared in accordance with the IFRS, is disclosed in note 62.

49 Obligations and other commitments

These balances are analysed as follows:

(Thousands of Euro)

	'16	'15
Guarantees granted	491 501	500 573
Commitments to third parties	1 272 659	1 398 196
Assets transferred in securitized operations	-	170 819
Deposit and custody of securities	6 893 858	7 449 316
	8 658 018	9 518 904

The amounts of Guarantees granted and Commitments to third parties are analysed as follows:

(Thousands of Euro)

	'16	'15
Guarantees granted		
Guarantees	432 259	444 669
Open documentary credits	58 813	55 475
Guarantees and indemnities (counter)	429	429
	491 501	500 573
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	488 069	628 956
Annual contribution to the Guarantee Deposits Fund	22 768	22 768
Potential obligation with the Investor's Indemnity System	1 592	1 689
Revocable commitments		
Revocable credt lines	760 230	744 783
	1 272 659	1 398 196

Bank guarantees granted are financial operations that do not translate necessarily into mobilisation of Funds by the Group.

The balance Commitments to third parties - Irrevocable commitments - irrevocable credit lines include Euro 63,655 thousands (31 December 2015: Euro 99,639 thousands) regarding Finibanco Angola, S.A. and Banco Terra, S.A.

Documentary credits correspond to irrevocable commitments with the Group's clients, 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 express 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 commitments, the analysis of these operations follows the same basic principles of any commercial operation, namely the solvency of the underlying client and business, and considering that the Group requires these operations to be adequately covered by collaterals when needed. Considering that is expected that the majority of these commitments expire without having being used, the indicated amounts do not represent necessarily future cash flow needs.

As at 31 December 2016 and 2015, the balance Annual contribution to the obligations of the 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 that Fund.

As at 31 December 2016 and 2015, under the Deposit Guarantee Fund, the Group granted as pledge treasury bonds (OT 4.35% 07/2017), recorded as financial assets available-for-sale, with a nominal value of Euro 25,000 thousands, as described in note 24.

As at 31 December 2016 and 2015, 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 due 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 credit recoveries or collaterals.

CEMG provides custody services over assets that are not included in the financial statements, as follows:

(Thousands of Euro)

	'16	'15
Deposit and custody of securities	6 893 858	7 449 316

50 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 of 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 financial assets and liabilities 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 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 term. The rate of return of funding with the European Central Bank is of 0.0% for the operations negotiated at December 2016.

Regarding loans and advances not measured at fair value, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity dates (rates from the monetary market or from the interest rate swap market, at the end of the period). For 31 December 2016, the average discount rate was 0.73% for Repos and 0.17% for the remaining resources. As at 31 December 2015 they were of -0.205% and 0.02%, 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 (Bid-price), 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 financial contents - 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 also calibrated against the values of short-term interest rate forwards. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are also 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 respective market conditions and terms.

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", the numerical methods based on techniques of discounted cash flow and options valuation models, considering market variables namely the market interest rates applicable to the instruments concerned, and where necessary, their volatility, shall apply.

Interest rates are determined based on information disseminated by the suppliers of financial contents - 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 also calibrated against the values of short-term interest rate forwards. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are also 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 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. 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 dates (rates from the monetary market or from the interest rate swap market, at the end of the year) and the spread used at the reporting date, which was calculated from the average of production for 2016. The average discount rate was 2.70% for housing loans (31 December 2015: 3.43%), 5.55% to individual credit (31 December 2015: 5.90%) to treasury loans is 3.90% (31 December 2015: 4.49%) and 4.46% to the remaining loans (31 December 2015: 4.48%), 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 and Debits to clients repayable on demand

Considering the short maturity of these financial instruments, the conditions of this portfolio are similar to those in force at the reporting date. 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 dates (rates of monetary market or the interest rate swap market, at the end of the year) and the spread of the Group at the reporting date, which was calculated from the average production of the last quarter of 2016. The average discount rate at 31 December 2016 was of 1.1% (31 December 2015: 1.04%).

Debt securities issued and Subordinated debt

For these financial instruments, fair value was calculated for the components that are not yet reflected on the balance sheet. For the fixed interest rate instruments for which the Group applies a hedge-accounting policy, 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, 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 9.09% (31 December 2015: 5.80%). The average discount rate calculated for senior issues placed on the retail market was 0.79% (31 December 2015: 1.28%). The senior issue placed on the institutional market is valued at fair value through profit or loss.

As at 31 December 2016, 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:

(Thousands of Euro)

	Currencies				
	Euro	United States Dollar	Sterling Pound	Swiss Franc	Japanese Yen
1 day	-0,3730%	0,7700%	0,2750%	-0,8350%	-0,0854%
7 days	-0,3730%	0,7233%	0,2750%	-0,8350%	-0,0854%
1 month	-0,3680%	0,7750%	0,2900%	-0,8250%	-0,4000%
2 months	-0,3380%	0,8500%	0,3700%	-0,7950%	-0,4900%
3 months	-0,3190%	1,0500%	0,3600%	-0,8000%	-0,3000%
6 months	-0,2210%	1,2500%	0,4500%	-0,6950%	-0,2500%
9 months	-0,1390%	1,4500%	0,6800%	-0,6250%	-0,2500%
1 year	-0,0820%	1,4750%	0,8000%	-0,6500%	-0,2500%
2 years	-0,1600%	1,4780%	0,6110%	-0,6000%	-0,0050%
3 years	-0,1000%	1,6820%	0,6910%	-0,5270%	0,0025%
5 years	0,0750%	2,0050%	0,8780%	-0,3210%	0,0450%
7 years	0,3150%	2,1970%	1,0470%	-0,0980%	0,0975%
10 years	0,6600%	2,3790%	1,2440%	0,1530%	0,1975%
15 years	1,0300%	2,5090%	1,4260%	0,4260%	0,4150%
20 years	1,1750%	2,5380%	1,4260%	0,4260%	0,4150%
30 years	1,2350%	2,5650%	1,4260%	0,4260%	0,4150%

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:

(Thousands of Euro)

	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%

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:

(Thousands of Euro)

			Volatility (%)				
Exchange rates	'16	'15	1 month	3 months	6 months	9 months	1 year
EUR/USD	1,0541	1,0887	10,313	10,530	10,835	10,630	10,520
EUR/GBP	0,8562	0,7340	9,825	10,270	10,850	10,808	10,790
EUR/CHF	1,0739	1,0835	5,340	6,125	7,115	7,360	7,475
EUR/JPY	123,40	131,07	11,325	12,165	13,670	13,555	13,528

Concerning the exchange rates, the Group uses in its valuation models the spot rate observed in the market at the time of the valuation.

The fair value of the financial assets and liabilities of CEMG, at 31 December 2016 and 2015, is presented as follows:

(Thousands of Euro)

	'16				
	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	-	-	381 289	381 289	381 289
Loans and advances to credit institutions repayable on demand	-	-	69 568	69 568	69 568
Loans and advances to credit institutions	-	-	559 091	559 091	559 091
Loans and advances to customers	40 713	-	13 820 321	13 861 034	13 742 484
Financial assets held-for-trading	78 168	-	-	78 168	78 168
Financial assets available-for-sale	-	2 399 504	-	2 399 504	2 399 504
Held-to-maturity investments	-	-	1 126 125	1 126 125	1 087 911
	118 881	2 399 504	15 956 394	18 474 779	18 318 015
Financial liabilities					
Deposits from central banks	-	-	2 322 947	2 322 947	2 322 947
Deposits from other credit institutions	53 818	-	2 222 122	2 275 940	2 289 634
Deposits from customers	15 631	-	12 452 188	12 467 819	12 438 474
Debt securities issued	82 921	-	1 837 114	1 920 035	1 958 372
Financial liabilities held-for-trading	26 148	-	-	26 148	26 148
Other subordinated debt	15 684	-	235 344	251 028	228 372
	194 202	-	19 069 715	19 263 917	19 263 947

(Thousands of Euro)

	'15				
	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
Financial assets available-for-sale	-	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	-	2 256 035	2 354 202	2 433 189
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

The following table summarizes, by valuation levels, the fair value of the Group's financial assets and liabilities, as at 31 December 2016::

(Thousands of Euro)

	'16				
	Level 1	Level 2	Level 3	Financial instruments at cost	Fair value
Financial assets					
Cash and deposits at central banks	381 289	-	-	-	381 289
Loans and advances to credit institutions repayable on demand	69 568	-	-	-	69 568
Loans and advances to credit institutions	-	-	559 091	-	559 091
Loans and advances to customers	-	40 713	13 701 771	-	13 742 484
Financial assets held-for-trading	44 940	33 228	-	-	78 168
Financial assets available-for-sale	1 796 441	43 352	554 484	5 227	2 399 504
Held-to-maturity investments	1 087 911	-	-	-	1 087 911
	3 380 149	117 293	14 815 346	5 227	18 318 015
Financial liabilities					
Deposits from central banks	2 322 947	-	-	-	2 322 947
Deposits from other credit institutions	-	53 818	2 235 816	-	2 289 634
Deposits from customers	-	15 631	12 422 843	-	12 438 474
Debt securities issued	-	82 921	1 875 451	-	1 958 372
Financial liabilities held-for-trading	1 458	24 690	-	-	26 148
Other subordinated debt	-	15 684	212 688	-	228 372
	2 324 405	192 744	16 746 798	-	19 263 947

The following table summarizes, by valuation levels, the fair value of the Group's financial assets and liabilities, as at 31 December 2015::

(Thousands of Euro)

	'15				
	Level 1	Level 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	13 897 302	-	13 942 127
Financial assets held-for-trading	19 798	31 295	-	-	51 093
Financial assets available-for-sale	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	14 473 441	5 411	18 053 505
Financial liabilities					
Deposits from 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	2 335 022	-	2 433 189
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 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 evaluation 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 evaluation technique used and inputs used and review processes to test the accuracy of the values obtained.

The Group considers an active market where transactions of particular financial instruments occur with frequency and business volumes sufficient for providing information over prices continuously. 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; 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.

During 2016, transfers in the amount of Euro 135,204 thousands were executed, which were related with the transfer of a real estate investment fund from level 1 in 2015 to level 3 in 2016, as described in note 24.

51 Long term and post-employment benefits

O GrupoThe Group 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 v). In addition, and in accordance with the same policy, the Group calculates on an annual basis, as of 31 December of each year, pension liabilities and other benefits.

The existent 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 the Group.

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.

In December 2016, the Group issued a new Collective Labor Agreement, introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the general Social Security system, and the attribution of an end-of-career award which replaced the extinguished seniority award.

In addition to the change in the benefit plan, there are also a number of special temporary provisions which impact on the calculation of the current liabilities value, in particular the freezing of salary increases for 2016 and 2017 and the freeze on automatic career promotions. As a result of the amendment to the ACT, contributions to SAMS were made based on a fixed cost per employee, and were no longer indexed to salaries.

The main actuarial assumptions used in calculating the current value of liabilities are as follows:

	Assumptions '16	'15
Financial assumptions		
Salaries increase rate	0% 2017;1,0% 2018+	0,75%
Pensions increase rate	0% 2017;0,5% 2018+	0,25%
Projected rate of return of plan assets	2,00%	2,75%
Discount rate	2,00%	2,75%
Revaluation		
Salaries growth rate - Social Securities	2,00%	0,75%
Pensions growth rate	1,00%	0,75%
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 actuarial calculation is made using in calculatin the present value of liabilities, in accordance with the requirements of IAS 19. The determination of the discount rate took into consideration: (i) the evolution of the main indices regarding high quality corporate brands and (ii) duration of the responsibilities.

As of 31 December 2016, the duration of liabilities amounts to 20.70 years (31 December 2015: 23.20 years).

The number of persons covered by the pension plan is as follows:

(Thousands of Euro)

	'16	'15
Actives	3 643	3 845
Retirees and survivors	1 232	1 027
	4 875	4 872

Based on the accounting policy described in note 1 u), post-employment benefits, other benefits and respective coverage levels are presented as follows:

(Thousands of Euro)

	'16	'15
Assets/(Liabilities) recognized in the balance sheet		
Projected benefit obligations with pension benefits		
Pensioners	(266 139)	(138 388)
Employees	(391 116)	(472 879)
	(657 255)	(611 267)
Projected benefit obligations with healthcare benefits		
Pensioners	(20 518)	(19 211)
Employees	(31 140)	(36 380)
	(51 658)	(55 591)
Projected benefit obligations with death benefits		
Pensioners	(1 604)	(700)
Employees	(1 501)	(911)
	(3 105)	(1 611)
Total	(712 018)	(668 469)
Coverages		
Pension Fund value	698 718	653 704
Net assets/(liabilities) in the balance sheet (see note 41)	(13 300)	(14 765)
Accumulated actuarial losses recognized in other comprehensive income	190 897	130 613

The changes in the defined benefit obligation can be analysed as follows::

(Thousands of Euro)

	'16				'15			
	Pension benefits	Healthcare benefits	Death subsidy	Total	Pension benefits	Healthcare benefits	Death subsidy	Total
Responsabilities in the beginning of the year	611 267	55 591	1 611	668 469	615 805	55 354	1 564	672 723
Current service cost	2 728	1 669	44	4 441	10 606	1 723	44	12 373
Interest cost	16 818	1 530	44	18 392	15 403	1 384	39	16 826
Actuarial gains/(losses)								
- Changes in the assumptions	56 981	(5 997)	663	51 647	(14 063)	(1 289)	(52)	(15 404)
- Not related to change assumptions	(4 508)	2 076	777	(1 655)	(8 192)	(348)	36	(8 504)
Change of the retirement age	(38 040)	(1 840)	(19)	(39 899)	-	-	-	-
Pensions paid by the fund	(13 648)	(1 371)	(15)	(15 034)	(8 972)	(1 233)	(20)	(10 225)
Early retirement, mutually agreed terminations and others	23 304	-	-	23 304	680	-	-	680
Participants contributions	2 353	-	-	2 353	-	-	-	-
Responsabilities in the end of the year	657 255	51 658	3 105	712 018	611 267	55 591	1 611	668 469

As mentioned, CEMG amended the ACT, and changed the retirement age. This represents a cut in employees benefits, in accordance with IAS 19, and its impact was recorded in the income statement.

The evolution of the pension fund's value in the year ended 31 December 2016 and 2015 is analysed as follows:

(Thousands of Euro)

	'16	'15
Fund value in the beginning of the year	653 704	583 670
Expected return on plan assets	17 987	14 592
Actuarial gains and (losses)	(10 292)	(1 416)
Group contributions	50 000	64 739
Participant contributions	2 353	2 344
Pensions paid by the fund	(15 034)	(10 225)
Fund value in the end of the period	698 718	653 704

CEMG contribution balance relates to contributions made in cash by the Group.

As at 31 December 2016 and 2015, the assets of the pension fund, divided between quoted and non-quoted, can be analysed as follows:

(Thousands of Euro)

	'16			'15		
	Assets of the Fund	Quoted	Non-quoted	Assets of the Fund	Quoted	Non-quoted
Variable income security						
Shares	51 162	51 162	-	46 994	46 994	-
Shares investment fund	101 235	96 316	4 919	96 460	3 244	93 216
Equity shares	1 245	1 245	-	1 937	1 937	-
Bonds	434 234	424 624	9 610	427 438	427 438	-
Real estate	7 589	-	7 589	7 846	-	7 846
Real estate investment funds	26 147	5 975	20 172	26 885	522	26 363
Securities investment funds	-	-	-	10 523	-	10 523
Venture capital funds	4 940	-	4 940	25	-	25
Investment in banks and others	72 166	-	72 166	35 596		35 596
Total	698 718	579 322	119 396	653 704	480 135	173 569

The pension fund' assets used by CEMG or representative of securities issued by other CEMG entities are analysed as follows:

(Thousands of Euro)

	'16	'15
Investments in banks and other	72 166	30 063
Real estate	7 589	7 846
Bonds	45	86
Others	1 245	1 937
	81 045	39 932

The changes in the accumulated actuarial gains and losses are analysed as follows:

(Thousands of Euro)

	'16	'15
Actuarial gains and losses in the beginning of the year	130 613	153 105
Actuarial (gains) and losses in the year		
- Changes in the assumptions	51 647	(15 404)
- Experience adjustments	8 637	(7 088)
Actuarial gains and losses recognized in other comprehensive income	190 897	130 613

The actuarial losses include, among others: (i) the positive amount of Euro 13,438 thousands resulting from the change in the contributions to SAMS, (ii) the negative amount of Euro 103,945 thousands resulting from the change in the discount rate and (iii) the positive amount of Euro 38,859 thousands of the combined effect of the changes in the growth rates of salaries, pensions and revaluation of salaries for the purpose of determining Social Security pension.

The costs with pensions, health-care benefits and death subsidies are analysed as follows:

(Thousands of Euro)

	'16	'15
Current service cost	4 441	10 029
Net interest costs/(Income) in the liabilities coverage balance	405	2 234
Early retirement, mutually agreed terminations and others costs	23 304	680
Change of the retirement age	(39 899)	-
Costs of the year	(11 749)	12 943

As at 31 December 2016 and 2015, the evolution of net (assets)/ liabilities in the balance sheet is analysed as follows:

(Thousands of Euro)

	'16	'15
In the beginning of the year	(14 765)	(89 053)
Group contribution	50 000	64 739
Current service cost	(4 441)	(10 029)
Net interest (costs)/income in the liabilities coverage balance	(405)	(2 234)
Actuarial gains / (losses) related to the liability	(49 992)	23 908
Financial gains / (losses) related to the pension fund	(10 292)	(1 416)
Change of the retirement age	39 899	-
Early retirement, mutually agreed terminations and others	(23 304)	(680)
In the end of the year	(13 300)	(14 765)

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:

(Thousands of Euro)

	'16 Liabilities		'15 Liabilities	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% change)	(35 968)	36 140	(34 557)	35 111
Wage growth rate (0.25% change)	22 844	(20 593)	21 961	(20 017)
Pension growth rate (0.25% change)	22 433	(20 810)	21 529	(20 192)
SAMS contribution (0.25% change)	3 176	(3 073)	3 048	(2 982)
Future death (1 year change)	(18 662)	18 287	(17 370)	17 195

As at 31 December 2016 and 2015, liabilities with the seniority premium amounted to Euro 7,127 thousands and Euro 14,548 thousands, respectively

The cost associated with the seniority award, for 2016 and 2015, amounted to Euro 1,612 thousands and Euro 763 thousands, respectively. Following the revision of the ACT applicable to CEMG, there was a profit of Euro 7,421 thousands in the year 2016, related to the extinction of this benefit.

The cost associated with the defined contribution plan amounted to Euro 46 thousands (2015: Euro 52 thousands).

52 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 2016 and 2015, the amount of the investment funds managed by Group companies is analysed as follows:

(Thousands of Euro)

	'16	'15
Securities investment fund	177 402	219 207
Real estate investment fund	294 436	333 773
Pensions fund	205 839	196 786
Bank and ensurance	45 415	60 178
	723 092	809 944

The amounts recognised in these accounts are measured at fair value determined at the balance sheet date.

53 Related parties transaction

As defined in IAS 24, are considered related parties of CEMG the companies detailed in note 61, 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.

CEMG's first-line directors are considered in Other key management personnel.

On this basis, the list of related parties considered by CEMG is presented as follows:

Holder of the Institutional Capital
Montepio Geral Associação Mutualista

Executive Board of Directors
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

Conselho Geral e de Supervisão
Álvaro João Duarte Pinto Correia
Acácio Jaime Liberato Mota Piloto
António Fernando Menezes Rodrigues
Eugénio Óscar Garcia Rosa
Francisco José Fonseca da Silva
José António de Arez Romão
Luís Eduardo Henriques Guimarães
Rui Pedro Bras Matos Heitor
Vitor Manuel do Carmo Martins

Board of Directors and other Related Parties
Alberto Carlos Nogueira Fernandes da Silva
Aldina Antónia da Costa Romaneiro
Amândio Manuel Carrilho Coelho
Ana Lúcia Louro Palhares
António Francisco de Araújo Pontes
António Paulo da Silva Gonçalves Raimundo
António Sezões Almeida Porto
António Tomás Correia
Artur Luís Martins
Bernard J. Christiaanse
Carlos Morais Beato
Eduardo José da Silva Farinha
Fernando Dias Nogueira
Fernando Paulo Pereira Magalhães
Fernando Ribeiro Mendes

Board of Directors and other Related Parties (cont.)
Fernão Vasco de Almeida Bezerra Fernandes Thomaz
Francisco António Laranjeira Souto
Isabel Maria Loureiro Alves Brito
João Filipe Milhinhos Roque
Joaquim de Campos Afonso
Joaquim Manuel Marques Cardoso
Johannes Hendricus de Roo
Jorge Humberto Cruz Barros Jesus Luís
Jorge Manuel Santos Oliveira
Jorge Rafael Torres Gutierrez de Lima
José António Fonseca Gonçalves
José de Almeida Serra
José Joaquim Fragoso
José Luís Esparteiro da Silva Leitão
José Manuel Rodriguez Garcia
Luís Filipe dos Santos Costa
Luís Miguel Marques Ferreira Cardoso
Luís Soares dos Santos
Manuel Aranda da Silva
Manuel de Pinho Baptista
Margarida Maria Pinto Rodrigues Duarte
Maria Manuela Traquina Rodrigues
Mário José Brandão Ferreira
Mário José Matos Valadas
Miguel Alexandre Teixeira Coelho
Norberto da Cunha Junqueira F. Félix Pilar
Nuno Henrique Serra Mendes
Paula Alexandra Gonçalves de Oliveira Guimarães
Pedro António Castro Nunes Coelho
Pedro Jorge Gouveia Alves
Pedro Miguel de Almeida Alves Ribeiro
Pedro Miguel Moura Líbano Monteiro
Ricardo Canhoto de Carvalho
Rosa Maria Parra Sevilla
Virgílio Manuel Boavista Lima
Vitor Guilherme de Matos Filipe

Other key management elements

Alexandra M. Quirino. P. Silva
Alexandra Melo Ponciano
Ana Catarina Mendes Horta
Ana Maria G. Almeida
António Fernando Figueiredo Lopes
António José M. L. Coutinho
Fernando Jorge Lopes Centeno Amaro
Fernando M. S. Costa Alexandre
Gabriel Fernando Sá Torres
João Eduardo Dias Fernandes
José Carlos Sequeira Mateus
Luís Miguel O. Melo Correia
Luísa Maria Xavier Machado

Other key management elements (cont.)

Maria Carmo M. V. Calvão
Maria Fernanda M. C. Correia
Maria Margarida C. P. R. R. Andrade
Nuno Augusto Pereira Coelho
Patrícia E. C. E. Fernandes
Paulo Jorge A. Rodrigues
Pedro Jorge Fonte Araújo
Pedro Miguel R. Crespo
Pedro Nuno Coelho Pires
Rui Sérgio C. S. C. Gama
Rosária Fátima M. Abreu
Vasco Francisco Almeida
Vítor Fernando Santos Cunha

Other related parties

Bem Comum, Sociedade de Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
Clínica CUF 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.
Leacock Prestação de Serviços, Limitada
Lestinvest, S.G.P.S., S.A. *
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Moçambique Companhia de Seguros, S.A.R.L.
Montepio Gestão de Activos - S.G.F.I., S.A.
Montepio Gestão de Activos Imobiliários, A.C.E.
Montepio Imóveis - Sociedade Imobiliária de Serviços Auxiliares, S.A.
Montepio Seguros, S.G.P.S., S.A.
N Seguros, S.A.
Naviser - Transportes Marítimos Internacionais, S.A.
Nebra Energias Renovables, S.L.
Nebra Renovables, S.L.
Nova Câmbio - Instituição de Pagamento, S.A.
Residências Montepio, Serviços de Saúde, S.A.
SAGIES - Segurança e Higiene no Trabalho, S.A.
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.
Sociedade Portuguesa de Administrações, S.A.

* Entidade liquidada no exercício de 2016.

As at 31 December 2016, the assets held by the Group regarding related parties under article 109, represented or not by securities, included in balances Loans and advances to customers (Gross), Other assets and Guarantees and commitments provided to third parties are analysed as follows:

(Thousands of Euro)

	'16			
Companies	Loans and advances to customers	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.	12	-	-	12
Conselho de Administração de Outras Partes Relacionadas	1 181	-	-	1 181
Conselho de Administração Executivo	145	-	-	145
Conselho Geral e de Supervisão	859	-	-	859
Outros Elementos chave de Gestão	3 489	-	-	3 489
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	1	-	-	1
Germont - Empreendimentos Imobiliários, S.A.	16 323	-	2 731	19 054
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	2 449	-	1 050	3 499
Lusitania Vida, Companhia de Seguros, S.A.	1	-	-	1
Lusitania, Companhia de Seguros, S.A.	-	-	1 500	1 500
Montepio Geral Associação Mutualista	11	36 834	177	37 022
Montepio Imóveis - Soc Imobiliária de Serviços Auxilares, S.A.	13 452	-	-	13 452
Nova Câmbio - Instituição de Pagamento, S.A.	1	-	1 000	1 001
Residências Montepio, Serviços de Saúde, S.A.	1 242	-	-	1 242
	39 167	36 834	6 458	82 459

As at 31 December 2015, the assets held by the Group regarding related parties under article 109, represented or not by securities, included in balances Loans and advances to customers (Gross), Other assets and Guarantees and commitments provided to third parties are analysed as follows:

(Thousands of Euro)

	'15			
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
Current Executive Board of Directors	155	-	-	155
Previous Executive Board of Directors	228	-	-	228
Current General and Supervisory Board	844	-	-	844
Previous General and Supervisory Board	361	-	-	361
Board of Directors of other related parties	366	-	-	366
Other key management elements	3 814	-	8	3 822
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 Activos 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
Residências Montepio, Serviços de Saúde, S.A.	980	-	-	980
	79 487	76 364	18 306	174 157

As at 31 December 2016, CEMG's liabilities regarding related parties under article 109 included in balances Participation Fund, Deposits from customers, Liabilities represented by securities and Other subordinated debt and Other liabilities, are analysed as follows:

(Thousands of Euro)

	'16			
Companies	Participation fund	Deposits from customers	Liabilities represented by securities and other subordinated debt	Total
Bolsimo - Gestão de Activos, S.A.	-	5 884	-	5 884
Clínica CUF Belém, S.A.	-	13	-	13
Clínica de Serviços Médicos Computorizados de Belém, S.A.	-	9	-	9
Board of Directors of other related parties	69	3 036	130	3 235
Executive Board of Directors	45	1 528	-	1 573
General and Supervisory Board	55	1 895	-	1 950
Other key management elements	36	1 299	20	1 355
Empresa Gestora de Imóveis da Rua do Prior S.A	-	5	-	5
Finibanco Vida - Companhia de Seguros de Vida, S.A.	-	2 227	1 000	3 227
Fundação Montepio Geral	-	982	-	982
Fundo de Pensões - Montepio Geral	2 998	74 578	50	77 626
Futuro - Sociedade Gestora de Fundos de Pensões, S.A.	-	1 574	-	1 574
Germont - Empreendimentos Imobiliários, S.A.	-	62	-	62
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	73	-	73
Lusitania Vida, Companhia de Seguros, S.A.	-	15 399	21 250	36 649
Lusitania, Companhia de Seguros, S.A.	500	13 394	13 000	26 894
Montepio Geral Associação Mutualista	284 113	253 604	994 714	1 532 431
Montepio Gestão de Activos - Soc Gestora Fundos de Investimento, S.A.	-	1 290	-	1 290
Montepio Gestão de Activos Imobiliários, ACE	-	2 168	-	2 168
Montepio Seguros, S.G.P.S., S.A.	-	159	-	159
N Seguros, S.A.	220	1 073	-	1 293
Nova Câmbio - Instituição de Pagamento, S.A.	302	462	-	764
Residências Montepio, Serviços de Saúde, S.A.	-	88	-	88
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	81	-	81
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	2 093	-	2 093
Sociedade Portuguesa de Administrações, S.A.	-	146	-	146
	288 338	383 122	1 030 164	1 701 624

As at 31 December 2015, CEMG's liabilities regarding related parties under article 109 included in balances Participation Fund, Deposits from customers, Liabilities represented by securities and Other subordinated debt and Other liabilities, are analysed as follows:

(Thousands of Euro)

	'15				
Companies	Participation fund	Deposits from customers	Liabilities represented by securities and other subordinated debt	Total	Total
Bolsimo - Gestão de Activos, S.A.	-	3 696	-	-	3 696
Clínica CUF Belém, S.A.	-	17	-	-	17
Clínica de Serviços Médicos Computorizados de Belém, S.A.	-	6	-	-	6
Current Executive Board of Directors	-	2 320	45	-	2 365
Previous Executive Board of Directors	-	155	-	-	155
Current General and Supervisory Board	-	1 749	-	-	1 749
Previous General and Supervisory Board	-	2 018	5	-	2 023
Board of Directors of other related parties	-	741	139	-	880
Other key management elements	-	2 168	66	-	2 234
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	1 321 887	-	1 697 202
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 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
Residências Montepio, Serviços de Saúde, S.A.	-	113	-	-	113
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	294	-	-	294
SILVIP - Soc. Gestora Fundos Investimento Imobiliarios, S.A.	-	1 634	-	-	1 634
Sociedade Portuguesa de Administrações, S.A.	-	282	-	-	282
	207 261	265 701	1 358 447	1 937	1 833 346

As at 31 December 2016, CEMG's income and expenses with related parties under article 109, 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:

(Thousands of Euro)

	'16				
Companies	Interest and similar income	Interest and similar expenses	Net commission and other income	Other operating income	Genenral and administrative expenses
Bolsimo -Gestão de Activos, S.A.	-	-	1	-	-
Board of Directors of other related parties	2	27	2	1	-
Clínica de Serviços Médicos	1	-	-	-	-
Executive Board of Directors	-	10	1	-	-
General and Supervisory Board	9	20	1	-	-
Other key management elements	12	11	2	-	-
Finibanco Vida - Companhia de Seguros de Vida, S.A.	-	62	46	-	-
Fundo de Pensões - Montepio Geral	-	41	-	-	-
Futuro - Sociedade Gestora de Fundos de Pensões, S.A.	-	19	5	-	-
Germont - Empreendimentos Imobiliários, S.A.	378	-	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	195	-	1	-	-
Lestinvest, S.G.P.S., S.A.	-	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	385	7 798	-	-
Lusitania, Companhia de Seguros, S.A.	11	198	4 910	6	-
Montepio Geral Associação Mutualista	-	55 578	1 455	15 785	5 555
Montepio Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	-	5	5	-	-
Montepio Gestão de Activos Imobiliários, ACE	-	-	-	2 864	-
Montepio Imóveis - Sociedade Imobiliária de Serviços Auxilares, S.A.	175	-	1	-	-
Montepio Seguros, S.G.P.S., S.A.	-	-	37	-	-
N Seguros, S.A.	-	8	10	-	-
Nova Câmbio - Instituição de Pagamento, S.A.	41	-	35	-	-
Residências Montepio, Serviços de Saúde, S.A.	22	-	30	24	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	16	-	-	-
	846	56 380	14 340	18 680	5 555

As at 31 December 2015, CEMG's income and expenses with related parties under article 109, 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::

(Thousands of Euro)

	'15				
Companies	Interest and similar income	Interest and similar expenses	Net commission and other income	Other operating income	Genenral and administrative expenses
Bolsimo -Gestão de Activos, S.A.	-	-	2	-	-
Board of Directors of other related parties	1	-	-	-	-
Clínica de Serviços Médicos	-	19	-	-	-
Executive Board of Directors	-	4	-	-	-
General and Supervisory Board	13	46	1	-	-
Other key management elements	4	13	-	-	-
Finibanco Vida - Companhia de Seguros de Vida, S.A.	2	11	2	-	-
Fundo de Pensões - Montepio Geral	14	34	2	-	-
Futuro - Sociedade Gestora de Fundos de Pensões, S.A.	-	2	2	-	-
Germont - Empreendimentos Imobiliários, S.A.	-	74	29	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	1	-	-	-
Lestinvest, S.G.P.S., S.A.	-	288	1	-	369
Lusitania Vida, Companhia de Seguros, S.A.	-	36	9	1	-
Lusitania, Companhia de Seguros, S.A.	410	-	-	-	-
Montepio Geral Associação Mutualista	55	-	-	-	-
Montepio Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	1 797	-	12	-	-
Montepio Gestão de Activos Imobiliários, ACE	-	2 121	4 917	-	-
Montepio Imóveis - Sociedade Imobiliária de Serviços Auxilares, S.A.	14	440	3 391	621	-
Montepio Seguros, S.G.P.S., S.A.	-	73 907	5	33 312	16 535
N Seguros, S.A.	-	25	5	-	-
Nova Câmbio - Instituição de Pagamento, S.A.	-	-	-	2 482	2 441
Residências Montepio, Serviços de Saúde, S.A.	156	-	-	-	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	-	48	-	-
N Seguros, S.A.	-	91	9	-	-
NovaCâmbios, Instituição de Pagamento, S.A.	74	-	111	1	-
Residências Montepio, Serviços de Saúde, S.A.	21	-	37	30	-
SILVIP - Soc. Gestora Fundos Investimento Imobiliarios, S.A.	-	16	-	-	-
	2 561	77 128	8 583	36 447	19 345

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 2016, and as described in note 63, the following relevant transactions were carried out with other related parties:

- Acquisition of properties for Montepio Geral Associação Mutualista's own use, for the total amount of Euro 199,444 thousands, as described in note 30;

- Acquisition of subordinated and perpetual debt securities, in the total amount of Euro 45,191 thousands to Montepio Geral Associação Mutualista;
- Acquisition of 2,868,092 Units of the Finipredial Participation Fund, in the amount of Euro 24,738 thousands to Montepio Geral Associação Mutualista; and
- Acquisition of 31,500,000 Units of the Participation Fund by Montepio Geral Associação Mutualista, in the total amount of Euro 18,302 thousands.

During 2016 and 2015, there were no transactions with the pension's fund of CEMG.

54 Securitização de ativos

As at 31 December 2016, there are eight securitization transactions, seven 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 653,250 thousands. 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 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 762,375 thousands. 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 1,028,600 thousands. 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 236,500 thousands (Aqua Mortage 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 1,027,500 thousands. 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 1,107,000 thousands. 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 Geral 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 308,700 thousands. 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 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 thousands. 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) 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. assures the same functions for operation operating Pelican Finance No. 1.

As at 31 December 2016, the securitization operations executed by the Group are presented as follows:

(Thousands of Euro)

				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	48 553	653 250	36 405
Pelican Mortgages No. 3	March, 2007	euro	Mortgage credit	762 375	250 542	762 375	121 955
Pelican Mortgages No. 4	May, 2008	euro	Mortgage credit	1 028 600	669 799	1 028 600	-
Aqua Mortgage No. 1	December, 2008	euro	Mortgage credit	236 500	133 455	236 500	-
Pelican Mortgages No. 5	March, 2009	euro	Mortgage credit	1 027 500	668 633	1 027 500	-
Pelican Mortgages No. 6	February, 2012	euro	Mortgage credit	1 107 000	873 879	1 107 000	-
Pelican Finance No. 1	May, 2014	euro	Consumer credit	308 700	293 567	308 700	-
Pelican SME No. 2	March, 2015	euro	Small companies	1 124 300	1 026 425	1 124 300	416 200
				6 248 225	3 964 853	6 248 225	574 560

As at 31 December 2015, the securitization operations executed by the Group are presented as follows:

(Thousands of Euro)

				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 securitization operation and nature of the contracts at 31 December 2016 is presented as follows:

(Thousands of Euro)

	Not derecognised securitisation operations							
	Pelican Mortgage no. 3	Pelican Mortgage no. 4	Aqua Mortgage no. 1	Pelican Mortgage no. 5	Pelican Mortgage no. 6	Pelican Finance no. 1	Pelican SME no. 2	Total
Domestic credit								
Corporate								
Loans and advances	-	-	-	-	-	-	735 889	735 889
Pledged current account	-	-	-	-	-	-	139 310	139 310
Other credits	-	-	-	-	-	-	62 466	62 466
Private								
Mortgage	249 498	666 603	129 452	665 858	864 865	-	-	2 576 276
Consumer and other	-	-	-	-	-	290 372	73 863	364 235
	249 498	666 603	129 452	665 858	864 865	290 372	1 011 528	3 878 176
Credit and overdue interest								
Less than 90 days	155	697	553	630	1 745	421	680	4 881
More than 90 days	889	2 499	3 450	2 145	7 269	2 774	14 217	33 243
	1 044	3 196	4 003	2 775	9 014	3 195	14 897	38 124
	250 542	669 799	133 455	668 633	873 879	293 567	1 026 425	3 916 300

Additionally, the detail of securitized loans not derecognised by securitization operation and nature of the contracts at 31 December 2015 is presented as follows:

(Thousands of Euro)

	Not derecognised securitisation operations							
	Pelican Mortgage no. 3	Pelican Mortgage no. 4	Aqua Mortgage no. 1	Pelican Mortgage no. 5	Pelican Mortgage no. 6	Pelican Finance no. 1	Pelican SME no. 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	149 604	714 842	908 047	-	-	2 758 232
Consumer and other	-	-	-	-	-	289 340	83 350	372 690
	274 602	711 137	149 604	714 842	908 047	289 348	1 013 720	4 061 300
Credit and overdue interest								
Less than 90 days	28	368	381	256	1 248	356	1 335	3 972
More than 90 days	1 011	2 871	3 309	1 940	5 520	1 594	5 298	21 543
	1 039	3 239	3 690	2 196	6 768	1 950	6 633	25 515
	275 641	714 376	153 294	717 038	914 815	291 298	1 020 353	4 086 815

As at 31 December 2016, the notes issued by the special purpose vehicles, are analysed as follows:

(Thousands of Euro)

						Rating (initial)				Rating (current)			
Issue	Bond	Initial nominal value euros	Current nominal value euros	"CEMG's interest retention euros	Maturity date	Fitch	Moodys	S&P	DBRS	Moodys	S&P	DBRS	DBRS
Pelican Mortgages No 1	Class A	611 000 000	5 327 017	2 184 600	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 3	Class A	717 375 000	236 777 846	114 821 933	2054	AAA	Aaa	AAA	n.a.	BBB-	A3	BB+	n.a.
	Class B	14 250 000	6 113 269	6 113 250	2054	AA-	Aa2	AA-	n.a.	BBB-	Ba2	B-	n.a.
	Class C	12 000 000	5 148 016	5 148 000	2054	A	A3	A	n.a.	BB	B2	B-	n.a.
	Class D	6 375 000	2 734 883	2 734 875	2054	BBB	Baa3	BBB	n.a.	B	Caa1	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	527 322 161	527 322 161	2056	AAA	n.a.	n.a.	AAA	A+	n.a.	n.a.	A (h)
	Class B	55 500 000	46 680 533	46 680 533	2056	AA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	n.a.
	Class C	60 000 000	50 465 441	50 465 441	2056	A-	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Class D	25 000 000	21 027 267	21 027 267	2056	BBB	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class E	27 500 000	23 129 994	23 129 994	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	461 406 237	461 406 237	2061	AAA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	AA (h)
	Class B	195 000 000	161 601 606	161 601 606	2061	BBB-	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	27 500 000	22 789 970	22 789 970	2061	B	n.a.	n.a.	n.a.	BBB-	n.a.	n.a.	n.a.
	Class D	27 500 000	22 789 970	22 789 970	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	570 574 444	570 574 444	2063	A	n.a.	A-	AA	A+	n.a.	A-	AA (h)
	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	96 484 665	96 484 665	2063	n.a.	n.a.	AAA	n.a.	n.a.	n.a.	A+	AA (h)
	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	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	129 700 000	2043	A+	n.a.	n.a.	A (lo)	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 2015, the notes issued by the special purpose vehicles, are analysed as follows:

(Thousands of Euro)

						Rating (initial)				Rating (current)			
Issue	Bond	Initial nominal value euros	Current nominal value euros	"CEMG's interest retention euros	Maturity date	Fitch	Moodys	S&P	DBRS	Moodys	S&P	DBRS	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+	AA (h)
	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.	AA (h)
	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 (lo)	A+	n.a.	n.a.	A (lo)
	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.

55 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 and focusing on the domestic 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, and also 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.

As at 31 December 2016, the Group has a network of 327 branches in Portugal and with one branch in Cabo Verde, one financial institution in Angola with 23 branches, one financial institution in Mozambique with 10 branches.

When evaluating the performance by business area, the Group considers the following operating segments:

- Retail Bank, which includes the sub segments of Private, Individual Managers, Micro business and Social Charity Private Institutions;

- Corporate and Institutional, which includes big sized companies, medium and small companies, Financial Institutions and The Public Sector; and

- 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 whose activity is also allocated.

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 and (iii) Banco Terra S.A., which by geographical criteria, results can be distinguished in Portugal (Domestic Area) from Cabo Verde, Angola and Mozambique (International Area).

Segment 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, self-employed entrepreneurs, small businesses and IPSS, commercially designated by Individuals and Small Businesses segment, 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 Cabo Verde the Group is represented by local financial institutions which offers a wide range of products and financial services to private customers and corporate companies.

Corporate and Institutional Banking

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 (Banco Montepio Geral 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 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 legally autonomous units of the Group are settled 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 pool referred above (which varies 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 defined criteria.

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 the segment designated by Operations in other 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 Group's Pension Funds' assets correspond, mainly, to external elements to the management performance of each segment; 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. 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 2016, is presented as follows:

(Thousands of Euro)

Income Statement			Other segments				
	Retail	Corporate and institutional	Markets	Non core assets (Real estate)	Discontinued operations	Other operating segments	Total
Interest and similar income	270 042	103 621	135 699	-	-	24 977	534 338
Interest and similar expense	136 722	30 101	105 557	-	-	8 785	281 165
Net interest income	133 320	73 520	30 142	-	-	16 192	253 173
Dividends from equity instuments	-	-	11 647	-	-	-	11 647
Net gains/(losses) arising from fees and commissions	96 451	28 368	380	-	-	(23 710)	101 489
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	-	-	(18 194)	-	-	-	(18 194)
Net gains/(losses) arising from available--for-sale financial assets	-	-	53 736	-	-	-	53 736
Net gains arising from foreign exchange differences	-	-	1 445	-	-	-	1 445
Net gains/(losses) arising from sale of other financial assets	13 230	-	-	2 203	-	(3 272)	12 161
Other operating income	18 389	1 180	701	(17 467)	-	(46 738)	(43 935)
Total operating income	261 390	103 067	79 858	(15 264)	-	(57 528)	371 522
Staff costs	90 066	18 147	2 152	1 322	-	53 818	165 505
General and administrative expenses	51 498	23 426	1 881	3 504	-	13 714	94 024
Depreciation and amortisation	-	-	-	-	-	24 270	24 270
	141 564	41 573	4 033	4 826	-	91 803	283 799
Total provisions and impairment	105 372	77 107	44 484	34 005	-	520	261 488
Total operating net income	14 454	(15 613)	31 341	(54 095)	-	(149 851)	(173 765)
Share of profits of associates under equity method	-	-	-	-	-	250	250
Income before taxes and non-controlling interests	14 454	(15 613)	31 341	(54 095)	-	(149 601)	(173 515)
Current and deferred taxes	(4 264)	4 606	(9 245)	15 958	-	89 189	96 244
Non-controlling interests	-	-	-	-	2 029	-	2 029
Results from discontinued operations	-	-	-	-	(7 184)	-	(7 184)
Consolidated net income/(loss) for the year attributable to the institutional capital and the participation fund holders	10 190	(11 007)	22 095	(38 135)	(9 213)	(60 412)	(86 484)
Net assets	10 394 000	3 768 000	3 603 797	1 368 172	-	2 211 940	21 345 909
Liabilities	10 089 000	1 557 000	2 197 211	-	-	6 046 200	19 889 411
Investment in associates	-	-	4 042	-	-	-	4 042

The balance Other segments - Discontinued operations includes the contribution of the subsidiaries Finibanco Angola, S.A. and Banco Terra, S.A., whose impact on the various captions of the Income Statement is presented in note 62.

The report by operating segments as at 31 December 2015, is presented as follows:

(Thousands of Euro)

Income Statement			Other segments				
	Retail	Corporate and institutional	Markets	Non core assets (Real estate)	Discontinued operations	Other operating segments	Total
Interest and similar income	301 263	107 969	150 525	-	-	31 747	591 504
Interest and similar expense	204 603	57 066	112 900	-	-	20 930	395 498
Net interest income	96 661	50 903	37 625	-	-	10 817	196 006
Dividends from equity instuments	-	-	3 632	-	-	-	3 632
Net gains/(losses) arising from fees and commissions	75 887	24 199	5 609	-	-	(9 624)	96 071
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	-	-	(14 161)	-	-	-	(14 161)
Net gains/(losses) arising from available--for-sale financial assets	-	-	114 451	-	-	-	114 451
Net gains arising from foreign exchange differences	-	-	2 369	-	-	-	2 369
Net gains/(losses) arising from sale of other financial assets	(1 662)	-	-	(14 334)	-	16 440	444
Other operating income	15 497	850	(3 916)	(24 249)	-	16 593	4 775
Total operating income	186 382	75 952	145 609	(38 583)	-	34 226	403 587
Staff costs	123 415	37 563	2 184	1 111	-	27 082	191 355
General and administrative expenses	72 608	20 196	1 792	3 285	-	17 059	114 939
Depreciation and amortisation	-	-	-	-	-	23 702	23 702
	196 022	57 759	3 976	4 395	-	67 843	329 996
Total provisions and impairment	51 232	190 481	16 000	70 295	-	15 819	343 827
Total operating net income	(60 872)	(172 288)	125 633	(113 273)	-	(49 436)	(270 236)
Share of profits of associates under equity method	-	-	-	-	-	(3 910)	(3 910)
Income before taxes and non-controlling interests	(60 872)	(172 288)	125 633	(113 273)	-	(53 346)	(274 146)
Current and deferred taxes	17 957	50 825	(37 062)	33 416	-	(42 026)	23 110
Non-controlling interests	-	-	-	-	1 237	-	1 237
Results from discontinued operations	-	-	-	-	8 866	-	8 866
Consolidated net income/(loss) for the year attributable to the institutional capital and the participation fund holders	(42 915)	(121 463)	88 572	(79 858)	7 629	(95 372)	(243 407)
Net assets	8 574 409	6 087 868	3 281 134	1 447 383	-	1 754 422	21 145 216
Liabilities	9 794 095	3 175 336	2 757 969	-	-	4 073 669	19 801 070
Investment in associates	-	-	-	-	-	3 908	3 908

The balance Other segments - Discontinued operations includes the contribution of the subsidiaries Finibanco Angola, S.A. and Banco Terra, S.A., whose impact on the various captions of the Income Statement is presented in note 62.

As at 31 December 2016, the net contribution of the main geographical areas is as follows:

(Thousands of Euro)

Income Statement	Activity		
	Domestic	International	Total
Interest and similar income	534 336	2	534 338
Interest and similar expense	274 689	6 476	281 165
Net interest income	259 647	(6 474)	253 173
Dividends from equity instruments	11 647	-	11 647
Fees and commissions income	101 489	-	101 489
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	(18 194)	-	(18 194)
Net gains/(losses) arising from available-for-sale financial assets	53 736	-	53 736
Net gains arising from foreign exchange differences	1 507	(62)	1 445
Other operating income / (expenses)	(33 034)	1 260	(31 774)
Total operating income	376 798	(5 276)	371 522
Staff costs	165 429	76	165 505
General and administrative expenses	93 888	136	94 024
Depreciation and amortisation	24 254	16	24 270
	283 571	228	283 799
Loans impairment	182 479	-	182 479
Other financial assets impairment	44 484	-	44 484
Other assets impairment	40 833	-	40 833
Other provisions	(6 308)	-	(6 308)
Total operating net income	(168 261)	(5 504)	(173 765)
Share of profits of associates under equity method	250	-	250
Net income/(loss) before taxes and non-controlling interests	(168 011)	(5 504)	(173 515)
Current taxes	(1 697)	-	(1 697)
Deferred taxes	97 941	-	97 941
Results from discontinued operations	-	(7 184)	(7 184)
Non-controlling interests	-	2 029	2 029
Consolidated net income/(loss) for the year attributable to the institutional capital and the participation fund holders	(71 767)	(14 717)	(86 484)

International activity includes in the balance Results from discontinued operations the contribution of the subsidiaries Finibanco Angola, S.A. and Banco Terra, S.A., whose impact on the various captions of the Income Statement is presented in note 62.

As at 31 December 2016, the net contribution of the main geographical areas is as follows:

(Thousands of Euro)

Statement of Financial Position	Activity		
	Domestic	International	Total
Cash and deposits at credit institutions	1 009 922	26	1 009 948
Loans and advances to customers	13 861 034	-	13 861 034
Investments in financial assets and associated companies	3 616 835	(8 996)	3 607 839
Non-current assets held-for-sale	760 204	-	760 204
Investment properties	607 968	-	607 968
Non-current assets held-for-sale - discontinued operations	470 416	-	470 416
Other assets	1 028 404	96	1 028 500
Total Assets	21 354 783	(8 874)	21 345 909
Deposits from central banks and credit institutions	4 598 887	-	4 598 887
Deposits from customers	12 245 331	222 488	12 467 819
Debt securities and subordinated liabilities issued	2 171 063	-	2 171 063
Non-current liabilities held-for-sale - discontinued operations	354 781	-	354 781
Other liabilities	295 110	1 751	296 861
Total Liabilities	19 665 172	224 239	19 889 411
Non-controlling interests	-	23 201	23 201
Total equity attributable to the institutional capital and the participation fund holders	1 422 854	10 443	1 433 297
Total Equity	1 446 055	10 443	1 456 498
Total Liabilities and Equity	21 111 227	234 682	21 345 909

International activity includes in the balance Non-current assets and liabities held for sale - discontinued operations the contribution of the subsidiaries Finibanco Angola, S.A. and Banco Terra, S.A., whose impact on the various captions of the Income Statement is presented in note 62.

As at 31 December 2015, the net contribution of the main geographical areas is as follows:

(Thousands of Euro)

Income Statement	Atividade		
	Interest and similar income	Internacional	Total
Interest and similar income	571 386	20 118	591 504
Interest and similar expense	377 021	18 477	395 498
Net interest income	194 365	1 641	196 006
Dividends from equity instruments	3 632	-	3 632
Fees and commissions income	96 071	-	96 071
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	(14 161)	-	(14 161)
Net gains/(losses) arising from available-for-sale financial assets	114 451	-	114 451
Net gains arising from foreign exchange differences	2 417	(48)	2 369
Other operating income / (expenses)	4 988	231	5 219
Total operating income	401 763	1 824	403 587
Staff costs	191 269	86	191 355
General and administrative expenses	114 444	495	114 939
Depreciation and amortisation	23 685	17	23 702
	329 398	598	329 996
Loans impairment	241 704	-	241 704
Other financial assets impairment	16 000	-	16 000
Other assets impairment	88 603	-	88 603
Other provisions	(2 480)	-	(2 480)
Total operating net income	(271 462)	1 226	(270 236)
Share of profits of associates under equity method	(3 910)	-	(3 910)
Net income/(loss) before taxes and non-controlling interests	(275 372)	1 226	(274 146)
Current taxes	3 129	-	3 129
Deferred taxes	19 981	-	19 981
Results from discontinued operations	-	8 866	8 866
Non-controlling interests	-	1 237	1 237
Consolidated net income/(loss) for the year attributable to the institutional capital and the participation fund holders	(252 262)	8 855	(243 407)

International activity includes in the balance Results from discontinued operations the contribution of the subsidiaries Finibanco Angola, S.A. and Banco Terra, S.A., whose impact on the various captions of the Income Statement is presented in note 62.

As at 31 December 2015, the net contribution of the main geographical areas is as follows:

(Thousands of Euro)

Statement of Financial Position	Activity		
	Domestic	International	Total
Cash and deposits at credit institutions	290 899	543 602	834 501
Loans and advances to customers	14 357 017	305 260	14 662 277
Hedging derivatives	9	-	9
Investments in financial assets and associated companies	3 145 605	139 437	3 285 042
Non-current assets held-for-sale	754 069	829	754 898
Investment properties	692 485	-	692 485
Other assets	861 251	54 753	916 004
Total Assets	20 101 335	1 043 881	21 145 216
Deposits from central banks and credit institutions	3 800 617	49 772	3 850 389
Deposits from customers	12 129 280	840 151	12 969 431
Debt securities and subordinated liabilities issued	2 336 257	27 947	2 364 204
Other liabilities	600 718	16 328	617 046
Total Liabilities	18 866 872	934 198	19 801 070
Non-controlling interests	28 669	-	28 669
Total equity attributable to the institutional capital and the participation fund holders	1 205 794	109 683	1 315 477
Total Equity	1 234 463	109 683	1 344 146
Total Liabilities and Equity	20 101 335	1 043 881	21 145 216

56 Risk management

Risk general profile

Risk appetite is based on certain principles - namely consistency, sustainability and profitability - and is defined in terms of the strategic plan and the intended market positioning. The Group analyzes the risks it faces in its activities and identifies those that are materially relevant. For these, objectives are set according to the desired level of return and strategy, tolerance levels, that is, ranges of risk variation that can lead to discussions and decisions about corrective measures, and limits that are exceeded can lead to immediate corrective measures.

The main concern of the Executive Board in determining risk appetite is its alignment with other organizational components (business strategy and global vectors of risk strategy). In addition, the Executive Board of Directors seeks to ensure that risk appetite is well understood across the entire organization, especially the business units responsible for decision making, which may affect risk exposure and its monitoring.

The Executive Board of Directors determines the maintenance of sound balance sheet ratios, through a strong capital position and a stable and secure liquidity profile, which allow for stressful situations. The Executive Board of Directors seeks to ensure sufficient capital to meet regulatory requirements to cover potential losses, with an optimized balance sheet structure that maintains stable financing capacity and strong liquidity reserves, ensuring the continuity of its operations and the protection of its depositors and holders of non-subordinated debt.

Particularly, the Group has clear objectives, determined in its strategic plan, for capital ratios, ratio of transformation of deposits into credit and liquidity and financing ratios, in addition to a feasible and sustainable business model aligned with risk appetite.

Strategies and Processes

The Group is subject to several risks during the course of its business. The risk management of the Group's various companies is carried out centrally together with 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 real estate and operational - to which CEMG's business is subject are of particular importance.

The Group's overall risk management is the responsibility of the Executive Board of Directors, which defines the tolerance levels and maximum risk limits that it is willing to assume globally, for each specific risk considered materially relevant, in accordance with the defined strategic objectives and business plans. This policy is reviewed regularly on the basis of the results obtained and the levels defined for indicators and risk limits.

Control and efficient risk management have played a key role in Group's balanced and sustained development. In addition, it contributes to the optimization of the profitability / risk binomial of the various lines of business, they also ensure the maintenance of a conservative risk profile in solvency and liquidity.

Risk management has maintained the following main objectives:

- Identification, quantification and control of the different types of risk assumed, progressively adopting uniform principles and methodologies;
- Continuous contribution to the improvement of tools to support operation decisions and the development of internal techniques for performance evaluation and optimization of the capital base;
- Follow-up of activities and strategies, participating in the design of organizational solutions and in the assumed risk monitoring and reporting.

Structure and Governance

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.

Regarding internal supervision, the General and Supervisory Board, whose members are elected at the General Meeting of CEMG, which also appoints the President, appoints the Financial Matters Committee, whose independent functions include the supervision of the effectiveness on internal auditing systems and procedures, internal control, risk control and accounting.

There are also three Committees to Support the General and Supervisory Board. The Remuneration Committee is composed of three members elected at the General Assembly, who also appoints the President. The members of the Remuneration Committee shall be independent of the members of the Executive Board of Directors of CEMG and, in general, of the matters on which they deliberate and include at least one member with knowledge and experience in remuneration policy. It is the responsibility of the Remuneration Committee to exercise the functions defined in the Law, in compliance with the remuneration policy approved at the General Meeting. The Evaluation Committee is composed of three independent members with competence to perform the functions in question, elected at a General Meeting, which also appoints the President. It is the Evaluation Committee's responsibility to perform the functions related to the internal policy of selecting and evaluating the members of the bodies. The Risks Committee is composed of three members of the General and Supervisory Board elected for this function in the General Meeting, which also appoints the President. The Risks Committee shall apply the functions defined in the Law.

In addition, Support Committees to the Executive Board of Directors were constituted, which are dependent structures of the Executive Board of Directors, being as forums for discussion and support decision-making, through the formulation of proposals and recommendations to the Executive Board of Directors, 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 Executive Board of Directors, 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 Executive Board of Directors 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 Executive Board of Directors 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, as well as for the analysis of policies, methodologies, models and limits for the quantification of risks relevant to CEMG's activity and the adequacy of government models, processes and procedures, methodologies and systems for identification, quantification, monitoring and reporting of risks, and these are formulated or issued recommendations to the Executive Board of Directors, 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. In addition, CEMG is part of the Future Investment Committee, which makes management decisions on the Montepio Pension Fund.

The Real Estate Risk Committee monitors the management of property risk by elaborate proposals or issuing recommendations to the Executive Board of Directors in order to promote an optimized management of property risk in line with the defined objectives.

Regarding efficiency and effectiveness, the Credit Recovery Committee monitors the performance of the credit recovery process, formulating proposals or issuing recommendations for approval by the Executive Board of Directors with the purpose to increase the performance and increase of the recovery measures.

The Department of Risk is responsible for supporting the Executive Board of Directors in making decisions related to the management of different types of risk inherent to the business, within the Group, and is the responsible body for the risk management.

This department ensures the analysis and management of the risk, providing advice to the Executive Board of Directors, 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 the Executive Board of Directors.

This department ensures the accomplishment of several prudential reports to the supervision authority, namely the domain of their own funds requirements, major risk control, 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 and to the Supervisory Body.

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 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 practices.

The compliance risk is mitigated encouraging a culture of compliance and 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, through an independent intervention, permanent and effective, to define the procedures and mechanisms of compliance control, and respective monitoring.

In the carried out activities, the aspects that contribute to the characterization of compliance risk are identified and evaluated, with a special focus on the institutional processes, associated with products and services, information duties towards clients and, in general, providing specialized support in matters of control and compliance.

It is the responsibility of the compliance function to prepare and submit to the Management and Supervisory Bodies a report, at least on an annual basis, identifying any non-compliance and the respective recommendations for the purpose of correcting identified nonconformities or weaknesses.

The compliance function, which has been assigned to the Department of Compliance, has been carried out with the objective of reinforcing and implementing the strategic guidelines regarding the improvement of management and the internal control system.

The Group is exposed to a number of risks, including credit, concentration, market, interest rate, liquidity, real estate, pension fund and operating risks. 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. All risks identified as materials are subject to regular monitoring and mitigation in order to reduce potential losses to the institution. The monitoring of these risks is centralized in the Department of Risk, which informs the Executive Board of its evolution and proposes action measures when necessary.

Risk Evaluation

Credit Risk

Credit risk is associated with the uncertainty of expected returns due to the inability of both the lessee (and his guarantor, if any), or the issuer of a security or counterparty to comply with its obligations.

The fundamental principle of credit risk analysis is independence towards business decisions. In this analysis instruments are used and rules defined according to the materiality of the exposures, familiarity with the types of risk involved (eg the modeling capacity of such risks) and the liquidity of the instruments.

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 segment.

Regarding the analysis methodologies, within the credit risk, the credit risk techniques and models are based on econometric modeling, based on the institution's experience in granting various types of credit facilities and, where possible, recovery.

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) and behavioral models for a significant part of the portfolio.

In corporate credit internal rating, models are used to medium and large companies, while for customers "Empresários em nome individual" (ENI's) and small companies is applied the scoring model business.

Regardless of the typology of the applicable model, any proposal, contract or credit customer is classified into a single risk scale class, in ascending order of Probability of Default, and this scale composed of 19 classes, of which the first 15 correspond to performing risk classes, classes 16 to 18 to credit incidents and 19th to non-compliance.

The pricing of the active operations reflects the expected loss, as well as the capital borrowed cost and equity and the administrative costs. In quantifying the expected loss, the marginal probabilities of default for the term of the operation, associated with the internal risk classes and the loss severity, quantified through market estimates, are considered, taking into account the types of credit and of collaterals. Pricing also reflects the business relationship with customers.

It is possible to exceed the response of scoring systems, internal ratings and internal price lists, only by higher decision levels, in accordance with principles of delegation of responsibilities set out. Rejection situations are defined in order to minimize the risk of adverse selection.

Intervention limits are also defined for the different decisions, by amount of operation and global customer exposure, type of operation / collateral and assigned risk class. In this context, the principle that higher hierarchical positions have to approve operations with lower adjusted ROE risk or higher exposures is highlighted. These limits are approved by the Executive Board of Directors, and the highest decision scale corresponds to the Executive Board of Directors. At intermediate stages, it is compulsory to intervene in a collegial system of at least two players, one belonging to the commercial network and the other to the Department of Credit Analysis (independent body of the commercial structure).

Risk analysis also involves regular internal reporting on key types of risk for the Executive Board of Directors and the business areas involved. Within credit risk, monthly internal reports are prepared, with the main risk indicators of credit portfolios and metrics on the use of scoring models. In terms of preventive monitoring, an alert system is in place for the main indicators of credit risk tightening, as well as watchlist for monitoring the largest exposures of the credit portfolio to companies. A weekly exposure risk report is also prepared for counterparties.

Group's credit risk exposure can be analysed as follows:

(Thousands of Euro)

	'16	'15
Deposits with other credit institutions	69 568	238 007
Deposits with banks	559 091	172 044
Loans and advances to customers	13 861 034	14 662 277
Financial assets held-for-trading	70 998	43 730
Financial assets available-for-sale	1 832 323	2 509 707
Hedging derivatives	-	9
Held-to-maturity investments	1 126 125	161 540
Investments in associated companies	4 042	3 908
Other assets	215 694	314 404
Guarantees granted	432 259	444 669
Open documentary credits	58 813	55 475
Irrevocable commitments	488 069	628 956
Credit default swaps (notionals)	-	85 000
	18 718 016	19 319 726

The analysis of the risk exposure by sector of activity, for 2016, can be analysed as follows:

(Thousands of Euro)

Activity sector	'16							
	Loans and advances to customers		Financial assets held-for-trading	Financial assets availabe-for-sale		Held-to-maturity investments	Garantees granted and documentary credits	
	Gross Amount	Impairment	Book value	Gross Amount	Impairment	Book value	Off balance sheet value	Provisions for guarantees and assumed commitments
Agriculture	159 747	12 837	-	2 138	-	-	1 460	23
Mining	17 417	1 695	-	-	-	-	996	72
Food, beverage and tobacco	235 450	20 094	-	981	-	-	2 483	95
Textiles	89 450	11 469	-	-	-	-	934	2
Shoes	45 029	4 246	-	-	-	-	245	0
Wood and cork	38 896	5 546	-	-	-	-	522	27
Printing and publishing	109 818	8 364	-	-	-	-	377	59
Petroleum refining	328	41	-	14 011	-	-	-	-
Chemicals and rubber	123 526	12 743	-	-	-	-	3 219	99
Non-metallic minerals	147 077	5 480	-	-	-	-	1 974	137
Basis metallurgic industries and metallic products	180 300	19 046	-	-	-	-	6 104	109
Production of machinery	41 015	2 913	-	-	-	-	1 532	95
Production of transport material	36 505	1 442	-	-	-	-	6 725	222
Other transforming industries	56 059	7 337	-	-	-	-	5 369	1
Electricity, gas and water	194 940	2 769	-	29 441	-	-	4 923	254
Construction	1 126 457	339 924	-	998	998	-	128 754	5 863
Wholesale and retail	1 238 224	163 832	-	7 064	-	-	68 486	2 765
Tourism	499 696	33 065	-	-	-	-	9 458	217
Transports	471 380	53 612	-	-	-	-	12 227	434
Communication and information activities	103 576	8 716	-	22 675	-	-	6 317	40
Financial activities	734 671	64 443	56 338	114 729	9 209	-	119 672	1 342
Real estate activities	682 875	131 047	-	-	-	-	19 615	1 076
Services provided to companies	656 754	52 347	-	-	-	-	69 630	275
Public services	135 419	4 783	14 660	2 263 821	7 343	1 126 125	517	11
Other activities of collective services	460 449	30 460	-	-	-	-	9 126	427
Mortgage loans	7 226 569	169 298	-	108 861	32 040	-	4 327	205
Other	229 027	12 069	-	3 369	-	-	6 510	33
Total	15 040 651	1 179 617	70 998	2 568 088	49 590	1 126 125	491 501	13 881

The analysis of the risk exposure by sector of activity, for 2015, can be analysed as follows:

(Thousands of Euro)

Activity sector	'15						
	Loans and advances to customers		Financial assets held-for-trading	Financial assets availabe-for-sale		Held-to-maturity investments	Garantees granted and documentary credits
	Gross Amount	Impairment	Book value	Gross Amount	Impairment	Book value	Off balance sheet value
Agriculture	176 948	(6 818)	-	-	-	-	2 355
Mining	19 790	(3 608)	-	-	-	-	1 692
Food, beverage and tobacco	246 369	(15 398)	-	2 181	-	-	2 732
Textiles	91 314	(9 465)	-	-	-	-	2 327
Shoes	45 604	(4 234)	-	-	-	-	489
Wood and cork	44 978	(7 794)	-	-	-	-	1 115
Printing and publishing	106 894	(9 321)	-	998	-	-	437
Petroleum refining	398	(38)	-	17 925	-	-	-
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)	-	-	-	-	678
Other transforming industries	82 473	(6 701)	-	-	-	-	8 752
Electricity, gas and water	135 368	(826)	-	24 550	-	-	998
Construction	1 459 798	(346 409)	-	-	-		160 373
Wholesale and retail	1 324 939	(170 830)	-	7 996	-	-	66 023
Tourism	411 508	(25 491)	-	-	-	-	8 021
Transports	461 671	(68 636)	-	-	-	-	9 762
Communication and information activities	81 205	(7 336)	-	40 504	(27 641)	-	3 521
Financial activities	1 055 989	(117 245)	61 982	34 257	(10 451)	-	93 003
Real estate activities	671 082	(136 187)	-	-	-	-	14 866
Services provided to companies	599 857	(43 937)	-	28 013	-	-	80 063
Public services	137 932	(2 732)	9 016	1 701 450	-	1 126 125	1 158
Other activities of collective services	476 972	(24 128)	-	-	-	-	7 790
Mortgage loans	7 548 270	(225 152)	-	32 285	(25 800)	-	4 446
Other	247 316	(4 913)	-	6 056	-	-	10 944
Total	15 944 015	(1 281 738)	70 998	1 896 215	(63 892)	1 126 125	500 144

Group's total credit portfolio, including in addition to customer loans, guarantees and guarantees provided in the amount of Euro 491,072 thousands (31 December 2015: Euro 500,144 thousands) and irrevocable credit amounting to Euro 488,069 thousands (31 December 2015: Euro 628,956 thousands), broken down between impairment and non-impairment credit, is presented as follows:

(Thousands of Euro)

	'16	'15
Total of loans	15 956 137	17 073 115
Individually significant		
Gross amount	5 259 203	5 486 149
Impairment	(631 581)	(704 392)
Net amount	4 627 622	4 781 757
Collective analysis		
Loans with impairment triggers		
Gross amount	1 941 787	2 096 127
Impairment	(548 908)	(551 556)
Net amount	1 392 879	1 544 571
Loans and advances to customers without impairment	8 755 147	9 490 839
Impairment (IBNR)	(12 985)	(25 790)
Net amount	14 762 663	15 791 377

As at 31 December 2016 and 2015, impairment determined according to the accounting policy described in note 1 c), is presented as follows:

(Thousands of Euro)

	'16						
	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	5 178 687	617 914	2 729 499	372 427	7 908 186	990 341	6 917 845
Retail - Mortgages	23 923	1 392	7 136 075	96 324	7 159 998	97 716	7 062 282
Retails - Others	56 593	12 275	831 360	93 142	887 953	105 417	782 536
	5 259 203	631 581	10 696 934	561 893	15 956 137	1 193 474	14 762 663

(Thousands of Euro)

	'15						
	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	5 395 033	680 219	3 293 700	383 846	8 688 733	1 064 065	7 624 668
Retail - Mortgages	18 295	1 949	7 461 582	105 200	7 479 877	107 149	7 372 728
Retails - Others	72 822	22 224	831 683	88 300	904 505	110 524	793 981
	5 486 150	704 392	11 586 965	577 346	17 073 115	1 281 738	15 791 377

The analysis of the fair value of collaterals associated to Group's total portfolio, is as follows:

(Thousands of Euro)

	'16	'15
Loans with impairment:		
Securities and other financial assets	207 299	255 336
Residential real estate - Mortgage loans	39 653	28 191
Real estate - Construction and CRE	1 968 615	2 024 805
Other real estate	1 799 299	1 492 133
Other guarantees	482 654	376 369
	4 497 520	4 176 834
Parametric analysis:		
Securities and other financial assets	24 659	23 959
Residential real estate - Mortgage loans	1 415 103	1 475 782
Real estate - Construction and CRE	381 828	386 032
Other real estate	360 348	360 208
Other guarantees	29 564	28 608
	2 211 502	2 274 589
Loans without impairment:		
Securities and other financial assets	265 297	305 317
Residential real estate - Mortgage loans	12 265 692	12 590 298
Real estate - Construction and CRE	242 739	234 927
Other real estate	839 790	864 138
Other guarantees	284 584	278 357
	13 898 102	14 273 037
	20 607 124	20 724 460

The Group uses physical and financial collateral as instruments to mitigate credit risk. Physical collaterals mostly correspond to mortgages on real estate under mortgage lending operations and mortgages on other types of real estate under other types of lending operations. In order to reflect their market value, these collaterals are regularly reviewed based on evaluations performed by independent and certified valuation entities or through the use of revaluation coefficients that reflect the market's trend for the type of property and corresponding geographical area. The financial collaterals are revalued based on the market values of the respective assets, when available, and certain devaluation coefficients are applied in order to reflect their volatility. Most part of physical collaterals are re-evaluated at least annually.

CEMG's total credit portfolio, by segment and respective impairment, recorded in 2016 and 2015, is presented as follows:

(Thousands of Euro)

	Exposure 2016					Impairment 2016		
Segment	Total exposure	Credit in compliance	Reestructured credit in compliance	Default credit	Reestructured default credit	Total impairment	Credit in compliance	Default credit
Corporate	5 617 940	4 777 041	156 978	840 899	245 614	484 565	69 080	415 485
Construction and CRE	2 290 246	1 250 438	117 423	1 039 808	487 618	505 776	27 603	478 173
Mortgages	7 159 998	6 761 657	147 684	398 341	135 547	97 716	7 134	90 582
Retail - others	887 953	723 866	21 925	164 087	28 649	105 417	5 527	99 890
	15 956 137	13 513 002	444 010	2 443 135	897 428	1 193 474	109 344	1 084 130

(Thousands of Euro)

	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	6 203 617	5 337 548	126 631	866 069	263 649	554 171	146 711	407 460
Construction and CRE	2 485 116	1 356 297	170 977	1 128 819	560 189	509 894	56 727	453 167
Mortgages	7 479 877	7 098 477	214 505	381 400	127 288	107 149	11 017	96 132
Retail - others	904 505	727 817	28 098	176 688	26 857	110 524	6 061	104 463
	17 073 115	14 520 139	540 211	2 552 976	977 983	1 281 738	220 516	1 061 222

(Thousands of Euro)

		Exposure 2016						Impairment 2016			
		Credit in compliance			Reestructured credit in compliance			Credit in compliance		Reestructured credit in compliance	
Segment	Total exposure-Jun-16	Without signs	Overdue days <30 with signs	Sub-total	Overdue days <= 90*	Overdue days > 90 days"	Total impairment Jun-16	Overdue days <30	Overdue days between 30 - 90	Overdue days <= 90*	Overdue days > 90 days
Corporate	5 617 940	4 296 707	434 467	4 777 041	45 594	795 305	484 566	58 070	11 011	12 171	403 314
Construction and CRE	2 290 246	1 001 231	235 557	1 250 438	154 749	885 059	505 776	26 806	797	48 495	429 678
Mortgages	7 159 998	6 196 527	490 573	6 761 657	25 510	372 831	97 716	5 150	1 985	4 976	85 605
Retail - others	887 953	609 419	102 102	723 866	5 459	158 628	105 416	4 401	1 124	1 556	98 335
	15 956 137	12 103 884	1 262 699	13 513 002	231 312	2 211 823	1 193 474	94 427	14 917	67 198	1 016 932

(Thousands of Euro)

		Exposure 2015						Impairment 2015			
		Credit in compliance			Reestructured credit in compliance			Credit in compliance		Reestructured credit in compliance	
Segment	Total exposure-Jun-16	Without signs	Overdue days <30 with signs	Sub-total	Overdue days <= 90*	Overdue days > 90 days"	Total impairment Jun-16	Overdue days <30	Overdue days between 30 - 90	Overdue days <= 90*	Overdue days > 90 days
Corporate	6 203 617	4 599 799	573 718	5 337 548	158 990	707 079	554 171	119 877	26 834	61 190	346 270
Construction and CRE	2 485 116	1 018 330	314 103	1 356 297	227 706	901 113	509 894	54 246	2 481	62 365	390 802
Mortgages	7 479 877	6 446 462	565 366	7 098 477	25 843	355 557	107 149	7 885	3 132	3 822	92 310
Retail - others	904 505	600 626	112 818	727 817	6 034	170 654	110 524	4 455	1 606	1 514	102 949
	17 073 115	12 665 217	1 566 005	14 520 139	418 573	2 134 403	1 281 738	186 463	34 053	128 891	932 331

The credit portfolio, by segment and by production year, as of 31 December 2016, is presented as follows:

(Thousands of Euro)

	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	2 171	109 638	23 663	1 652	270 594	118 093	61 898	2 281 879	32 878	42 013	35 351	8 399
2005	715	37 230	7 273	455	89 521	42 069	14 366	803 155	12 136	5 043	10 478	2 108
2006	968	71 926	9 560	595	124 042	41 170	17 207	976 953	16 589	7 287	28 869	4 332
2007	1 663	109 695	21 984	915	145 290	50 753	17 526	980 842	16 679	40 468	45 154	15 868
2008	6 014	112 364	27 972	1 518	114 843	30 739	9 099	510 070	8 261	54 325	43 660	9 844
2009	8 735	193 452	41 100	2 726	136 623	40 097	5 010	320 996	4 180	41 529	45 396	11 511
2010	8 176	297 330	72 391	1 797	112 007	36 188	5 206	362 531	3 593	21 253	48 996	14 923
2011	11 778	278 761	52 679	2 649	106 226	28 025	1 983	138 387	1 108	22 120	44 516	11 720
2012	8 233	301 326	48 445	1 685	85 107	23 479	1 327	92 811	971	13 291	39 073	7 893
2013	16 917	769 224	77 439	2 119	168 683	34 658	1 674	121 839	814	19 526	63 981	7 555
2014	21 956	1 046 433	55 443	4 279	288 409	31 975	1 964	145 871	239	29 592	118 912	7 385
2015	19 421	939 058	28 614	3 142	248 501	11 106	2 256	178 601	138	33 835	149 464	2 613
2016	25 246	1 351 503	18 003	5 380	400 400	17 424	2 932	246 063	130	45 938	214 103	1 265
	131 993	5 617 940	484 566	28 912	2 290 246	505 776	142 448	7 159 998	97 716	376 220	887 953	105 416

The credit portfolio, by segment and by production year, as of 31 December 2015, is presented as follows:

(Thousands of Euro)

	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	2 433	161 259	28 918	1 798	351 226	142 781	64 670	2 507 776	38 032	42 385	37 635	8 075
2005	783	44 357	8 904	498	113 905	37 892	14 821	861 619	12 602	5 048	12 360	2 302
2006	1 186	82 089	10 607	685	140 522	35 828	17 771	1 044 654	17 477	7 795	58 404	15 344
2007	2 277	133 542	21 795	1 170	189 668	46 704	17 965	1 044 838	18 048	42 634	53 019	16 664
2008	8 663	156 839	36 743	2 381	150 678	28 879	9 414	547 539	9 277	60 340	51 978	10 657
2009	10 169	234 160	44 261	3 247	199 547	53 573	5 216	348 211	4 753	44 601	57 956	12 293
2010	10 051	349 737	74 528	2 171	153 938	35 619	5 417	389 930	3 752	23 714	67 008	14 063
2011	13 892	353 952	48 435	3 160	138 393	28 586	2 095	151 081	1 111	25 544	60 201	11 074
2012	10 154	416 468	42 182	1 877	133 417	21 676	1 409	102 689	903	15 356	57 948	6 819
2013	21 429	842 594	82 981	2 492	250 418	41 267	1 786	135 412	775	22 309	85 507	5 996
2014	26 780	1 355 141	50 873	4 449	336 490	28 826	2 069	157 612	225	33 855	161 530	4 631
2015	28 570	2 073 479	103 944	5 051	326 914	8 263	2 359	188 516	194	40 773	200 959	2 606
	136 387	6 203 617	554 171	28 979	2 485 116	509 894	144 992	7 479 877	107 149	364 354	904 505	110 524

The credit gross exposure and individual and collective impairment by segment, as of 31 December 2016 and 2015, is analysed as follows:

(Thousands of Euro)

'16	Corporate		Construction and CRE		Retail - Mortgages		Retail - Others		Total	
Evaluation	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	3 458 792	237 258	1 719 895	380 656	23 923	1 392	56 593	12 275	5 259 203	631 581
Collective	2 159 148	247 308	570 351	125 120	7 136 075	96 324	831 360	93 141	10 696 934	561 893
	5 617 940	484 566	2 290 246	505 776	7 159 998	97 716	887 953	105 416	15 956 137	1 193 474

(Thousands of Euro)

'15	Corporate		Construction and CRE		Retail - Mortgages		Retail - Others		Total	
Evaluation	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	3 526 676	293 508	1 868 356	386 711	18 295	1 949	72 822	22 224	5 486 149	704 392
Collective	2 676 941	260 663	616 760	123 183	7 461 582	105 200	831 683	88 300	11 586 966	577 346
	6 203 617	554 171	2 485 116	509 894	7 479 877	107 149	904 505	110 524	17 073 115	1 281 738

The credit gross exposure and individual and collective impairment by business sector, as of 31 December 2016 and 2015, is analysed as follows:

(Thousands of Euro)

'16	Construction		Industry		Commerce		Real Estate Activities		Other activities		Total	
Evaluation	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	936 879	257 675	697 132	41 240	448 943	39 761	609 512	112 093	2 486 221	167 145	5 178 687	617 914
Collective	289 597	81 786	564 222	60 063	875 528	120 853	125 209	19 530	874 943	90 196	2 729 499	372 428
	1 226 476	339 461	1 261 354	101 303	1 324 471	160 614	734 721	131 623	3 361 164	257 341	7 908 186	990 342

(Thousands of Euro)

'15	Construction		Industry		Commerce		Real Estate Activities		Other activities		Total	
Evaluation	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	1 112 932	255 219	699 855	43 122	467 187	42 736	582 682	117 735	2 532 376	221 407	5 395 032	680 219
Collective	330 022	81 670	954 127	78 941	912 657	119 835	125 708	17 319	971 187	86 081	3 293 701	383 846
	1 442 954	336 889	1 653 982	122 063	1 379 844	162 571	708 390	135 054	3 503 563	307 488	8 688 733	1 064 065

The credit gross exposure and individual and collective impairment by geography, as of 31 December 2015, is analysed as follows:

(Thousands of Euro)

'15	Portugal		Angola		International (others)		Total	
Evaluation	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	5 486 149	704 392	-	-	-	-	5 486 149	704 392
Collective	11 148 875	549 740	396 749	24 231	41 342	3 375	11 586 966	577 346
	16 635 024	1 254 132	396 749	24 231	41 342	3 375	17 073 115	1 281 738

The restructured loan portfolio, by applied restructuring measure, as of 31 December 2016 and 2015, is analysed as follows:

(Thousands of Euro)

'16	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	779	73 112	3 572	543	52 566	19 928	1 322	125 678	23 500
Shortage period	2 047	198 425	17 620	2 371	610 504	248 758	4 418	808 929	266 378
New operation with settlement	781	72 927	4 357	719	46 064	16 654	1 500	118 991	21 011
Interest rate decrease	6	613	18	116	13 161	4 603	122	13 774	4 621
Others	620	98 933	4 245	614	175 133	83 629	1 234	274 066	87 874
	4 233	444 010	29 812	4 363	897 428	373 572	8 596	1 341 438	403 384

(Thousands of Euro)

'15	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	368 167	38 270	2 217	635 189	216 994	5 187	1 003 356	255 264
New operation with settlement	1 072	44 843	1 607	616	39 040	13 468	1 688	83 883	15 075
Interest rate decrease	11	972	12	122	13 037	5 300	133	14 009	5 312
Others	621	39 503	1 020	626	226 572	99 636	1 247	266 075	100 656
	5 688	540 212	44 961	4 076	977 984	354 448	9 764	1 518 196	399 409

The inflow and outflow movements in the restructured loan portfolio are presented as follows:

(Thousands of Euro)

	'16	'15
Opening balance of the restructured portfolio	1 518 194	1 706 235
Restructured credit in the year	288 594	192 927
Accrued interest of the restructured portfolio	1 361	2 329
Restructured credit liquidation (partial or total)	(339 617)	(302 147)
Reclassified credits from "restructured" to "normal"	(127 094)	(81 150)
Closing balance of the restructured portfolio	1 341 438	1 518 194

The fair value of the collateral underlying the credit portfolio of the Corporate, Construction and Commercial Real Estate (CRE) and Housing segments, with reference to 31 December 2016, is presented as follows:

(Thousands of Euro)

	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€	5 312	625 815	1 760	70 562	110 646	13 403 439	337	11 872
>= 0,5 M€ e <1M€	293	204 301	39	25 191	350	215 782	-	-
>= 1 M€ e <5M€	303	641 715	20	34 652	41	63 727	-	-
>= 5 M€ e <10M€	32	229 208	3	19 115	-	-	-	-
>= 10 M€ e <20M€	26	369 133	1	12 609	2	37 500	-	-
>= 20 M€ e <50M€	9	246 591	-	-	-	-	-	-
>= 50M€	3	276 419	-	-	-	-	-	-
	5 978	2 593 182	1 823	162 129	111 039	13 720 448	337	11 872

The fair value of the collateral underlying the credit portfolio of the Corporate, Construction and Commercial Real Estate (CRE) and Housing segments, with reference to 31 December 2015, is presented as follows:

(Thousands of Euro)

	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	1 845	73 497	112 560	13 828 632	332	12 268
>= 0,5 M€ e <1M€	329	229 271	56	34 782	328	205 256	2	1 216
>= 1 M€ e <5M€	339	705 733	27	45 755	30	41 883	-	-
>= 5 M€ e <10M€	37	268 235	3	19 115	-	-	-	-
>= 10 M€ e <20M€	24	314 966	1	12 609	1	18 500	-	-
>= 20 M€ e <50M€	9	266 706	-	-	-	-	-	-
>= 50M€	2	201 334	-	-	-	-	-	-
	6 046	2 645 764	1 932	185 758	112 919	14 094 271	334	13 484

The LTV (loan to value) ratio of the Corporate, Construction and CRE and Housing segments, as of 31 December 2016 and 2015, is presented as follows:

(Thousands of Euro)

	'16			
	Number of real estate	Credit in compliance	Credit in default	Impairment
Corporate				
Without real estate (*)	-	3 817 397	558 318	354 271
< 60%	2 250	279 537	101 956	34 545
>= 60% e < 80%	1 018	355 213	65 469	30 432
>= 80% e < 100%	1 004	294 445	44 826	26 465
>= 100%	287	30 449	70 331	38 851
Construction and CRE				
Without real estate (*)	-	737 201	347 653	180 207
< 60%	2 086	215 146	203 369	89 258
>= 60% e < 80%	931	136 964	103 194	42 602
>= 80% e < 100%	1 793	132 823	132 519	47 332
>= 100%	1 168	28 304	253 073	146 377
Retail - Mortgage				
Without real estate (*)	-	566 554	65 243	17 798
< 60%	64 610	2 548 893	46 311	9 087
>= 60% e < 80%	28 640	2 244 821	62 241	12 343
>= 80% e < 100%	15 260	1 314 180	90 707	20 526
>= 100%	2 529	87 209	133 839	37 963

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

(Thousands of Euro)

	'15			
	Number of real estate	Credit in compliance	Credit in default	Impairment
Corporate				
Without real estate (*)	-	4 501 832	575 369	430 838
< 60%	2 264	304 703	69 579	30 007
>= 60% e < 80%	987	206 482	92 929	25 915
>= 80% e < 100%	958	254 134	48 879	19 187
>= 100%	280	70 397	79 313	48 224
Construction and CRE				
Without real estate (*)	-	815 995	344 935	177 067
< 60%	1 921	205 199	185 236	67 123
>= 60% e < 80%	939	82 298	166 947	60 523
>= 80% e < 100%	1 849	179 978	159 228	47 942
>= 100%	1 337	72 827	272 473	157 239
Retail - Mortgage				
Without real estate (*)	-	595 279	58 632	16 137
< 60%	63 357	2 517 929	46 009	11 456
>= 60% e < 80%	26 566	2 057 541	54 291	13 564
>= 80% e < 100%	19 023	1 674 802	87 926	24 247
>= 100%	3 964	252 926	134 542	41 745

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

The fair value and net value of real estate receivables, by type of asset, as of 31 December 2016 and 2015 are presented as follows:

(Thousands of Euro)

Asset	'16		
	Number of real estate	Fair value	Accounting value
Property	1 983	376 813	343 715
Urban	1 698	300 279	279 664
Rural	285	76 534	64 051
Buildings in development	842	122 267	112 423
Commercials	92	9 093	7 613
Housing	601	111 655	103 360
Others	149	1 519	1 450
Developed buildings	2 942	341 153	303 916
Commercials	868	120 913	106 477
Housing	1 562	203 971	183 202
Others	512	16 269	14 237
	5 767	840 233	760 054

(Thousands of Euro)

Asset	'15		
	Number of real estate	Fair value	Accounting value
Property	1 774	320 237	287 079
Urban	1 565	274 635	247 657
Rural	209	45 602	39 422
Buildings in development	485	123 601	111 586
Commercials	39	3 532	2 437
Housing	444	119 916	108 997
Others	2	153	152
Developed buildings	3 437	419 561	355 728
Commercials	908	125 500	95 795
Housing	2 029	282 861	250 151
Others	500	11 200	9 782
	5 696	863 399	754 393

The time lapse since the assignment / execution of properties received, as of 31 December 2016 and 2015, is presented as follows:

(Thousands of Euro)

Elapsed time since the recovery/execution	'16				
	< 1 year	>= 1 year and < 2.5 years	>= 2,5 years e < 5 years	>= 5 years	Total
Property	96 304	53 833	183 063	10 515	343 715
Urban	90 059	48 051	133 374	8 180	279 664
Rural	6 245	5 782	49 689	2 335	64 051
Buildings in development	11 565	49 991	47 337	3 529	112 422
Commercials	805	3 174	3 416	218	7 613
Housing	10 760	46 231	43 058	3 311	103 360
Others	-	586	863	-	1 449
Developed buildings	57 767	92 198	139 935	14 017	303 917
Commercials	12 120	25 396	62 872	6 090	106 478
Housing	43 640	58 890	73 527	7 144	183 201
Others	2 007	7 912	3 536	783	14 238
	165 636	196 022	370 335	28 061	760 054

(Thousands of Euro)

Elapsed time since the recovery/execution	'15				
	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years e < 5 years	>= 5 years	Total
Property	58 924	108 327	117 576	2 252	287 079
Urban	51 554	97 179	97 259	1 665	247 657
Rural	7 370	11 148	20 317	587	39 422
Buildings in development	33 680	36 603	40 260	1 043	111 586
Commercials	134	347	1 956	-	2 437
Housing	33 546	36 256	38 152	1 043	108 997
Others	-	-	152	-	152
Developed buildings	93 609	161 905	93 787	6 427	355 728
Commercials	17 219	48 485	28 772	1 319	95 795
Housing	72 628	109 760	62 904	4 859	250 151
Others	3 762	3 660	2 111	249	9 782
	186 213	306 835	251 623	9 722	754 393

Concentration Risk

In order to reduce concentration risk, the Group seeks to diversify, as far as possible, its areas of activity and sources of income, as well as to diversify its exposures and sources of financing.

The concentration risk is analysed at the individual and sector level, seeking to reflect any shortcomings of diversification.

The concentration risk management is carried out in a centralized way, with regular monitoring of the concentration indexes by the Department of Risk. In particular, the level of concentration of the largest depositors and, with respect to the credit portfolio, the degree of regional diversification, the individual concentration level and the degree of diversification of the quality of the portfolio of companies are regularly monitored by the Department of Risk

Maximum exposure limits are established per client / group of clients related to each other, as well as limits for the concentration of the largest depositors. The exceeding of any of the established limits, even if temporary, requires the approval of the Executive Board of Directors.

Market Risk

The concept of market risk reflects the potential loss that can be registered by a given portfolio as a result of changes in rates (interest and exchange rates) and / or prices of the different financial instruments that comprise it, considering both existing correlations between them, and respective volatilities.

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 and rating. There are also limits of Stop Loss and Loss Trigger to position held for trading and available for sale.

The Group 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.

In reports prepared, the various exposure limits are controlled, analyzing the concentration, credit, interest rate and asset price variation risks, among others. These analyzes include the analysis of scenarios, namely the sensitivity of the securities portfolio to changes in interest rates, spreads, adverse exchange rate developments and changes in market prices of stocks and real estate.

In the market risk area, in addition to the Group's global portfolio risk report, specific risk reports for the trading portfolio as well as for the portfolios of available-for-sale assets are also carried out.

The Group's investment portfolio is mainly concentrated in bonds, and as of 31 December 2016 represented 84.5% (31 December 2015: 81.8%) of the total portfolio, maintaining its dominant position in bonds of sovereign issuers, essentially of the Portuguese Republic.

With regard to credit derivatives, CEMG held no position in these instruments at 31 December 2016 (31 December 2015: Euro 85 million - nominal value in credit default swap).

Regarding the credit quality of debt securities, the major changes resulted from increased exposure to the Portuguese Republic, partially offset by decreases in exposure of sovereigns Italy and Spain:

(Thousands of Euro)

Rating	'16		'15		Change	
	Value	%	Value	%	Value	%
AAA	8 081	0,4	-	-	8 081	-
AA+	2 131	0,1	-	-	2 131	-
AA	1 412	-	2 629	0,1	(1 217)	(46,3)
AA-	1 025	-	4 389	0,2	(3 364)	(76,6)
A+	4 558	0,1	2 694	0,1	1 864	69,2
A	4 443	0,1	56 726	2,1	(52 283)	(92,2)
A-	5 415	0,2	44 816	1,7	(39 401)	(87,9)
BBB+	179 061	5,7	628 318	23,4	(449 257)	(71,5)
BBB	177 068	5,6	649 158	24,2	(472 090)	(72,7)
BBB-	23 763	0,8	30 145	1,1	(6 382)	(21,2)
BB+	2 497 867	79,5	1 047 907	39,1	1 449 960	138,4
BB	-	-	24 143	0,9	(24 143)	(100,0)
BB-	-	-	-	-	-	-
B+	2 561	0,1	133 453	5,0	(130 892)	(98,1)
B	144 852	4,6	3 887	0,1	140 965	3 626,6
B-	-	-	-	-	-	-
CCC+	-	-	-	-	-	-
CCC	12 371	0,4	11 196	0,4	1 175	10,5
CCC-	-	-	-	-	-	-
CC	633	-	-	-	633	-
D	35 116	1,1	-	-	35 116	-
NR	41 347	1,3	42 162	1,6	(815)	(1,9)
Total	3 141 704	100,0	2 681 623	100	460 081	17,2

Note: excludes securities arising from own securitisations belonging to the consolidation perimeter.

The total of Euro 3,141,704 thousands includes the amount of Euro 145,486 thousands - corresponding to Finibanco Angola's securities portfolio (Euro 144,852 thousands, rated B) and Banco Terra (Euro 633 thousands euros, rated CC) - which are recorded in Discontinued operations.

With regard to the trading portfolio, the main VaR indicators are presented below:

(Thousands of Euro)

	December 2016	Average	Minimum	Maximum	2015
Market VaR	316	573	429	1 283	454
Interest rate risk	98	416	354	496	400
Exchange risk	78	94	47	95	165
Price risk	318	380	224	964	302
Spread risk (CDS)	-	1	-	-	16
Diversification effect	(178)	(318)	(196)	(271)	(429)
Credit VaR	285	150	81	146	137
Total VaR	601	723	510	1 430	591

Bank Portfolio Interest Rate Risk

The assessment of interest rate risk caused by banking portfolio operations is performed by a sensitivity analysis to the risk.

Interest rate risk is measured according to the impact on net interest income, net worth and equity caused by changes in market interest rates. The main risk factors arise from the term adjustments of the interest rate reset and / or residual maturities between assets and liabilities (repricing risk), non-parallel variations in yield curve risk, the lack of a perfect correlation between different indexes with the same term of repricing (basis risk) and the options associated with instruments enabling a different performance of the participants depending on the level of rates contracted and practiced at the moment (option risk).

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.

The aggregation, for each currency analysed, at the expected cash flows in each of the time intervals, allows the determination of the interest rate gaps by repricing period.

Following the recommendations of Basel and Instruction no. 19/2005, of Bank of Portugal, CEMG 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.

(Thousands of Euro)

	Within 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years
31 December 2016					
Assets	8 378 174	3 293 221	703 584	1 676 869	2 443 828
Off balance sheet	7 959 536	20 500	43 821	66 148	-
Total	16 337 710	3 313 721	747 405	1 743 017	2 443 828
Liabilities	4 825 789	1 955 423	2 014 075	8 963 287	281 761
Off balance sheet	7 922 524	63 370	1 012	103 160	-
Total	12 748 313	2 018 793	2 015 087	9 066 447	281 761
GAP (Ativos - Passivos)	3 589 397	1 294 928	(1 267 682)	(7 323 430)	2 162 067
31 de dezembro de 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

The following table presents the interest rate gaps for 31 December 2016 and 2015:

(Thousands of Euro)

	Dec '16				Dec '15			
	December	Average	Minimum	Maximum	December	Average	Minimum	Maximum
Interest rate Gap	(1 544 721)	(1 530 516)	(1 309 808)	(1 737 019)	(1 309 808)	(1 836 514)	(1 309 808)	(2 485 967)

Sensitivity to the balance sheet interest rate risk 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 31 December 2016, based on the interest rate gaps observed, an instantaneous and parallel positive variation in the interest rates by 100 bp would cause a change in the economic value expected in the banking portfolio in Euro 30,531 thousands (31 December 2015: Euro 16,662 thousands).

The following table presents the average interests, in relation to CEMG major assets and liabilities categories for the years ended 31 December 2016 and 2015, as well as the average balances and income and expense for the years:

(Thousands of Euro)

	'16			'15		
	Average balance	Average interest rate (%)	Interests	Average balance	Average interest rate (%)	Interests
Interest assets generators						
Deposits at central banks and OIC	340 532	0,05	181	350 483	0,00	16
Loans and advances to OIC	182 353	2,16	3 999	191 240	1,87	3 625
Loans and advances to customers	15 316 627	2,54	394 449	15 908 802	2,71	437 336
Securities portfolio	2 962 028	1,99	59 890	3 044 219	2,05	63 287
Others (Includes derivatives)	-	-	75 819	-	-	87 240
	18 801 540	2,80	534 338	19 494 744	2,99	591 504
Interest liabilities generators						
Deposits from BCE	2 806 845	0,04	1 063	2 821 684	0,07	1 962
Deposits from OIC	1 752 884	0,58	10 372	1 514 362	0,80	12 339
Deposits from customers	12 090 533	1,07	131 147	12 692 005	1,65	212 285
Senior debt	2 147 635	2,91	55 527	2 164 130	3,41	71 281
Subordinated debt	273 674	1,41	3 909	347 777	1,47	5 197
Others (Includes derivatives)	-	-	79 147	-	-	92 434
	19 071 571	1,45	281 165	19 539 958	2,00	395 498
Net interest income		1,33	253 173		0,99	196 006

Currency Risk

Regarding to currency risk, the procedure is the application of funds raised in various currencies through active money market and for years not exceeding those of the resources, and therefore existing currency gaps are mainly due to eventual mismatches between the investment terms and resources, as well as the Group's international activity, namely in Angola and Mozambique.

The breakdown of assets and liabilities, by currency, as at 31 December 2016 and 2015 is analysed as follows:

(Thousands of Euro)

'16	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	372 834	4 568	-	-	1 052	84	2 751	381 289
Loans and advances to credit instituitions repayable on demand	51 218	16 230	-	-	440	-	1 680	69 568
Other loans and advances to credit institutions	490 713	34 541	-	-	3 871	-	29 966	559 091
Loans and advances to customers	13 704 376	155 922	-	-	-	-	736	13 861 034
Financial assets held-for-trading	75 512	2 460	-	-	-	-	196	78 168
Other financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Financial assets available-for-sale	2 332 421	212	-	-	-	66 871	-	2 399 504
Hedging derivatives	-	-	-	-	-	-	-	-
Held-to-maturity investments	1 126 125	-	-	-	-	-	-	1 126 125
Investments in associated companies and others	4 042	-	-	-	-	-	-	4 042
Non-current assets held-for-sale	760 204	-	-	-	-	-	-	760 204
Non-current assets held for sale - discontinued operations	-	155 362	273 676	40 970	23	-	385	470 416
Investment properties	607 968	-	-	-	-	-	-	607 968
Property and equipment	237 097	-	-	-	-	-	-	237 097
Intangible assets	34 921	-	-	-	-	-	-	34 921
Current tax assets	11 855	-	-	-	-	-	-	11 855
Deferred tax assets	521 716	-	-	-	-	-	-	521 716
Other assets	222 204	703	-	-	4	-	-	222 911
Total Assets	20 553 206	369 998	273 676	40 970	5 390	66 955	35 714	21 345 909
Liabilities by currency								
Deposits from central banks	2 322 947	-	-	-	-	-	-	2 322 947
Deposits from other financial institutions	2 203 962	37 742	-	-	3 990	-	30 246	2 275 940
Deposits from customers	12 297 346	111 473	-	-	10 376	-	48 624	12 467 819
Debt securities issued	1 863 724	56 311	-	-	-	-	-	1 920 035
Financial liabilities held-for-trading	25 971	177	-	-	-	-	-	26 148
Hedging derivatives	-	-	-	-	-	-	-	-
Non-current liabilities held-for-sale - discontinued operations	-	91 730	239 993	23 034	7	-	17	354 781
Provisions	21 820	-	-	-	-	-	-	21 820
Current tax liabilities	1 865	-	-	-	-	-	-	1 865
Deferred tax liabilities	-	-	-	-	-	-	-	-
Other subordinated debt	251 028	-	-	-	-	-	-	251 028
Other liabilities	245 631	631	-	-	2	-	764	247 028
Total Liabilities	19 234 294	298 064	239 993	23 034	14 375	-	79 651	19 889 411
Exchange forward transaction	9 517	(63 684)	-	-	9 038	-	45 508	
Exchange gap		8 250	33 683	17 936	53	66 955	1 571	
Stress Test		(1 650)	(6 737)	(3 587)	(10)	(13 391)	(314)	

(Thousands of Euro)

'15	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 instituitions repayable on demand	127 214	51 674	54 612	21	2 055	-	2 431	238 007
Other loans and advances 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
Other financial assets at fair value through profit or loss								-
Financial assets available-for-sale	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
Property and equipment	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 financial 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	2 299 433	54 769	-	-	-	-	-	2 354 202
Financial liabilities 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 transaction		(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)	-

The result of the stress test performed corresponds to the estimate impact (before tax) in equity, including non controlling interests, due to a devaluation of 20% in exchange rate of each currency against Euro.

With regards to banking portfolio's interest rate and currency exchange risks, limits are set for exposure to these risks, which are monitored at ALCO, and any possible exceedance of any of the established limits, even if temporary, requires approval from the Executive Board of Directors or application of measures to cover the exposure.

Liquidity Risk

Liquidity risk reflects CEMG's inability to meet its obligations at due date, without incurring significant losses arising from a deterioration in financing conditions (financing risk) and / or the sale of its assets at lower values to market values (market 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 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 prudential liquidity ratios, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Additional Liquidity Monitoring Metrics (ALMM) and internal ratios such as the transformation of deposits into credit, concentration of funding sources, short-term financing and eligible assets.

Limits are set for various liquidity risk indicators, which are monitored through weekly and monthly reports.

As at 31 December 2016, the recorded amount in LCR was 106.6% (31 December 2015: 111.36%).

As at 31 December 2016, the Group's financing was as follows:

(Thousands of Euro)

Liabilities	2016	Undetermined	Until 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	2 322 947	-	375 000	-	-	1 947 947
Financial liabilities held-for-trading	26 148	-	2 758	35	3 839	19 517
Deposits from other financial institutions	2 275 940	-	821 026	82 828	11 419	1 360 667
Deposits from customers and other loans	12 467 819	-	4 305 378	3 412 458	1 804 298	2 945 685
Debt securities issued	1 920 035	-	96 075	338 317	160 347	1 325 296
Non-current liabilities held-for-sale	354 781	354 781	-	-	-	-
Hedging derivatives	-	-	-	-	-	-
Other subordinated debt	251 028	-	499	34	16 482	234 013
Other liabilities	247 028	247 028				-
Total Liabilities	19 865 726	601 809	5 600 736	3 833 672	1 996 384	7 833 125

As at 31 December 2015, the Group's financing was as follows:

(Thousands of Euro)

Liabilities	2015	Undetermined	Until 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	2 277 258	-	550 027	-	-	1 727 231
Financial liabilities held-for-trading	70 289	-	-	-	-	70 289
Deposits from other financial institutions	1 573 131	-	155 381	200 181	151 230	1 066 339
Deposits from customers and other loans	12 969 431	-	4 374 993	3 633 831	2 129 825	2 830 782
Debt securities issued	2 354 202	-	42 828	45 820	346 350	1 919 204
Non-current liabilities held-for-sale	439	-	-	-	-	439
Hedging derivatives	333 039	-	-	23 675	15 684	293 680
Other subordinated debt	407 225	203 625	-	26 100	-	177 500
Total Liabilities	19 985 014	203 625	5 123 229	3 929 607	2 643 089	8 085 464

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 2016 and 2015 on the assets and collaterals:

(Thousands of Euro)

Assets	'16			
	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	6 380 472	n/a	14 965 437	n/a
Equity instruments	-	-	574 351	651 423
Debt securities	1 893 490	1 838 568	1 605 832	2 241 062
Other assets	-	n/a	3 284 835	n/a

(Thousands of Euro)

Assets	'15			
	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

(Thousands of Euro)

Collateral received	'16	
	Fair value of encumbered collateral received or own debt securities issued	Fair value of encumbered collateral received or own debt securities issued available for encumberance
Assets from the reporting institution	81 127	-
Equity instruments	-	-
Debt securities	81 127	-
Other collateral received	-	-
Own securities issued that are not own covered bonds or ABS	-	-

(Thousands of Euro)

Collateral received	'15	
	Fair value of encumbered collateral received or own debt securities issued	Fair value of encumbered 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	-	-

(Thousands of Euro)

Encumbered assets, encumbered collateral received and associated liabilities	'16 Carrying amount of selected financial liabilities
Associated liabilities, contingent liabilities and securities borrowed	2 460 377
Assets, collateral received and own debt securities issued other than covered bons and encumbered ABS	6 434 521

(Thousands of Euro)

Encumbered assets, encumbered collateral received and associated liabilities	'15 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 bons and encumbered ABS	4 805 294

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 2016 and 2015 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 2016 amounts to Euro 1,214,995 thousands (31 December 2015: Euro 1,750,398 thousands).

It should be noted that the total amount of collateral available at the European Central Bank (BCE) on 31 December 2016 amounted to Euro 3,524,496 thousands (31 December 2015: Euro 3,723,310 thousands) with a utilization of Euro 2,322,946 thousands (31 December 2015: Euro 2,277,258 thousands):

(Thousands of Euro)

	Dec '16	Dec '15
Total eligible collateral	5 924 629	5 327 310
Total collateral in the "pool"	3 524 496	3 723 070
Collateral outside the "pool"	2 400 133	1 604 240
Collateral used	4 709 634	3 577 152
Collateral used for ECB	2 322 946	2 277 258
Collateral commited to other financing operations	2 386 688	1 299 894
Collateral available for ECB	1 201 549	1 445 812
Total collateral available	1 214 995	1 750 158

Note: collateral value takes into account the applied haircut

Real Estate Risk

Real estate risk results from possible negative impacts on CEMG's results or capital due to fluctuations in the market price of real estate.

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 monthly 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 2016 and 2015, exposure to real estate and investments real estate fund units presented the following value:

(Thousands of Euro)

	Dec '16	Dec '15
Real estate received as loan guarantee	758 690	754 393
Investment properties	607 968	692 485
Real estate investment fund units	213 063	211 373
	1 579 721	1 658 251
Stress test	(157 972)	(165 825)

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

Operational risk is the potential loss resulting from failures or inadequacies in internal processes, people or systems, or potential losses resulting from external events.

An integrated continuing business plan is implanted, based on the identification, evaluation, monitoring, measurement, mitigation and reporting of this type of risk. DRI 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 CEMG's operational risk management.

The operational risk profile assessment for new products, processes and systems and the consequent follow-up has allowed the prior identification and mitigation of operational risk situations.

Regarding risk monitoring, the main activities carried out were the collection and analysis of operational risk loss events, the analysis of Key Risk Indicators, the evaluation of the exposure to Operational Risk and the preparation of periodic reports on the profile of Operational risk of the Institution. In particular, quarterly monitoring reports of operational risk loss events and mitigation measures are prepared. An annual report is prepared, which includes the analysis of all operational risk management instruments.

Within the mitigation phase, Action Plans were suggested for the most significant risks, identified based on the operational risk management tools previously mentioned.

In addition, CEMG has implemented a business continuity management process, supported by a set of evaluation, design, implementation and monitoring activities, integrated into a cycle of continuous improvement.

This process is crucial as a risk mitigation tool, making the business processes more resilient and allowing to ensure the continuity of operations in the event situations that cause the interruption of the activity, considering the established Recovery Time Objective (RTO).

Pension Fund Risk

The pension fund risk results from the potential devaluation of the fund's assets portfolio or the decrease in the expected returns. In such scenarios, CEMG will have to make unplanned contributions in order to maintain the benefits defined by the Fund.

Regular monitoring and analysis of CEMG's Pension Fund management is carried out by the Pension Fund Monitoring Committee. In addition, the Department of Risk ensures the production of monthly reports with the evolution of the Pension Fund portfolio's market value and associated risk indicators.

Employee Benefits

Considering the provisions of the investment policy of the Montepio Geral Pension Fund relating to the exposure to various risks and different legal provisions, the control of these limits is monitored daily by means of a detailed analysis of "legal limits and investments exceeded", with a set of procedures that are performed may the limits be exceeded.

Subsequently, the Department of Risk monitors the effect of the measures adopted and their impact on the investment policy. At the same time, the levels of exposure to the legal and prudential limits that regulate the Montepio Geral Pension Fund are also monitored.

Besides verifying compliance with the investment policy and the legal and prudential limits, the management entity (Futuro) has decided to strengthen control and monitoring through a variety of risk measures and a set of internal procedures aimed at maintaining the prudent management of the risk. On this basis, a risk management model based on the technical perspective of EIOPA's "QIS Pension Funds" studies is used. The development of tolerance indicators for this model allows monitoring the variations of these indicators, in accordance with the investment policy defined for the pension fund.

Market risk monitoring is based on VaR calculation, with a confidence interval of 99.5% for one-year time horizon. Since VaR does not totally guarantee that risks do not exceed the probability used, Stress Tests are also carried out, with the purpose to calculate the impact of several extreme scenarios on the value of the portfolio.

The shareholder liquidity level and bond component of the fund is assessed through a liquidity test. With shares, this analysis is done based on the number of days to settle, considering the assets in the portfolio. This test consists of verifying the liquidity of the shareholder segment, assessing how many days are necessary for its settlement in the market, considering the costs associated with these transactions and the average historical volume of transactions in the various markets. In addition, in the bond segment, the cash receipts (positive cash-flows) resulting from bond coupon (interest) payments and amortizations or possible call exercises for one month are calculated. All these tests allow to assess the degree of liquidity in the short term and to monitor or act before a possible shortage of liquidity in a timely manner.

Other risks

With regard to other risks - reputation, strategy and business risk - these are also monitored by the Executive Board of Directors, and risks are controlled and corrective measures taken based on the results obtained against the limits established in the risk appetite.

Coverage Policies and Risk Reduction

purpose of reducing credit risk, the risk mitigation elements associated with each operation are considered. In particular, real mortgage guarantees and financial collateral are relevant, as well as the provision of personal credit protection, namely collateral.

The enforcement of collateral depends on the size of the unexpected loss, typically occurring in larger volume transactions, especially in construction financing and housing acquisition.

In terms of direct reduction of the exposure value, credit operations collateralized by financial collateral are considered, namely, time deposits, bonds and shares included in a recognised main stock exchange index, as stipulated in Section 4, Chapter 4, Title II, Part III of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR). The market risk of the assets involved is assessed in financial collaterals and the value of the collateral is adjusted.

With regard to real mortgage collaterals, CEMG has defined valuation and revaluation models to be applied to properties that may constitute collateral for credit operations. The asset evaluation is carried out by independent experts, and the management of evaluations and inspection is centralized in a structuring unit of the Institution, regardless of the commercial area. In accordance with (EU) Regulation no. 575/2013 (CRR), the requirements for the validation and reassessment of the goods' value, depending on the cases, either by statistical and computerized methods or by review or revaluation of the valuation value by the expert.

Regarding credit guarantees, the principle of the risk of substitution of the customer by that of the protection provider, as long as it does not originate credit derivatives on the portfolio exposure.

CEMG does not usually use off-balance sheet and off-balance sheet processes, nor does it generate credit derivatives exposure in its portfolio.

Trading portfolio market risk mitigation techniques essentially consist of hedging exposures for financial products with symmetric risk to decrease the total risk of operations, the partial or total sale of exposures to reduce exposure or cancel it completely, and in defining limits that control exposure to market risk.

With regard to the banking portfolio, interest rate and foreign exchange risk mitigation techniques are the negotiation of hedging transactions with derivatives and closing positions through the sale of open positions (feasible in the medium and long-term government debt and corporate bonds).

Calculation Model of Impairment Losses on the Loan Portfolio

The Group's Calculation Model of Impairment on the Loan Portfolio has been in force since June 2006 and is subject to regular updates, governed by the general principles defined in IAS 39, as well as by the guidelines contained in the Circular Letter no. 02/2014/DSP of the Bank of Portugal, in order to align the calculation process with the best international practices.

The Group's impairment model begins by segmenting the credit portfolio customers into three distinct groups, depending on the existing signs of impairment (including internal and external information) and the size of the set of exposures of each economic / client group:

- Individually Significant: individual Clients or Economic Groups that meet at least one of the following requirements are subject to individual analysis:
  - Exposure above Euro 1 million, with signs of impairment;
  - Exposure above Euro 2,5 million, without signs of impairment;
  - Regulatory Client: clients / economic groups subject to individual analysis in the previous month and that do not meet the current exposure criteria.
- Homogeneous Populations with signs of impairment: Clients or Economic Groups that do not fulfill the criteria to be Individually Significant and that present at least a sign of impairment.
- Homogeneous populations without signs of impairment: Clients or Economic Groups that do not fulfill the criteria to be Individually Significant and that do not show any sign of impairment.
- In the remaining entities of the Group, the exposure amounts are adjusted based on the asset value of the same.

Depending on the group in which the clients are classified, the operations are dealt through Individual Analysis, or Analysis based on Collective Basis.

For each of the active clients / credits, a set of impairment signs is verified, which includes internal and external information, which in turn, aggravate impairment values as they represent an increase in the risk of default. It should be noted that credit restructured due to financial difficulties is a sign of impairment and therefore the loan portfolio classified as restructured is included in the credits with signs of impairment.

In the group of homogeneous populations, customer exposures are subject to collective analysis. The calculation of the impairment value for customer loans belonging to homogeneous populations results from the product of the EAD exposure (deducted from risk-free financial collateral) by the following risk parameters:

- PD (probability of default): corresponds to internal default estimates, based on risk classifications associated with operations / clients, segment and respective impairment / credit status (if any). If the credit is in default or cross-default, the PD corresponds to 100%;

- LGD (default loss): corresponds to internal loss estimates, which vary depending on the segment, whether or not there is a real guarantee, Loan-to-Value (LTV) and default seniority, based on the historical experience of credits recovery that have been in default.

In the group of individually significant clients, client exposures are subject to individual analysis. This analysis focuses on the credit quality of the debtor, as well as on the expectations of recovering the credit, considering collateral and existing collateral.

Impairment value for Individually Significant Clients is determined using the discounted cash-flows method, that is, the impairment value corresponds to the difference between the credit value and the sum of the expected cash flows for the client's various operations, updated according to the interest rates of each operation.

Own Funds and Capital Racios

The own funds of CEMG are stablished in accordance with the applicable regulatory standards, namely Directive 2013/36/EU and Regulation (EU) number 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 fundos core of level 1 (common equity tier 1 - CET1) and the additional own funds of level 1 with 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 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):** includes capital equivalent instruments, whose conditions are in accordance with the article 52° from Regulation no. 575/2013 and approved by the Bank of Portugal. Non-controlled interests relating to additional own funds minimum requirements of the institutions for which CEMG does not hold full ownership are also eligible. 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 63° from Regulation no. 575/2013 and approved by the Bank of Portugal. Uncontrolled interests relating to the minimum own funds requirements of the institutions for which CEMG does not hold full ownership are also eligible. 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, regulatory minimums are indicated by CRD IV / CRR of 4.5% for CET1, 6% for Tier 1 and 8% for total Capital. However, on these regulatory minimums, reserves of own funds (such as Conservation Reserve, Counter-Cyclical Reserve and Reserves for Other Systemic Institutions) are applied, the value of which is defined by the Bank of Portugal. For 2016 the Bank of Portugal defined a Counter-cyclical Reserve of 0%. Regarding Conservation Reserve, the Bank of Portugal, in its Notice 6/2016, defines its application according to the transitional plan set out in Article 160 of CRD IV, thus the value of this reserve is 0.625% in 2016, 1.250 % in 2017, 1.875% in 2018 and 2.5% after 1 January 2019.

Pursuant to these provisions, as of 31 December 2016, the Common Equity Tier 1, Tier 1 and Total regulatory minimum ratios were 5.125%, 6.625% and 8.625%, respectively, including Own Capital Reserves already defined by the Bank of Portugal.

The summary of the calculation for CEMG's capital requirements as at 31 December 2016 and 2015 is presented as follows:

(Thousands of Euro)

	'16	'15
Capital Common Equity Tier 1		
Paid-up capital	2 170 000	1 900 000
Net profit, reserves and retained earnings	(742 945)	(561 214)
Other regulatory adjustments	(96 079)	(107 878)
	1 330 976	1 230 908
Capital Tier 1	1 330 976	1 230 908
Capital Tier 2		
Subordinated loans	74 339	137 483
Regulatory adjustments	(13 191)	(8 167)
	61 148	129 316
Total own funds	1 392 124	1 360 224
Own funds requirements		
Credit risk	921 598	1 010 644
Market risk	14 222	18 665
Operational risk	60 394	61 301
Other requirements	30 155	26 378
	1 026 369	1 116 988
Prutential Ratio		
Ratio Common Equity Tier 1	10,37%	8,82%
Ratio Tier 1	10,37%	8,82%
Total Capital Ratio	10,85%	9,74%

57 Accounting standards recently issued

Recently issued pronouncements already adopted by the Group in the preparation of the financial statements are the following:

IAS 19 (Revised) – Defined Benefit Plans: Employee Contributions

The IASB, issued on 21 November 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1 July 2014. These amendments were endorsed by Commission Regulation (EU) 29/2015, 17 December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1 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 had 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 12 December 2013, introduce amendments, with effective date on, or after, 1 July 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. These amendments were endorsed by EU Commission Regulation 28/2015, 17 December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1 February 2015).

IFRS 2 – Definition of vesting condition

The amendment clarifies the definition of 'vesting conditions' in Appendix A of IFRS 2 Share-Based Payment by separating 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 clarifies 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 39AG79, 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 had no impact from the adoption of this amendment on its financial statements.

Improvements to IFRS (2012-2014)

The annual improvements cycle 2012-2014, issued by IASB on 25 September 2014, introduce amendments, with effective date on, or after, 1January 2016, to the standards IFRS 5, IFRS 7, IAS19 and IAS 34. 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 amendment to IFRS 7 clarifies 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 had no impact from the adoption of this amendment on its financial statements.

IAS 27: Equity Method in Separate Financial Statements
IASB issued on 12 August 2014, amendments to IAS 27, with an effective date

of application for periods beginning on or after 1 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, 18 December 2015.

The Group had not yet adopted this option in their separate accounts.

Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28)
The IASB, issued on 18 December 2014, with an effective date of application for periods beginning on or after 1 January 2016, amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities: Applying the Consolidation Exception. The application exemption on consolidation is permitted to investment companies that comply with certain requirements.

These amendments were endorsed by EU Commission Regulation 1703/2016, 22 September 2016.

These amendments are not applicable to the Group.

Other Amendments
It was also issued by IASB in 2014, with an effective date of application for periods beginning on or after 1 January 2016, the following amendments:

- Amendments to IAS 16 and IAS 41: Bearer Plants (issued on 30 June 2014 and endorsed by EU Commission Regulation 2113/2015, 23 November)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014 and endorsed by EU Commission Regulation 2231/2015, 2 December)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014 and endorsed by EU Commission Regulation 2173/2015, 24 November)
- Amendments to IAS 1: Disclosure Initiative (issued on 18 December 2014 and was endorsed by EU Commission Regulation 2406/2015, 18 December)

The Group had no impact from the adoption of these amendments on its financial statements.

The Group decided to opt for not having an early application of the following standards endorsed by EU:
IFRS 9 Financial instruments (issued in 2009 and revised in 2010, 2013 and 2014)
IFRS 9 was endorsed by EU Commission Regulation 2067/2016, 22nd December 2016 (with an effective date of application for periods beginning on or after 1 January 2018).

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 (2009) 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 recognized 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 who do not comply with SPPI criteria, would be measured at fair value through profit and loss (FVTPL).

In 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 (FVTPL).

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 embedded derivatives do exist, it should be measured at fair value through profit and loss (FVTPL).

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 established a new impairment model base on "expected losses" that replace the current "incurred losses" in IAS 39.

So, loss event will no longer need to occur before an impairment allowance is recognised. This new model will accelerate recognition of losses form impairment on debt instruments held that are measured at amortised 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 for the following 12 months 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 provide 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 1 January 2018.
The Group has started the process of evaluating the potential effect of this standard but given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

IFRS 15 - Revenue from Contracts with Customers
The IASB, issued on 28 May 2014, IFRS 15 Revenue from Contracts with Costumers. IFRS 15 was endorsed by EU Commission Regulation 1905/2016, 22 September 2016, with an effective date of application for periods beginning on or after 1 January 2018.

An early applications is allowed. 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 recognized and the amount. The model specifies that the revenue should be recognized 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 Group is still evaluating the impact from the adoption of this standard.

Recently Issued pronouncements that are not yet effective for CEMG:
IFRS 14 - Regulatory Deferral Accounts
The IASB issued on 30 January 2014 a standard that defines interim measures for those adopting IFRS for the first time and has activity with regulated tariff.

The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

This standard is not applicable to the Group.

IFRIC 22 - Foreign Currency Translations and Advance Consideration
It has been issued on 8 December 2016, IFRIC 22, effective for annual periods beginning on or after 1 January 2018.

This new IFRIC 22 defines that, has been an advance in foreign currency for an asset, expense or revenue, applying paragraphs 21-22 of IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency (or if there are multiple payments or receives, the foreign currency exist at each advance consideration date).

The Group does not expect a significant impact from this interpretation.

IFRS 16 - Leases
The IASB, issued on 13 January 2016, IFRS 16 Leases, effective (with early application if applied at the same time IFRS 15) for annual periods beginning on or after 1 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 expects no impact from the adoption of this amendment on its financial statements.

Other Amendments

It was also issued by IASB:

- On 19 January 2016, and applicable for annual periods beginning on or after 1 January 2017, amendments to IAS 12 clarifying the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice.

- On 29 January 2016, and applicable for annual periods beginning on or after 1 January 2017, amendments to IAS 7 Disclosure initiative require companies to provide information about changes in their financing liabilities in order to provide information that helps the investors to better understand changes in a company's debt.

- On 20 June 2016, and applicable for annual periods beginning on or after 1 January 2018, amendments to IFRS 2 on Classification and Measurement of Share-based Payment Transactions.

- On 8 December 2016, and applicable for annual periods beginning on or after 1 January 2018, amendments to IAS 40 on Transfers of Investment Property to clarify whether an entity should transfer property under construction or development to, or from, investment property when there is a change in the use of such property which is supported by evidence other than specifically listed in paragraph 57 of IAS 40.

- The annual improvements cycle 2014-2016, issued by IASB on 8 December 2016, introduce amendments, with effective date for annual periods beginning on or after, 1 July 2018, to the standards IFRS 1 (deletion of short-term exemption for first-time adopters) and IAS 28 (measuring an associate or joint venture at fair value) and amendments, with effective date on, or after, 1 January 2017 to IFRS 12 (clarification of the scope of the Standard).

The Group expects no impact from the adoption of this amendment on its financial statements.

58 Sovereign debt of European Union countries subject to bailout

As at 31 December 2015, the exposure of CEMG to sovereign debt of European Union countries subject to bailout is as follows:

(Thousands of Euro)

	'16						
Issuer / portfolio	Book value	Fair value	Fair value reserve	Impairment	Average interest rate	Average maturity (years)	Measurement level
Greece							
Financial assets available-for-sale	12 365	12 365	(6 148)		3,00%	18,43	1

The value of securities includes respective accrued interest in the amount of Euro 460 thousands.

As at 31 December 2015, the exposure of CEMG to sovereign debt of European Union countries subject to bailout is as follows:

(Thousands of Euro)

	'15						
Issuer / portfolio	Book value	Fair value	Fair value reserve	Impairment	Average interest rate	Average maturity (years)	Measurement level
Greece							
Financial assets available-for-sale	11 169	11 169	-	(7 343)	3,00	16,66	1

The value of securities includes respective accrued interest in the amount of Euro 460 thousands.

59 Transfer 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:

(Thousands of Euro)

	'16			'15		
	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	27 857	43 124	15 267	27 074	42 202	15 128
Vallis Construction Sector Fund	23 506	26 776	3 270	18 794	20 889	2 095
Discovery Portugal Real Estate Fund	13 698	15 415	1 717	13 698	15 415	1 717
Fundo Aquaris, 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
	123 470	144 309	20 839	117 975	137 500	19 525

As at 31 December 2016 and 2015, the assets received under these transactions are as follows:

(Thousands of Euro)

	'16				
	Sénior Securities	Junior Securities	Total	Impairment	Net value
Fundo Vega, FCR	30 318	-	30 318	-	30 318
Vallis Construction Sector Fund	19 148	7 838	26 986	(21 243)	5 743
Discovery Portugal Real Estate Fund	13 738	-	13 738	-	13 738
Fundo Aquaris, FCR	13 800	-	13 800	(901)	12 899
Fundo de Reestruturação Empresarial, FCR	43 875	-	43 875	(2 370)	41 505
	120 879	7 838	128 717	(24 514)	104 203

(Thousands of Euro)

	'15				
	Sénior Securities	Junior Securities	Total	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
Discovery Portugal Real Estate Fund	13 151	-	13 151	-	13 151
Fundo Aquaris, FCR	13 801	-	13 801	(524)	13 277
Fundo de Reestruturação Empresarial, FCR	43 544	-	43 544	(773)	42 771
	114 779	6 153	120 932	(7 450)	113 482

As of 31 December 2016, impairments of Euro 15,090 thousands, Euro 1,597 thousands and Euro 377 thousands were recorded, related to the devaluation of the units in the Vallis Construction Sector Fund, Restructuring Corporate Fund, FCR and Aquarius Fund, respectively, as described in notes 15 and 24.

As at 31 December 2016, the junior securities refers to investment units on the amount of Euro 7,838 thousands, as referred in note 23, which are fully provisioned.

In 2015, CEMG acquired 27,292 investment units in the Fund Vega FCR in the amount of Euro 27,292 thousands. In addition, subscribed supplementary capital contributions in the amount of Euro 14,910 thousands, according to note 33. It should be noted that the supplementary capital contributions are fully provisioned. Additionally, the Group acquired, during 2016, investment units in the Vega Fund, in the amount of Euro 3,026 thousands.

Although the junior bonds are fully provisioned, 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).

60 Contigencies

Resolution Fund

Resolution measure of Banco Espírito Santo, S.A. (BES)

The Bank of Portugal applied a resolution measure to Banco Espírito Santo, SA on 3 August 2014, pursuant to the provisions of Article 145 C (1.b) of the General Regime for Credit Institutions and Financial Companies (RGICSF), in the partial transfer method of assets, liabilities, off-balance sheet assets and assets under management to a transition bank, Novo Banco, SA (Novo Banco). As part of this process, the Resolution Fund made a capital injection in Novo Banco in the amount of Euro 4,900,000 thousands, becoming the sole shareholder, and contracted loans in the amount of Euro 4,600,000 thousands, of which Euro 3,900,000 thousands were granted by the Portuguese State and Euro 700,000 thousands were granted by a group of credit institutions, of which Euro 70,000 thousands were granted by CEMG.

On 29 December 2015, the Bank of Portugal transferred to the Resolution Fund the emerging liabilities from possible negative effects of future decisions arising from the resolution process, resulting in liabilities or contingencies.

On 7 July 2016, the Resolution Fund stated that it would review and assess the proceedings to take following the disclosure of the report on the results of the independent evaluation exercise, which was carried out to estimate the level of credit recovery for each class of creditors in the hypothetical scenario of a normal BES insolvency procedure on 3 August 2014.

Thus, under the applicable law, and where it is found that at the time of BES settlement, creditors whose credit facilities have not yet been transferred to Novo Banco, assume a loss higher than would have been hypothetically if BES had entered into a settlement procedure immediately prior to the application of the resolution measure, these creditors are entitled to receive the difference from the Resolution Fund. To date, there is a relevant body of legal proceedings underway against the Resolution Fund.

The Bank of Portugal announced on 20 February 2017 that it has decided to choose the potential Lone Star investor for a definitive phase of negotiations and in conditions of exclusivity aiming to complete the terms in which the sale of the Fund's share Resolution on Novo Banco, SA would be held, and on 31 March 2017, a further statement was issued stating:

"Today, the Bank of Portugal choose Lone Star to complete the sale of the Novo Banco and the Resolution Fund signed the transaction's contract documents.

Under the terms of the agreement, Lone Star will make capital injections in Novo Banco for a total amount of Euro 1,000,000 thousands, of which Euro 750,000 thousands at the time of the transaction completion and Euro 250,000 thousands within a period of up to 3 years.

Due to this capital injection, Lone Star will hold 75% of the capital stock of the Novo Banco and the Resolution Fund will maintain 25% of the capital.

The conditions agreed also include the existence of a contingent capitalization mechanism, under which the Resolution Fund, as a shareholder, commits to make capital injections in the event of certain cumulative conditions, related to: i) the performance of a delimited set of assets of Novo Banco and ii) with the development of the Bank's capitalization levels.

Possible capital injections to be made pursuant to this contingent mechanism benefit from a capital buffer resulting from the planned injection to be made under the terms of the operation and are subject to an absolute ceiling.

The agreed conditions also provide for mechanisms to safeguard the interests of the Resolution Fund, the alignment of benefits and supervision, despite the restrictions arising from the application of the State aid rules.

The completion of the sale is dependent on obtaining the usual regulatory authorizations (including the European Central Bank and the European Commission) and a liability management exercise, subject to the approval of the bondholders, which will cover non-subordinated bonds of Novo Banco and that, by offering new bonds, it will generate at least Euro 500 million of own funds eligible for the calculation of the CET1 ratio. "

Resolution measure of Banif - Banco Internacional do Funchal, S.A. (Banif)

The Board of Directors of Bank of Portugal decided on 19 December 2015 to declare that Banif was "at risk or in a situation of insolvency" and to start an urgent resolution of the institution by the partial or total disposal method of its activity, which has materialized, on 20 December 2015, in the disposal of rights and obligations, representing assets, liabilities, off-balance sheet assets and assets under management of Banif to Banco Santander Totta S.A. (BST).

Most of the assets that were not disposed of were transferred to an asset management vehicle called Oitante, S.A. (Oitante), created specifically for this purpose, which has as sole shareholder the Resolution Fund, with the Oitante proceeding to the issuance of debt bonds in the amount of Euro 746,000 thousands, and a guarantee provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

The transaction involved public support, of which Euro 489,000 thousands by the Resolution Fund. The Euro 489,000 thousands assumed by the Resolution Fund were financed through a mutual agreement granted by the State.

Other relevant conditions
The resolution measures applied to BES and Banif referred to above determined that, with reference to 31 December 2016, the Resolution Fund held the entire capital stock of Novo Banco and Oitante, at the same time as the Resolution Fund contracted a loan and assumed other responsibilities and contingent liabilities, namely:

- Effects of the application of the principle that no institutions' creditor under resolution may incur greater loss than it would have assumed that institution had entered into settlement.
- Negative effects arising from the resolution process resulting in additional liabilities or contingencies for the Novo Banco, S.A., which must be neutralized by the Resolution Fund.
- Legal proceedings against the Resolution Fund.
- Guarantee provided to the bonds issued by Oitante SA for a total amount of Euro 746,000 thousands, counter-guaranteed by the Portuguese State, for which Oitante, S.A. made an early repayment of Euro 90,000 thousands.

In order to fulfill the responsibilities of the Resolution Fund, in particular to repay the loans obtained and to meet other responsibilities that may arise, the Resolution Fund essentially has revenues from initial and periodic contributions of the participating institutions and the banking sector established by Law no. 55-A /2010. In this regard, the possibility of the Government establishing, through an ordinance, that participating institutions make special contributions is also expected, in the situations provided for in applicable legislation, particularly in the event that the Resolution Fund does not have its own resources to fulfill its obligations.

Since 2013, CEMG has made mandatory contributions, as established in Decree-Law no. 24/2013, of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund provided for in the RGICSF.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which clarified that the periodic contribution to the RF should be recognised 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 the Article 9 of the aforementioned Decree-Law. CEMG is recognising 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 Banco Espírito Santo (BES). Therefore, the eventual collection of a special contribution appears to be unlikely".

In accordance with Decree-Law no. 24/2013, it is Bank of Portugal's responsibility to determine, by instruction, the rate to be applied in each year based on the objective incidence of periodic contributions. Bank of Portugal Instruction No. 19/2015, published on 29 December 29, stipulates that Portuguese banks paid contributions to the Resolution Fund in 2016, calculated at a 0.02% base rate. Instruction No. 21/2016 of the Bank of Portugal, of 26 December, sets the base rate to be effective in 2017 for the determination of periodic contributions to the Resolution Fund by 0.0291%.

In 2016, CEMG made regular contributions to the Resolution Fund in the amount of Euro 3,005 thousands and paid the contribution on the banking sector in the amount of Euro 13,226 thousands and were recognised as cost in April and June, in accordance with IFRIC No. 21 - Fees.

Under the Single European Resolution Fund ('FUR'), CEMG made an initial contribution of Euro 8,590 thousands in 2015, which within the Intergovernmental Agreement on the transfer of the contributions mutualisation to the FUR, was not transferred to the FUR but used for the fulfillment of obligations of the Resolution Fund resulting from the application of resolution measures prior to the Agreement's application date. This amount will have to be supplemented over an 8-year period (starting in 2016) through periodic contributions to the FUR. The total amount of the contribution for the year 2016 attributable to CEMG was Euro 11,895 thousands, of which CEMG delivered Euro 10,121 thousands and the remainder was constituted in the form of a payment irrevocable commitment, according to the note. The FUR does not cover situations in progress on 31 December 2015 from the National Resolution Fund.

On 28 September 2016, the Resolution Fund announced that it had agreed with the Ministry of Finance to review the loan of Euro 3,900,000 thousands originally granted by the Portuguese State to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the maturity extension of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Minister of Finance announced that increases in liabilities arising from materialization of future contingencies will determine the maturity adjustment of Portuguese State and Bank loans to the Resolution Fund in order to maintain the required contribution to the banking sector at current levels.

The announcement made by the Resolution Fund at 21 March 2017 states:

- "The conditions of the loans obtained by the Fund for the financing of the resolution measures applied to Banco Espírito Santo, SA and Banif - Banco Internacional do Funchal, SA have been changed." These loans amounted to Euro 4,953,000 thousands, of which Euro 4,253,000 thousands were granted by the Portuguese State and Euro 700,000 thousands were granted by a set of banks.

- "Those loans will due in December 2046, without prejudice to the possibility of early repayment based on the use of revenues from the Resolution Fund. The maturity will be adjusted in conditions that guarantee the ability of the Resolution Fund to fully meet its obligations based on regular income and without the need for special contributions or any other extraordinary contributions. Following the resolution measures of BES and Banif, liabilities arising from contracts obtained by the Resolution Fund with the Portuguese State and the banks, compete in pari passu among themselves."

- "The review of loan conditions aimed to ensure the sustainability and financial balance of the Resolution Fund."

- "The new conditions allow for full payment of the Resolution Fund's liabilities and their remuneration, without the need for special contributions or any other extraordinary contributions from the banking sector."

Following these changes to the loans contracted by the Resolution Fund, with reference to 31 December 2016, the amount of credit and interest owed to CEMG totaled Euro 74,730 thousands.

In this context, considering the above-mentioned exposure, it is not possible at this date to estimate the effects on the Resolution Fund arising from: (i) the partial sale of Novo Banco shareholding under the Bank of Portugal statement of 31 March 2017; (ii) the application of the principle that no creditor of the credit institution under resolution may incur greater loss than the one it would have assumed may that institution entered into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. that have to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including the so-called Harmed BES process; and (v) the guarantee given to the bonds issued by Oitante.

Thus, and regardless the possibility provided for in the applicable legislation for the collection of special contributions, given the recent developments regarding the renegotiation of the conditions of loans granted to the Resolution Fund by the Portuguese State and by a group of banks, CEMG included, and to the public announcements made by the Resolution Fund and by the Minister of Finance which state that this possibility will not be used. The financial statements, as of 31 December 2016, reflect CEMG's expectation that the institutions participating in the Resolution Fund will not be required to make special contributions or any other extraordinary contributions to finance the resolution measures applied to BES and Banif.

61 Subsidiary and associated companies of Caixa Económica Montepio Geral

As at 31 December 2016, the companies under full consolidation method in the Group are presented as follows:

					Grupo	
Subsidiary company	Head of Office	Share Capital	Currency	Activity	% of control	% of effective part.
Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, S.A.	Praia	8 996 509	Escudo Cabo Verdiano	Banking	100,00%	100,00%
Montepio Holding, S.G.P.S., S.A.	Lisbon	175 000 000	Euro	Holding company	100,00%	100,00%
Montepio Investimento, S.A.	Lisbon	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.	Lisbon	1 550 000	Euro	Investment fund management	100,00%	100,00%
Finibanco Angola, S.A.	Luanda	4 181 999 740	Kwanza	Banking	81,57%	81,57%
Banco Terra, S.A.	Maputo	2 686 458 998	Metical	Banking	45,78%	45,78%
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.	Lisbon	50 000	Euro	Real estate management	100,00%	100,00%
Semelhanças e Coincidências, S.A.	Vila Nova de Gaia	50 000	Euro	Real estate management	100,00%	100,00%

As at 31 December 2016, 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%
Montepio Gestão de Activos Imobiliários, A.C.E.	Lisbon	euros 2 449 707	Real state management	28,50%

The presented percentage reflects the economic interest of the Group.

As at 22 june 2016 was approved the settlement of Montepio Recuperação de Crédito, A.C.E., in the General Meeting of this company.

As at 24 june 2016 was approved, by the General Meeting of Shareholders of Montepio Investimento, S.A., the settlement of Montepio Capital de Risco, S.C.R., S.A.

These settlements arise from the implementation of the Strategic Plan 2016 - 2018 and is included in the streamlining of operational processes of CEMG Group, where the repositioning of the credit recovery activity in the structures of CEMG will achieve higher levels of efficiency and greater responsiveness to banking core business requirements.

As at 16 June 2016, the Group established the company SSAGINCENTIVE, Sociedade de Serviços Auxiliares e de Gestão Imóveis, S.A., with a share capital of Euro 50 thousands. The purpose of this company is the transaction and management of real estate essential to the setting-up and operation of credit institutions and / or financial companies, its shareholders and / or companies that are in a controlling or group relation, as well as the management and purchase for resale of properties acquired by its shareholders and / or companies that are in a domain or group relationship as a result of the repayment of their own credit.

As at December 2016, the Group acquired 100% of the share capital of Semelhanças e Coincidências S.A., for the amount of Euro 24 thousands. This company provides the purchase and sale of real estate and the resale of those acquired for that purpose, as well as the management of property owned by the company, including its lease, and as any other acts or transactions directly related to the mentioned activity.

In 2015, a contract was entered for the sale of 1,727,782 shares of Finibanco Angola S.A., representing 30.57% of the share capital, for US 26,346,178 thousands.

The Group analysed the effectiveness of regulatory and legal compliance, and decided not to recognize the sale of the financial participation until the financial settlement is completed. On this basis, until the transaction's financial settlement, the Group will continue to control the participation. Therefore, on 31 December 2016, the Group controls 81.57% of the subsidiary Finibanco Angola, S.A.

As at 31 December 2016, 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
Valor Prime - Fundo de Investimento Imobiliário Aberto	1997	2012	Lisbon	94,50%	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

As at 14 December 2016, the Group settled Pelican Mortgages No. 2 PLC.

As at 26 February 2016, the Group settled Montepio Crescimento Venture Capital.

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 during 2016.

62 Discontinued operations

CEMG is now in a negotiating process with a group of investors with the purpose to refocus the approach to the African market aiming for the deconsolidation of the current financial holdings held in Finibanco Angola SA and BTM - Banco Terra, SA, both under the "ARISE" project in an international partnership with Rabobank, the Norwegian sovereign fund NORFUND and the Dutch development bank FMO, as well as other alternatives being developed.

Considering the deliberations already taken by the Executive Board of Directors and the provisions of IFRS 5, the activities carried out by these subsidiaries were considered as discontinued with reference to the year 2016.

Regarding the income statement, the results of these subsidiaries were recognised in a balance line designated "Discontinued operations" and, with respect to the balance sheet, under "Non-current assets held for sale - Discontinued operations" and "Non-current liabilities held for sale - Discontinued operations".

For comparative purposes, the operating account and the various balance sheet captions analysed were prepared on the same basis for the 2015.

In this context, the Group restated its consolidated income statement and the consolidated statement of comprehensive income for the period from 1 January to 31 December 2015, under the provisions of International Financial Reporting Standard 5 - Non-current assets held for (IFRS 5). With reference to 31 December 2015, the total assets and liabilities of this subsidiary were recognised in the consolidated balance sheet in the respective lines, while the costs and income for the year with reference to December 2016 and 2015 were presented in a single line designated Results of Discontinued operations.

During 2015, this restatement implied changes in the way the contribution of Finibanco Angola, SA and Banco Terra, SA. is presented in the mentioned statement, and had no impact on the consolidated net income and on the Group's consolidated comprehensive income for the year end 31 December 2015. The breakdown of assets and liabilities was not changed in the consolidated balance sheet.

In accordance with paragraph 33 (a) of IFRS 5, net cash flows attributable to operating, investing and financing activities of discontinued operations should be disclosed, but should not be mandatory for groups of assets held for sale that may be recently acquired subsidiaries and that meet the criteria for classification as available-for-sale on the acquisition.

The Statement of financial position as at 31 December 2016 of Finibanco Angola, S.A. and Banco Terra, S.A. is as follows:

(Thousands of Euro)

	'16			
	Finibanco Angola	Banco Terra	Adjustments	Total
Cash and deposits at central banks and to credit instituitions	55 740	6 780	(20 926)	41 594
Other loans and advances to credit institutions	52 553	1 297	(23 722)	30 128
Loans and advances to customers	145 772	33 915	-	179 687
Securities portfolio and derivatives	144 980	654	-	145 634
Intangible assets	3 856	187	12 121	16 164
Other assets	51 614	5 595	-	57 209
Total assets	454 515	48 428	(32 527)	470 416
Deposits from other financial institutions	21 557	2 004	(24 587)	(1 026)
Deposits from customers	333 928	23 119	(10 011)	347 036
Other subordinated debt	27 330	-	(27 302)	28
Provisions	633	192	-	825
Other liabilities	5 287	2 677	(46)	7 918
Total liabilities	388 735	27 992	(61 946)	354 781
Total Equity	65 780	20 436	-	86 216
Total Liabilities and Equity	454 515	48 428	(61 946)	440 997

The main income statement balances related to this discontinued operation are analysed as follows:

(Thousands of Euro)

	'16				'15		
	Finibanco Angola	Banco Terra					
	Initial	Initial	Adjustments	Total	Finibanco Angola	Banco Terra	Total
Net interest income	28 596	4 849	-	33 445	27 227	4 286	31 513
Dividends from equity instruments	-	-	-	-	4	-	4
Net gains/(losses) arising from fees and commissions	5 863	562	-	6 425	5 302	438	5 740
Net gains/(losses) arising from financial operations	9 258	1 842	-	11 100	14 789	15	14 804
Other operating income / (expenses)	(2 348)	225	-	(2 123)	(382)	793	411
Total operating income	41 369	7 478	-	48 847	46 940	5 532	52 472
Staff costs	7 791	3 366	-	11 157	8 316	4 422	12 738
General and administrative expenses	8 615	2 699	-	11 314	10 140	4 196	14 336
Depreciation and amortisation	1 500	484	-	1 984	1 834	1 058	2 892
Total operating expenses	17 906	6 549	-	24 455	20 290	9 676	29 966
Loans and other assets impairment and other provisions	10 837	764	17 672	29 273	15 719	1 191	16 910
Total operating profit	12 626	165	(17 672)	(4 881)	10 931	(5 335)	5 596
Profit before income tax	12 626	165	(17 672)	(4 881)	10 931	(5 335)	5 596
Tax	2 205	98	-	2 303	1 250	(4 520)	(3 270)
Net income/ (loss) for the year	10 421	67	(17 672)	(7 184)	9 681	(815)	8 866

Regarding goodwill recorded in the financial holdings of Finibanco Angola and Banco Terra, the evaluations carried out in 2016 led to the recognition of impairment losses of Euro 16,311 thousands and Euro 1,361 thousands, respectively, as described.

Finibanco Angola

The evaluation carried out for Finibanco Angola was based on a study carried out by an external consultant who considered the average of three valuation methodologies: market multiples (average valuation values resulting from the P/B and P/E market), comparable transactions and discounted dividend method.

On this basis, the appreciation of the 81.57% held by Montepio Holding in Finibanco Angola stood at USD 70,242 thousands, corresponding to approximately Euro 62,936 thousands.

BTM - Banco Terra

The fair value estimate of BTM - Banco Terra was determined based on a study carried out by an external consultant who considered two different valuation methodologies: market multiples (P/B) and comparable transactions.

Thus, the valuation of 45.78% held by Montepio Holding in BTM - Banco Terra, obtained on the basis of the aforementioned study, resulted in an appreciation of the 45.78% position in Banco Terra at USD 14,374 thousands, orresponding to approximately Euro 12,879 thousands.

As at 31 December 2016, the amounts recorded in the balance sheet related to goodwill and consolidation differences correspond to the difference between the acquisition cost and the total fair value of the assets and liabilities and contingent liabilities of: (i) Finibanco Angola, SA acquired on 31 March 31 to Montepio Geral Associação Mutualista, as described in note 1 a), in the amount of Euro 53,024 thousands with associated impairment of Euro 42,863 thousands (31 December 2015: Euro 26,512 thousands); (ii) of Banco Terra, acquired in December 2014, in the amount of Euro 3,280 thousands, with an associated impairment of Euro 1,361 thousands.

63 Relevant facts

Capital increase

As at 18 March 2016, CEMG proceeded to an institutional 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 in the amount of Euro 270,000,000 thousands.

On the same date occurred the disposal of 31,500,000 of investment units held by Montepio Investimento SA with a nominal value of Euro 31,500,000 thousands.

Additionally, and in accordance with the resolutions mentioned above, CEMG acquired from MGAM a group of real estate and securities by the amount of Euro 199,444 thousands and Euro 69,929 thousands, respectively.

Legal transformation into a public limited company.
Due to an asset higher than Euro 50,000.000, Caixa Económica Montepio Geral was automatically considered as Caixa Económica Bancária, in accordance with the provisions of Article 6 no. 1 of Decree-Law No. 190/2015 of 10 September.

Pursuant to paragraph 2 of the above legal provision, the Bank of Portugal decided to transform CEMG into a public limited company, which, through its letter dated 21 November 2016, addressed to the Executive Board of Directors of CEMG , stated as follows: "We inform you that under the terms and for the purposes of articles 111 and 114 of the Administrative Procedure Code, which the Board of Directors of the Bank of Portugal deliberated on 21 November 2016, in accordance with the competence conferred by Article 6 (2) of the Decree-Law No. 190/2015, of 10 September the transformation of Caixa Económica Montepio Geral into a limited company, under the terms and grounds set out in the enclosed decision.

In addition, and in accordance with Article 6 (3) of Decree-Law No. 190/2015, the Portuguese Securities Market Commission was duly consulted by the Bank of Portugal.

The Executive Board of Directors of CEMG prepared an information report which set out the grounds for the transformation and presented a proposal of by-laws that submitted the approval of the Bank of Portugal, in accordance with Article 6 (4.a) of the Decree- Law No. 190/2015.

The Bank of Portugal has issued a favorable opinion on the compliance of the information report and the proposed amendment to CEMG's by-laws, authorizing, as proposed, the transformation of this bank into a public limited company, under the terms and for the purposes of Article 6 (4.b) of the Decree-Law No. 190/2015.

At the meeting held on 4 April 2017, the General Meeting of Caixa Económica Montepio Geral approved: i) the Caixa Económica Montepio Geral by-laws, Caixa Económica Bancária, S.A .; ii) the Information Report presented by the Executive Board of Directors; iii) the transformation of Caixa Económica Montepio Geral, which was a bank with a foundational nature, into an anonymous commercial company, reaffirming the decision already taken at the General Meeting of 13 December 2016, all without prejudice to the necessary Ratification by the General Meeting of Montepio Geral - Associação Mutualista; and iv) the company resulting from the transformation will be governed by the by-laws already approved at that session.

The above mentioned resolutions adopted by the General Meeting of CEMG need to be ratified by resolution of the General Meeting of Montepio Geral - Associação Mutualista in accordance with Article 6 (4.g) of the Decree-Law No. 190/2015, Articles 32 and 33 of the CEMG's by-laws and Article 25 (g) of the Montepio Geral - Associação Mutualista's by-laws.

64 Subsequent events

After the balance sheet date and before Consolidated Financial Statements were authorized for issuance, there were no significant transactions and / or events that are relevant to be disclosed.

Individual financial statements and explanatory notes

Income Statement for the years ended at 31 December 2016 and 2015 (Thousands of Euro)	Notes	'16	'15
			reexpresso
Interest and similar income	3	515 134	579 215
Interest and similar expense	3	276 672	393 863
Net interest income		238 462	185 352
Dividends from equity instruments	4	12 750	3 826
Net fee and comission income	5	109 233	102 605
Net gains / (losses) arising from assets and liabilities at fair value through profit or loss	6	(19 790)	(11 471)
Net gains / (losses) arising from available-for-sale financial assets	7	54 329	90 611
Net gains / (losses) arising from foreign exchange differences	8	2 593	4 943
Net gains / (losses) arising from the sale of other assets	9	25 624	(20 417)
Other operating income	10	(36 717)	26 719
Total operating income		386 484	382 168
Staff costs	11	157 566	183 549
General and administrative expenses	12	84 136	110 945
Depreciation and amortisation	13	22 828	22 306
		264 530	316 800
Loans impairment	14	182 555	243 096
Other financial assets impairment	15	92 485	58 840
Other assets impairment	16	195 842	172 756
Other provisions	17	(6 856)	(531)
Net income/(loss) before income taxes		(342 072)	(408 793)
Income taxes			
Current	30	317	7 650
Deferred	30	97 988	70 147
Net income / (loss) for the year		(243 767)	(330 996)

CERTIFIED ACCOUNTANT THE EXECUTIVE BOARD OF DIRECTORS

Statement of Financial Position as at 31 December 2016 and 2015 (Thousands of Euro)	Notas	'16	'15	1 Jan'15
Assets			restated	restated
Cash and deposits at central banks	18	381 288	358 125	203 338
Loans and advances to credit institutions repayable on demand	19	71 039	50 617	54 868
Other loans and advances to credit institutions	20	729 040	610 480	929 024
Loans and advances to customers	21	13 799 711	14 165 460	14 681 417
Financial assets held for trading	22	78 161	42 277	90 572
Financial assets available for sale	23	2 888 732	3 639 991	4 355 992
Hedging derivatives	24	-	9	60
Held-to-maturity investments	25	1 126 125	26 130	17 333
Investments in subsidiaries and associated companies	26	259 287	354 083	419 183
Non-current assets held for sale	27	723 742	733 865	779 504
Property and equipment	28	222 809	31 255	36 924
Intangible assets	29	33 013	30 229	117 297
Current tax assets		9 281	19 676	-
Deferred tax assets	30	513 808	389 571	301 353
Other assets	31	205 631	301 324	210 944
Total Assets		21 041 667	20 753 092	22 197 809
Liabilities				
Deposits from central banks	32	2 307 947	2 262 258	2 496 886
Deposits from other financial institutions	33	2 600 733	2 028 314	1 638 075
Deposits from customers	34	12 370 011	12 207 740	13 609 144
Debt securities issued	35	1 883 629	2 255 729	2 100 535
Financial liabilities held for trading	22	26 148	64 335	85 300
Hedging derivatives	24	-	439	1 494
Provisions	36	20 993	15 509	16 151
Current tax liabilities		1 271	-	12 026
Other subordinated debt	37	237 094	333 686	388 118
Other liabilities	38	203 979	161 933	285 639
Total Liabilities		19 651 805	19 329 943	20 633 368
Equity				
Institutional capital	39	1 770 000	1 500 000	1 500 000
Participation fund	40	400 000	400 000	200 000
Other equity instruments	41	6 323	8 273	8 273
Fair value reserves	43	(2 303)	6 866	39 232
Other reserves and retained earnings	42 & 43	(540 391)	(160 994)	(41 659)
Net income / (loss) for the year		(243 767)	(330 996)	(141 405)
Total Equity		1 389 862	1 423 149	1 564 441
Total Liabilities and Equity		21 041 667	20 753 092	22 197 809

CERTIFIED ACCOUNTANT THE EXECUTIVE BOARD OF DIRECTORS

Statement of Cash Flows for the years ended at 31 December 2016 and 2015

(Thousands of Euro)

	'16	'15
Cash flows arising from operating activities		
Interest income received	443 918	520 694
Commission income received	138 649	128 475
Interest expense paid	(363 425)	(506 316)
Commission expense paid	(24 681)	(30 843)
Payments to employees and suppliers	(335 941)	(379 890)
Recovery of loans and interests	6 669	8 119
Other payments and receivables	21 067	(97 805)
Interest tax payment	11 983	(24 051)
	(101 761)	(381 617)
(Increase) / decrease in operating assets		
Loans and advances to credit institutions and customers	(165 553)	657 628
Other assets	146 978	(35 749)
	(18 575)	621 879
Increase / (decrease) in operating liabilities		
Deposits from customers	186 995	(1 370 611)
Deposits from credit institutions	572 532	390 499
Deposits from central banks	46 240	(215 000)
	805 767	(1 195 112)
	685 431	(954 850)
Cash flows arising from investing activities		
Dividends received	12 750	3 826
(Acquisition) / sale of financial assets held-for-trading	(41 179)	34 231
(Acquisition) / sale of financial assets available-for-sale	1 069 685	(114 719)
Interests received from financial assets available-for-sale	110 589	140 746
(Acquisition) / sale of hedging derivatives	270	-
Increase of investments in associated companies	(62 500)	-
(Acquisition) / sale of shares in associated companies	-	20 000
(Acquisition) / sale of held-to-maturity investments	(1 079 245)	(8 848)
Deposits owned with the purpose of monetary control	(10 443)	(128 120)
(Acquisition) / sale of other financial assets	128	1 967
Acquisition of fixed assets	(220 374)	(18 107)
	(220 319)	(69 024)
Cash flows arising from financing activities		
Capital increase	270 000	200 000
Other equity instruments	(2 322)	(758)
Proceeds from issuance of bonds and subordinated debt	1 300 000	2 031 583
Reimbursement of bonds and subordinated debt	(1 963 907)	(1 154 837)
Increase / (decrease) in other sundry liabilities	(37 006)	(32 738)
	(433 235)	1 043 250
Effect of changes in exchange rate on cash and cash equivalents	1 265	3 040
Net changes in cash and cash equivalents	33 142	22 416
Cash and cash equivalents at the beginning of the year	249 543	227 127
Net changes in cash and cash equivalents	33 142	22 416
Cash and cash equivalents at the end of the year	282 685	249 543
Cash and cash equivalents at the end of the year includes:		
Cash (note 18)	211 646	198 926
Loans and advances to credit institutions repayable on demand (note 19)	71 039	50 617
Total	282 685	249 543

CERTIFIED ACCOUNTANT THE EXECUTIVE BOARD OF DIRECTORS

Statement of Changes in Equity for the years ended at 31 December 2016 and 2015

(Thousands of Euro)

	Total Equity	Capital	Participation fund	Other equity Instruments	General and special reserves	Fair value reserves	Retained earnings
Balance on 31 December 2014	1 466 362	1 500 000	200 000	8 273	254 273	39 232	(535 416)
Repeal of Notice of Banco de Portugal No. 3/95 (note 56)	98 079	-	-	-	-	-	98 079
Balance on 1 January 2015 (restated)	1 564 441	1 500 000	200 000	8 273	254 273	39 232	(437 337)
Other comprehensive income:							
Actuarial gains/(losses) for the year	22 503	-	-	-	-	-	22 503
Deferred taxes related to balance sheet changes accounted for reserves (note 30)	325	-	-	-	-	-	325
Changes in fair value (note 44)	(50 112)	-	-	-	-	(50 112)	-
Deferred taxes related to fair value changes (note 30)	17 746	-	-	-	-	17 746	-
Net income / (loss) for the year	(330 996)	-	-	-	-	-	(330 996)
Total comprehensive income / (loss) for the year	(340 534)	-	-	-	-	(32 366)	(308 168)
Costs related to the issue of perpetual subordinated instruments (note 41)	(758)	-	-	-	-	-	(758)
Issuance and subscription of participation units in CEMG's Participation fund	200 000	-	200 000	-	-	-	-
Balance on 31 December 2015 (restated)	1 423 149	1 500 000	400 000	8 273	254 273	6 866	(746 263)
Other comprehensive income:							
Actuarial gains/(losses) for the year (note 47)	(61 053)	-	-	-	-	-	(61 053)
Deferred taxes related to balance sheet changes accounted for reserves (note 30)	13 024	-	-	-	-	-	13 024
Changes in fair value (note 43)	(22 394)	-	-	-	-	(22 394)	-
Deferred taxes related to fair value changes (note 30)	13 225	-	-	-	-	13 225	-
Net income / (loss) for the year	(243 767)	-	-	-	-	-	(243 767)
Total comprehensive income / (loss) for the year	(300 965)	-	-	-	-	(9 169)	(291 796)
Costs related to the issue of perpetual subordinated instruments (note 41)	(372)	-	-	-	-	-	(372)
Own perpetual subordinated instruments (note 41)	(1 950)	-	-	(1 950)	-	-	-
Institutional capital increase (note 39)	270 000	270 000	-	-	-	-	-
Balance on 31 December 2016	1 389 862	1 770 000	400 000	6 323	254 273	(2 303)	(1 038 431)

Statement of Comprehensive Income for the years ended at 31 December 2016 and 2015 (Thousands of Euro)	Notes	'16	'15 restated
Items that may be reclassified into the Income Statement			
Fair value reserves			
Financial assets available-for-sale	43	(22 394)	(50 112)
Taxes	30 & 43	13 225	17 746
		(9 169)	(32 366)
Items that will not be reclassified into the Income Statement			
Actuarial gains / (losses) for the year	47	(61 053)	22 503
Deferred taxes	30	13 024	325
		(48 029)	22 828
Other comprehensive income / (loss) for the year		(57 198)	(9 538)
Net income / (loss) for the year		(243 767)	(330 996)
Total comprehensive income / (loss) for the year		(300 965)	(340 534)

CERTIFIED ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

1 Accounting policies

Basis of presentation

Caixa Económica Montepio Geral (hereinafter referred to as "CEMG") is a credit institution, with its head office at Rua Áurea, 219-241, Lisboa, held by Montepio Geral - Associação Mutualista, established on 24 March 1844 and authorized 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 authorized to carry out banking operations in addition to those mentioned in its by-laws, if previously authorized by Bank of Portugal. This fact conducts to the practice of banking operations in general.

In 2010, Montepio Geral - Associação Mutualista (hereinafter referred to as "MGAM"), 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 and Regulation no. 5/2015 of Bank of Portugal, from 7 December, CEMG's financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union, from 2016 onwards. IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body.

The financial statements presented herein were approved by the Executive Board of Directors of CEMG on 26 April 2017. 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's financial statements for the year ended at 31 December 2016 have been prepared in accordance with the IFRS, as adopted by the EU and effective at that date.

CEMG has adopted IFRS and interpretations mandatory for accounting years beginning on, or after, 1 January 2016.

The accounting policies in this note were applied consistently with those used in the preparation of the financial statements of the previous year, being introduced the amendments resulting from the issuance, in 7 December 2015, of the Regulation no. 5/2015 from Bank of Portugal which establishes that entities subject to its supervision should prepare its individual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as adopted, at any time, by the European Union Regulation, thus repealing Regulation no. 1/2005 of Bank of Portugal, which established that CEMG's individual financial statements should be prepared in accordance with the Adjusted Accounting Standards ("NCA's").

The new Regulation came into effect on 1 January 2016. The impacts arising from this amendment in the opening financial statements for the year 2016 result fundamentally from the revocation of Regulation no. 3/95 of Bank of Portugal regarding the recognition of impairment on the credit portfolio.

In addition, and still in the context of IFRS adoption, CEMG presents in the Statement of Financial Positions as at 31 December 2016, the securitizations not derecognized by their net value, and only the debt issued and placed in third parties are recorded in liabilities.

In accordance with IAS 8, these policy changes are presented for comparative purposes as of 1 January 2015, in accordance with note 56.

The financial statements were 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 and available for sale financial 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 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 considered to be reasonable under the circumstances, the results which form the basis of 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).

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.

Impairment

CEMG's policy is to regularly assess the existence of objective evidence of impairment in its credit portfolio. The identified impairment losses are recorded in the income statement being subsequently reversed by results if there is a reduction in the estimated impairment loss in a subsequent period.

After initial recognition, a loan or customer loan portfolio, defined as a group of loans with similar risk characteristics, may be classified as impairment when there is objective evidence of impairment resulting from one or more events, and when these have an impact on the estimated future cash flows of the loan or customer loan portfolio that can be reliably estimated.

According to IAS 39, there are two methods for calculating impairment losses: (i) individual assessment and (ii) collective assessment.

(i) individual assessment

The assessment of existing impairment losses on an individual basis is determined by analyzing the total credit exposure case-by-case. For each loan considered individually significant, CEMG evaluates, at each balance sheet date, the existence of objective evidence of impairment. In determining the impairment losses, on individual assessmentloans, the following factors are considered:

- CEMG's total exposure to the customer and the existence of overdue loans;

- the economic and financial viability of the client's business and its ability to generate sufficient cash flow to service its debt in the future;
- the existence, nature and estimated value of the collateral associated with each loan;
- significant downgrading in the client's rating;
- client's assets on liquidation or insolvency situations;
- the existence of privileged creditors; and
- the amount and estimated recovery periods.

Impairment losses are calculated by comparing the present value of expected future cash flows discounted at the original effective interest rate of each contract and the book value of each loan, and losses are recorded in the income statement. The book value of impaired loans is presented in the balance sheet net of impairment losses. For loans with a variable interest rate, the discount rate used corresponds to the effective annual interest rate applicable in the year in which the impairment was determined.

(ii) Colletive assessment
Loans for which no objective evidence of impairment has been identified are grouped together based on similar risk characteristics with the purpose of determining, collectively, impairment losses. This analysis allows CEMG to recognize losses whose identification, on an individual basis, will only occur in future periods.

Impairment losses based on a collective assessment can be calculated under two perspectives:

- for homogeneous groups of loans not considered individually significant; or
- regarding losses incurred but not reported ("IBNR") in loans for which there is no objective evidence of impairment (see previous paragraph (i)).

Impairment losses on a collective assessment are determined considering the following aspects:

- historical experience of losses in portfolios with similar risk;
- knowing the current economic and credit environment and its influence on historical losses; and
- estimated period between the loss occurence and its identification.

The methodology and assumptions used to estimate future cash flows are regularly reviewed by CEMG with the purpose of monitor the differences between estimated and real losses.

In accordance with Circular letter 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 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. This charge-off is carried out only for loans that are considered not to be recoverable and fully provided.

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 acquire the asset and are classified considering its underlying purpose following the categories described below:

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 from financial assets at fair value through profit or loss.

The interest from debt instruments are recognised as interest net income.

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 or 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) Held-to-maturity investments

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, CEMG 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 amortized 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.

Derivatives hedge accounting

(i) Contabilidade de cobertura

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 period; 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 recognized immediately in profit and loss when incurred.

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 period, 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.

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.

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.

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.

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.

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 independent experts registered with the Securities and Exchange Commission (CMVM).

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

Financial 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.

Interest income and expense

Interest income and expense for financial instruments measured at amortized 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).

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.

Fee and comission income

Income from fees and commissions is recognized in accordance with 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.

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 period to which they relate.

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 period 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 a 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.

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 to 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.

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 deposits with banks.
Cash and cash equivalents exclude restricted balances with Central Banks.

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.

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.

Post-employment and long-term benefits

Defined benefit plans

CEMG has the responsibility to pay its employees old-age, disability and survival pensions, health benefits and death subsidy, in accordance with the terms and conditions of Collective Labor Agreement (ACT). In 2016, amendments were made to this agreement, namely the change in the retirement age, in line with the general Social Security system and the attribution of an end-of-career award corresponding to 1.5 times the monthly retribution received at the retirement date.

Arising from the signing of the Collective Labor Agreement (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% of 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 n°. 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.

In December 2016, CEMG issued a new Collective Labor Agreement/ACT, introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the general Social Security system, and the attribution of an end-of-career award which replaced the extinguished old-age bonus (see note 47).

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.

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 costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching retirement age.

Other benefits non-related with pensions, namely retired employees' health expenses and benefits to spouses and descendants by death and expenses with house loans, 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.

Defined contribution plan
On 31 December 2016, CEMG has a defined contribution plan for employees who were hired after 3 March 2009. For this plan, designated as contributory, contributions are made monthly and equal to 1.5% of the effective remuneration to be made by the company and 1.5% to be made by the employee.

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.

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 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 recognised in net 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 income statement 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 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 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 period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Segmental reporting
CEMG adopted the IFRS 8 - Operational Segments for the purposes of disclosure of financial information by operating 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.

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. In cases where the discount effect is material, provisions correspond 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.

Insurance and resinsurance 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".

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 investments to maturity. If CEMG 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 fixed assets would therefore be measured at fair value instead of amortized 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 period.

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 period.

The Portuguese Tax and Customs Authorities are entitled to review CEMG determination of its annual taxable earnings, for a period of four years, save where any deduction or tax credit has been made in which the period is the exercise of that right. 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.

Pensions and other employee benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections and others, such as discount rate, pensions' growth rate and wages and mortality table, 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.

Valuation of non-current assets held for sale

Non-current assets held for sale are measured at the lower between its fair value net of selling costs and the book value of the existing credit on the date of depreciation. Fair value is determined on the basis of periodic assessments made by external experts registered with CMVM. Different methodologies and assumptions would have an impact on the determination of the assets fair value and consequently on the financial statements.

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. Different assumptions and judgments would have an impact in determining the amount of provisions and consequently in the financial statements.

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:

(Thousands of Euro)

	'16	'15
Net interest income	238 462	185 352
Net gains arising from assets and liabilities at fair value through profit and loss	(19 790)	(11 471)
Net gains arising from available-for-sale financial assets	54 329	90 611
	273 001	264 492

3 Net interest income

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Interest and similar income:		
Interest from loans to customers	378 404	423 336
Interest from deposits and other investments	2 754	1 780
Interest from available-for-sale finacial assets	38 893	59 586
Interest from held for trading financial assets	76 006	93 733
Interest from held-to-maturity financial assets	18 761	650
Interest from hedging derivatives	307	128
Other interest and similar income	9	2
	515 134	579 215
Interest and similar expense:		
Interest from deposits of customers	124 783	195 684
Interest from loans of Central Banks and other financial institutions	18 529	34 412
Interest from securities issued	54 227	69 133
Interest from subordinated liabilities	3 909	5 197
Interest from held for trading financial liabilities	71 626	87 054
Interest from hedging derivatives	20	544
Other interest and similar expense	3 578	1 839
	276 672	393 863
Net interest income	238 462	185 352

The balances Interest and similar income- Loans to customers and Interest and similar expenses - Other interests and similar expenses include, the positive amount of Euro 20,263 thousands and the negative amount of Euro 3,576 thousands (31 December 2015: the positive amount of Euro 20,189 thousands and the negative amount of 1,839 thousands), 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).

Interest and similar income includes in 2016 the amount of Euro 64,982 thousands related to income from customers with signs of impairment, representing 12.6% of the caption's total.

4 Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Dividends from available for sale financial assets	11 647	3 632
Dividends from subsidiaries	1 103	194
	12 750	3 826

The balance Dividends from available for sale financial assets include dividends and income from investment fund units received during the year.

The balance Dividends from subsidiaries corresponds to dividends paid by Banco Montepio Geral, Cabo Verde, Sociedade Unipessoal, S.A.

5 Net fee and commission income

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Fee and commission income:		
From banking services	91 611	90 412
From transactions on behalf of third parties	20 688	21 101
From insurance brokerage services	11 418	8 180
From commitments to third parties	6 523	6 777
Other fee and commission income	6 308	2 692
	136 548	129 162
Fee and commission expense:		
From banking services rendered by third parties	15 442	16 257
From transactions with securities	694	629
Other fee and commission expense	11 179	9 671
	27 315	26 557
Net fee and commission income	109 233	102 605

As at 31 December 2016 and 2015, insurance brokerage services are presented as follows:

(Thousands of Euro)

	'16	'15
Life insurance	7 807	4 916
Non-life insurance	3 611	3 264
	11 418	8 180

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

(Thousands of Euro)

	'16			'15		
	Proveitos	Custos	Total	Proveitos	Custos	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed income securities						
Issued by public entities	6 138	5 814	324	15 037	17 772	(2 735)
Issued by other entities	8 111	-	8 111	162	137	25
Shares	10 222	10 989	(767)	14 656	13 480	1 176
Investment units	836	981	(145)	441	467	(26)
	25 307	17 784	7 523	30 296	31 856	(1 560)
Derivative financial instruments						
Interest rate contracts	130 177	131 120	(943)	202 601	192 967	9 634
Exchange rate contracts	58 090	58 027	63	85 345	84 804	541
Futures contracts	6 055	6 033	22	4 598	4 165	433
Options contracts	10 996	10 633	363	20 626	20 450	176
Commodities contracts	7 754	7 716	38	106 578	106 496	82
Credit default contracts (CDS)	21 787	46 629	(24 842)	165	35 343	(35 178)
	234 859	260 158	(25 299)	419 913	444 225	(24 312)
Other financial assets	-	-	-	14 088	131	13 957
	-	-	-	14 088	131	13 957
Other financial assets at fair value through profit or loss						
Loans to customers	420	1 219	(799)	1 532	2 051	(519)
	420	1 219	(799)	1 532	2 051	(519)
Hedging derivatives						
Interest rate contracts	22	35	(13)	2 253	1 353	900
	22	35	(13)	2 253	1 353	900
Financial liabilities at fair value through profit or loss						
Deposits from other credit institutions	1 874	1 356	518	1 384	63	1 321
Deposits from customers	284	288	(4)	435	423	12
Debt securities issued	1 130	2 846	(1 716)	1 610	2 741	(1 131)
Other subordinated liabilities	-	-	-	-	139	(139)
	3 288	4 490	(1 202)	3 429	3 366	63
	263 896	283 686	(19 790)	471 511	482 982	(11 471)

The balance Financial liabilities, includes fair value changes related with changes in the own credit risk (spread) of operations, in the amount of Euro 5,022 thousands (31 December 2015: Euro 2,967 thousands) as disclosed in 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 whether at inception or subsequently is determined based only 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:

(Thousands of Euro)

	'16			'15		
	Gains	Losses	Total	Gains	Losses	Total
Fixed income securities						
Bonds						
Issued by public entities	25 931	300	25 631	80 833	3 115	77 718
Issued by other entities	16 101	1 128	14 973	26 975	4 534	22 441
Shares	17 000	3 286	13 714	3 511	2 465	1 046
Other variable income securities	1 436	1 425	11	5 158	15 752	(10 594)
	60 468	6 139	54 329	116 477	25 866	90 611

On 31 December 2016, the balance Fixed income securities - Bonds - issued by other public entities includes the amount of Euro 22,623 thousands related with gains generated with the sale of treasury Spanish and Italian bonds. This caption, on 31 December 2015, includes an amount of Euro 77,649 thousands, related with gains generated with the sale of treasury bonds of Portuguese Domestic debt.

The balance shares includes the amount of Euro 11,975 thousands related with the gains generated from the disposal of shares of Visa Europe Limited: (i) Euro 8,421 thousands related with up-front consideration; (ii) Euro 2,850 thousands related with preference shares received; and (iii) Euro 704 thousands related with a deferred payment to be settled in 2019, as disclosed in notes 23 and 31.

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

The amount of this acount is comprised of:

(Thousands of Euro)

	'16			'15		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	61 800	59 207	2 593	185 715	180 772	4 943

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 the sale of other assets

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Sale of other assets	1 288	(81)
Sale of loans and advances to customers	8 096	(7 687)
Sale of non-current assets held for sale	16 240	(12 649)
	25 624	(20 417)

As at 31 December 2016, the balance Sale of loans and advances to customers includes the gain of Euro 14,695 thousands obtained from the sale of a portfolio of loans to customers which were in default. The nominal amount of loans sold amounted to Euro 362,996 thousands, as described in note 21 and 31.

The balance Sale of non-current assets held for sale is basically the result obtained with the sale of real estate properties, as disclosed in note 27.

10 Other operating income

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Other operating income:		
Staff transfer	16 388	19 400
Services rendered	9 294	32 385
Profits arising from deposits on demand management	12 336	9 068
Reimbursement of expenses	1 596	1 824
Repurchase of own securities	701	439
Other	4 647	9 863
	44 962	72 979
Other operating expense:		
Contributions:		
Banking Sector	12 793	10 191
Ex-ante for the Resolution Fund	10 022	8 452
Resolution Fund	2 907	2 176
Deposit Guarantee Fund	10	649
Servicing and expenses with loan recovery	25 776	1 634
Expenses with real estate trading	8 149	7 412
Expenses with issuances	8 060	1 622
Donations and membership	827	964
Taxes	303	299
Repurchase of own securities	-	4 355
Other	12 832	8 506
	81 679	46 260
Other net operating income	(36 717)	26 719

As at 31 December 2016, the balance Other operating income - Services rendered includes the amount of Euro 3,268 thousands (31 December 2015: Euro 26,000 thousands), referring to the income charged to Montepio Geral Associação Mutualista, as described in note 31.

As at 31 December 2016, the balance Other operating income - Staff transfer includes the amount of Euro 15,490 thousands (2015: Euro 18,419 thousands) related to the staff transfer from CEMG to Montepio Geral Associação Mutualista and entities of CEMG Group.

As at 31 December 2016 and 2015, 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 of 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 Single Resolution Fund corresponds to the annual contribution for 2016, 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") and with the conditions provided by the Implementing Regulation 2015/81 of the Council from 19 December 2014 (Implementing Regulation).

This contribution was determined by the Bank of Portugal, in its quality of National Resolution Authority, based in the methodology defined in accordance with its articles 4, 13 and 20 in the Delegated Regulation. Under the Single Resolution Mechanism this contribution must be transferred on an annual basis to the Single Resolution Fund until 30 June, as stipulated in the Agreement for the Transfer and Mutualisation of the contributions to the Single Resolution Fund signed in Brussels on 21 May 2014 and approved by the Portuguese National Assembly Resolution 129/2015, of 3 September, pursuant to Article 67 (4) of Regulation (EU) 806/2014 of the European Parliament and of the Council of 15 July 2014 (MUR Regulation).

In addition, it is the responsibility of the Single Resolution Council ("CUR"), in close cooperation with the Bank of Portugal, as the national resolution authority, to calculate on an annual basis these contributions, pursuant to and for the purposes Article 70 (2) of the MUR Regulation. In 2016, CEMG opted for the use of irrevocable payment commitments, by 15% of the contribution's value, as provided for in Article 8 (3) of the Implementing Regulation. On this basis, CEMG decided to settle Euro 1,774 thousands in the form of irrevocable payment commitments, recorded under the caption Loans and advances to credit institutions abroad - Term deposit, as disclosed in note 20. It should be noted that only cash collateral is accepted as collateral for irrevocable payment commitments.

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, 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.

The item Servicing and credit recovery expenses registers servicing costs applied to a portfolio of non-performing credits made by third parties.

11 Staff costs

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Remunerations	123 082	131 260
Mandatory social security charges	33 525	35 517
Charges with the pensions fund	(11 420)	12 695
Other staff costs	12 379	4 077
	157 566	183 549

Within the strategic plan of Caixa Económica Montepio Geral (CEMG) for 2016-2018, it was defined a set of measures with the purpose of, among others, recover CEMG's profitability, liquidity and capital levels. In this respect, and regarding the staff downsizing measures, it was developed a project that included, in a summarised manner, the following approaches::

- Active Retirement Scheme ("ARS") for the CEMG employees with more than 55 years of age;
- Termination by Mutual Agreement ("TMA"), subject to approval by the Chief Officer; and
- Other situations, subjected to a case-by-case analysis.

This scheme was completed in 2016, being recorded in the financial statements of 2016 a cost of Euro 35,225 thousands related to the charges that CEMG incurred as a result of the agreements entered with each of the involved employees. On this basis, as at 31 December 2016, the caption Charges with the pensions fund includes the amount of Euro 21,510 thousands related with the cost of early retired employees and the caption Other staff costs includes the amount of Euro 13,715 thousands, related to compensations and other charges paid under the above project.

Additionally, on 31 December 2016, the caption Charges with the pension fund includes the amount of Euro 4,620 thousands (31 December 2015: Euro 12,015 thousands) regarding the current service cost.

Following the review of the ACT applicable to CEMG, gains were recorded under Other costs of Euro 7,308 thousands, related to the extinction of the seniority award, which was replaced by the end-of-career award.

Following the review of the ACT applicable to CEMG, gains were recorded under Pension Fund Charges in the amount of Euro 39,344 thousands, related with the change in the retirement age to 66 years.

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

Other key management personnel are considered first-line managers.

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.

As at 31 December 2016 and 2015, the Executive Board of Directors did not received any retribution of variable remuneration.

The compensation values for the termination of service to key management elements amounted to Euro 592 thousands in 2016 (in 2015 there were no compensations paid).

The costs with salaries and other benefits attributed to the Executive Board of Directors, General and Supervisory Board, General Meeting Board and Other key management personnel in 2016 are presented as follows:

(Thousands of Euro)

	Executive Board of Directors	General and Supervisory Board and General Meeting Board	Other key management personnel	Total
Salaries and other short-term benefits	1 927	868	3 098	5 893
Pension costs	27	-	227	254
Costs with health-care benefits (SAMS)	17	-	103	120
	1 971	868	3 428	6 267
Social Security charges	437	160	702	1 299
Charges with the pensions fund	23		215	238
Seniority bonuses	-	-	88	88
	460	160	1 005	1 625

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

(Thousands of Euro)

	Executive Board of Directors	General and Supervisory Board and General Meeting Board	Other key management personnel	Total
Salaries and other short-term benefits	1 678	411	2 907	4 996
Pension costs	52	-	253	305
Costs with health-care benefits (SAMS)	16	-	105	121
	1 746	411	3 265	5 422
Social Security charges	385	61	642	1 088
Charges with the pensions fund	40	-	225	265
Seniority bonuses	-	-	5	5
	425	61	872	1 358

As at 31 December 2016 the remuneration of the General and Supervisory Board amounted to Euro 864 thousands (31 December 2015: Euro 407 thousands).

As at 31 December 2016, loans granted by CEMG to its key management personnel amounted to Euro 3,489 thousands (31 December 2015: Euro 3,796 thousands), to the General and Supervisory Board amounted to Euro 859 thousands (31 December 2015: Euro 839 thousands) and to the Executive Board of Directors amounted to Euro 145 thousands (31 December 2015: Euro 154 thousands), as referred in note 48.

The average number of employees by professional category at service in CEMG during 2016 and 2015 is as follows:

(Thousands of Euro)

	'16	'15
Management	198	227
Managerial staff	673	722
Technical staff	1 206	1 199
Administrative staff	1 549	1 689
Staff	55	62
	3 681	3 899

12 General and administrative expenses

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Rental costs	14 674	26 515
Specialised services:		
IT services	10 776	14 209
Independent work	3 399	5 059
Other specialised services	19 212	17 363
Communication costs	6 016	7 577
Water, energy and fuel	4 425	4 955
Advertising costs	4 567	6 351
Maintenance and related services	4 676	4 308
Insurance	2 000	2 391
Transportation	2 737	2 802
Consumables	1 574	1 492
Travel, hotel and representation costs	1 020	1 181
Training costs	417	242
Other supplies and services	8 643	16 500
	84 136	110 945

The balance Rental costs, includes the amount of Euro 12,133 thousands (31 December 2015: Euro 23,754 thousands) 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:

(Thousands of Euro)

	'16	'15
Until 1 year	894	57
1 to 5 years	1 135	3 284
	2 029	3 341

The balance Other specialised services includes fees invoiced (excluding VAT) by Group Statutory Auditor within its functions of statutory audit as well as other services, including the ones rendered by its network, as follows:

(Thousands of Euro)

	'16	'15
Statutory Audit services	882	940
Other reliability assurance services required by law	677	771
Tax services (*)	103	172
Other reliability services not required by law	1 510	1 229
	3 172	3 112

(*) Service contracted in 2015 and provided over the 2015 financial statements

The balance Other administrative costs includes the amount of Euro 3,413 thousands (31 December 2015: Euro 10,444 thousands) related with services rendered by Montepio Recuperação de Crédito, A.C.E. Additionally, this balance includes the amount of Euro 3,141 thousands (31 December 2015: Euro 3,065 thousands) for services provided by Montepio Gestão de Activos Imobiliários, A.C.E.

13 Depreciation and amortization

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Intangible assets		
Software	12 376	12 822
Other tangible assets:		
Land and buildings		
For own use	2 636	236
Leasehold improvements in rented buildings	2 379	2 567
Equipment:		
IT equipment	3 272	4 015
Interior installations	1 288	1 417
Furniture	488	633
Security equipment	273	319
Office equipment	15	44
Motor vechicles	6	56
Operating leases	69	123
Other tangible assets	26	74
	10 452	9 484
	22 828	22 306

14 Loans impairment

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Loans and advances to customers		
Charge for the year net of reversals	189 224	251 215
Recovery of loans and interest charged-off	(6 669)	(8 119)
	182 555	243 096

The balance Loans to customers contains the estimate of the incurred losses determined in accordance with the accounting policy presented in note 1 b).

15 Other financial assets impairment

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Impairment of available for sale financial assets		
Charge for the year net of reversals	92 485	58 840

As at 31 December 2016, the caption impairment for available for sale financial assets - charge for the period includes the amount of Euro 15,546 thousands (31 December 2015: Euro 36 thousands) that corresponds to impairment losses recognised for investments units in a Fund specialized in the recovery of loans, that were acquired under the sale of loans and advances to customers, as referred in note 53.

As at 31 December 2016, this caption also includes an impairment loss in the amount of Euro 27,641 thousands on the position held in Fixed income securities - Bonds issued by other entities - Foreign.

As at 31 de December 2016, the balance Impairment for available for sale financial assets - Write-back for the year includes the amount of Euro 6,930 thousands (31 December 2015: included on the balance Impairment for available for sale financial assets - charge for the year the amount of Euro 1,491 thousands) that corresponds to the impairment recognised for sovereign debt of Greece, as referred in note 52.

16 Other assets impairment

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Impairment of non-current assets held for sale		
Charge for the year	41 917	98 451
Write-back for the year	(9 653)	(28 938)
	32 264	69 513
Impairment of intangible assets		
Charge for the year	-	88 333
Impairment of investments in subsidiaries and associates		
Charge for the year	157 297	-
Impairment of other assets		
Charge for the year	6 335	14 910
Write-back for the year	(54)	-
	6 281	14 910
	195 842	172 756

As at 31 December 2016, the balance Impairment of investments in subsidiaries and associates - charge for the year corresponds to the impairment charge for the financial investment in Montepio Holding, S.G.P.S., S.A., in the amount of Euro 157,297 thousands as referred in note 26.

17 Other provisions

The amount of this account is comprised of:

(Thousands of Euro)

	'16	'15
Provision for guarantees and commitments		
Charge for the year	11 456	-
Write-back for the year	(19 942)	-
	(8 486)	-
Provision for other risks and charges		
Charge for the year	1 885	3 331
Write-back for the year	(255)	(3 862)
	1 630	(531)
	(6 856)	(531)

18 Cash and deposits at central banks

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Cash	211 646	198 926
Central bank		
Bank of Portugal	169 642	159 199
	381 288	358 125

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.

At as 31 December 2016, these deposits were not remunerated (31 December 2015: an average interest rate of 0.05%).

19 Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Credit institutions in Portugal	830	924
Credit institutions abroad	20 441	22 088
Amounts due for collection	49 768	27 605
	71 039	50 617

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:

(Thousands of Euro)

	'16	'15
Loans and advances to credit institutions in Portugal:		
Loans and advances at central banks	150 000	-
Term deposits	2 131	2 076
Loans	103 053	102 566
Other loans and advances	81 175	81 167
	336 359	185 809
Loans and advances to credit institutions abroad		
Short term deposits	30 000	22 045
Term deposits	21 339	25 461
Subordinate deposits	1 702	3 700
Repos	25 444	61 043
CSA's	46 312	75 219
Other loans and advances	267 884	237 203
	392 681	424 671
	729 040	610 480

As at 31 December 2016, the caption Loans and advances to credit institutions in Portugal - Short term deposits includes the amount of Euro 150,000 thousands, referring to an invesment made in the Bank of Portugal with maturity in the beginning of January 2017.

The caption Loans and advances to credit institutions abroad - Term deposits includes the amount of Euro 1,774 thousands regarding the deposit performed as collateral under the ex-ante contribution to the Single Resolution Fund, as described in note 10.

The caption Loans and advances to credit institutions abroad - short term deposits refers to investments made in Finibanco Angola, S.A.

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 CEMG, this collateral might be in the form of securities or cash, however, in the CEMG'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 CEMG's exposure towards the counterparty.

On this basis, and within operations of derivative financial instruments with institutional counterparties, and as defined in the respective contracts, CEMG holds an amount of Euro 46,312 thousands (31 December 2015: Euro 75,219 thousands) related to deposits in credit institutions given as collateral for the referred operations.

The caption Loans and advances to credit institutions abroad - Other loans and advances includes the amounts deposited on behalf of the vehicles set up for the purpose of CEMG securitization transactions and which in 2015 were distributed by other asset items.

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

(Thousands of Euro)

	'16	'15
Due within 3 months	403 713	269 351
3 to 6 months	39 331	55 121
6 months to 1 year	18 557	20 567
1 to 5 years	17 223	23 027
Over 5 years	249 092	241 349
Undetermined	1 124	1 065
	729 040	610 480

21 Loans and advances to customers

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Corporate		
Loans not represented by securities		
Loans		
Commercial lines of credits	2 903 553	2 669 607
Finance leases	791 117	930 854
Discounted bills	292 196	303 452
Factoring	89 137	94 831
Overdrafts	114 954	82 831
Other loans	9 245	33 412
Loans represented by securities	802 742	947 335
Commercial paper		
Bonds	376 415	488 085
Retail	278 749	358 488
Mortgage Loans		
Finance Leases	6 997 142	7 225 047
Consumer and other loans	34 069	31 298
Correction value of assets subject to hedge operations	838 221	915 198
Outros créditos	13 527 540	14 080 438
Overdue loans and interest	534	1 333
Less than 90 days		
More than 90 days	80 902	123 067
	1 341 995	1 179 932
	1 422 897	1 302 999
Impairment for credit risks	14 950 971	15 384 770
	(1 151 260)	(1 219 310)
	13 799 711	14 165 460

As at 31 December 2016, the balance Loans and advances to customers includes de amount of Euro 2,725,631 thousands (31 December 2015: Euro 2,727,400 thousands) related to the issue of covered bonds held by CEMG, as referred in note 35.

As at 31 December 2016, 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, including entities from the consolidation perimeter, was Euro 536,525 thousands (31 December 2015: Euro 572,944 thousands), as referred in note 48. The conclusion of businesses between CEMG and the holders of institutional capital or individual or collective persons related to them, according to article 20 of the Portuguese Securities Code, regardless the value, it's always submitted to deliberation and examination 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. The impairment amount for credit risks related with these contracts amounts to Euro 528 thousands as at 31 December 2016 (31 December 2015: Euro 1,105 thousands).

During 2016, CEMG performed a Loans and advances to customers sale operation which were in default and recorded off balance sheet. The total amount of loans and advances sold amounted to Euro 362,996 thousands and generated a capital gain of Euro 14,695 thousands, as described in notes 9 and 31.

As referred in note 53, in 2016, CEMG performed sales of loans and advances to customers to funds specialized in credit recovery. The global amount of credits sold in 31 December 2016 amounted to Euro 5,495 thousands, originating a gain of Euro 1,314 thousands.

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 thousands. In relation to this transfer, CEMG recorded impairments for general banking risks in the amount of Euro 1,565 thousands, as described in note 23.

As at 31 December 2016, the balance Loans and advances to customers includes the amount of Euro 3,796,840 thousands (31 December 2015: Euro 3,968,160 thousands) related with loans object of securitization and, in accordance with note 1 f), were not subject of derecognition, as referred in note 49. Additionally, the securities linked to these transactions are recorded as a liability, as described in note 35.

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 the accounting policy described in 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 40,713 thousands (31 December 2015: Euro 44,825 thousands). The fair value correction amounted to Euro 534 thousands (31 December 2015: Euro 1,333 thousands), and the impact on results was negative in the amount of Euro 799 thousands (31 December 2015: negative in Euro 519 thousands), according to note 22.

The fair value of the portfolio of loans to customers is presented in note 46.

The analysis of loans and advances to customers, by type of rate as at 31 December 2016 and 2015, is as follows:

(Thousands of Euro)

	'16	'15
Variable interest rate contract	13 755 364	14 436 176
Fixed interest rate contract	1 195 607	948 594
	14 950 971	15 384 770

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

(Thousands of Euro)

	'16	'15
Asset-backed loans	920 716	828 945
Other guarantee loans	325 425	308 813
Financial leases	16 028	18 378
Secured loans	4 300	19 050
Other loans	156 428	127 813
	1 422 897	1 302 999

The analysis of loans and advances to customers, by maturity and by type of credit as at 31 December 2016, is as follows:

(Thousands of Euro)

	Loans and advances to customers				
	Due within 1 year	1 to 5 years	Over 5 years	Undetermined	Total
Asset-backed loans	269 095	589 506	9 231 646	920 716	11 010 963
Other guarantee loans	573 150	270 318	432 723	325 425	1 601 616
Financial leases	10 049	104 467	211 749	16 028	342 293
Loans represented by securities	444 955	202 709	7 500	4 300	659 464
Other credits	555 672	251 494	373 041	156 428	1 336 635
	1 852 921	1 418 494	10 256 659	1 422 897	14 950 971

The analysis of loans and advances to customers, by maturity and by type of credit as at 31 December 2015, is as follows:

(Thousands of Euro)

	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 balance Financial leases, by maturity as at 31 December 2016, is analysed as follows:

(Thousands of Euro)

	Financial Leases			
	Due within 1 year	1 to 5 years	Over 5 years	Total
Outstanding rents	56 507	139 532	118 793	314 832
Outstanding interests	(10 635)	(23 094)	(23 325)	(57 054)
Residual values	3 507	24 204	40 776	68 487
	49 379	140 642	136 244	326 265

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

(Thousands of Euro)

	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 interests	(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

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

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

(Thousands of Euro)

	'16	'15
Corporate		
Construction/Production	303 668	264 987
Investment	487 658	453 776
Treasury	323 421	298 540
Other loans	55 663	62 316
Retail		
Mortgage loans	116 975	94 336
Consumer credit	58 887	52 995
Other loans	76 625	76 049
	1 422 897	1 302 999

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

(Thousands of Euro)

	'16	'15
Balance on 1 January	1 219 310	1 312 167
Charge for the period net of reversals	189 224	251 215
Loans charged-off	(234 537)	(344 072)
Transfers	(22 737)	-
Balance on 31 December	1 151 260	1 219 310

The balance Transfers is related to the impairment associated with credit exposures off balance sheet, which in 2016 began to be registered in the balance Provisions, as described in note 36 and to the impairment associated with renting, which began to be registered in the balance Other assets, as described in note 31, in the amounts of Euro 22,337 thousands and Euro 397 thousands, respectively.

In compliance with note 1 l), 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.

With the release of Bank of Portugal Regulation 5/2015 and the entry into force in 1 January 2016, impairment for credit risks became integrated in the credit impairment model, as described in note 56.

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

(Thousands of Euro)

	'16	'15
Asset-backed loans	721 443	790 099
Other guaranteed loans	302 700	296 550
Unsecured loans	127 117	132 661
	1 151 260	1 219 310

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

(Thousands of Euro)

	'16	'15
Asset-backed loans	58 031	76 203
Other guaranteed loans	77 931	82 089
Unsecured loans	98 575	185 780
	234 537	344 072

The total recovered loans and overdue interest related with the recovery of asset-backed loans, as mentioned in note 14, performed during 2016 and 2015 amounted to Euro 6,669 thousands and Euro 8,119 thousands, respectively.

In addition, the loan portfolio includes loans that, towards the financial difficulties of the customer, initial conditions of the contract were amended in the amount of Euro 1,328,198 thousands (31 December 2015: Euro 1,516,320 thousands) which have an impairment of Euro 401,940 thousands (31 December 2015: Euro 398,968 thousands).

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 32/2013 of the Bank of Portugal, in 15 January 2014, 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.

The restructuring operations that were performed during 2016 and 2015 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, performed in 2016 and 2015, by type of credit, is as follows:

(Thousands of Euro)

	'16	'15
Corporate		
Loans not represented by securities		
Loans	185 837	120 678
Commercial lines of credit	13 357	4 845
Financial leases	7 639	1
Other loans	42 776	2 464
Retail		
Mortgage Loans	19 314	39 575
Consumer and other loans	6 776	5 719
	275 699	173 282

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 25,456 thousands (31 December 2015: Euro 26,296 thousands).

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 and liabilities held for trading

The balance financial assets and liabilities held for trading is analysed as follows:

(Thousands of Euro)

	'16	'15
Financial assets held for trading		
Securities		
Shares	6 870	7 363
Bonds	37 769	12 435
Investment units	300	-
	44 939	19 798
Derivatives		
Derivatives financial instruments with positive fair value	33 222	22 479
	78 161	42 277
Financial liabilities held for trading		
Securities		
Short sales	1 458	1 896
Derivatives		
Derivatives financial instruments with negative fair value	24 690	62 439
	26 148	64 335

The balance Derivatives financial instruments with positive fair value includes, at 31 December 2016, the amount of Euro 15,905 thousands (31 December 2015: Euro 7,921 thousands) referred to instruments associated to assets or liabilities at fair value through profit and loss and to trading.

The balance Derivatives financial instruments with negative fair value includes, at 31 December 2016, the valuation of embedded derivatives in accordance with the accounting policy described in note 1 c), in the amount of Euro 1,306 thousands (31 December 2015: Euro 35,166 thousands).

The balance Derivatives financial instruments with negative fair value includes, at 31 December 2016, the amount of Euro 6,657 thousands (31 December 2015: Euro 6,923 thousands) 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 716 thousands (31 December 2015: Euro 1,449 thousands).

During 2016, the Group concluded a sale of assets operation (credit and real estate) in the amount of Euro 311,532 thousands. As part of this business, CEMG acquired the right to return over a set of parameters of the assets sold. As of 31 December 2016, the amount of this transaction amounted to Euro 12,000 thousands.

As referred in IFRS 13 financial instruments are measured in accordance with the following levels of valuation, described in note 46, as follows:

(Thousands of Euro)

	'16		
	Level 1	Level 2	Total
Financial assets held for trading			
Securities			
Shares	6 870	-	6 870
Bonds	37 769	-	37 769
Investment units	300	-	300
	44 939	-	44 939
Derivatives			
Derivatives financial instruments with positive fair value	-	33 222	33 222
	44 939	33 222	78 161
Financial liabilities held for trading			
Securities			
Short sales	1 458	-	1 458
Derivatives			
Derivatives financial instruments with negative fair value	-	24 690	24 690
	1 458	24 690	26 148

(Thousands of Euro)

	'15		
	Level 1	Level 2	Total
Financial assets held for trading			
Securities			
Shares	7 363	-	7 363
Bonds	12 435	-	12 435
Investment units	19 798	-	19 798
Derivatives			
Derivatives financial instruments with positive fair value	-	22 479	22 479
	19 798	22 479	42 277
Financial liabilities held for trading			
Securities			
Short sales	1 896	-	1 896
Derivatives			
Derivatives financial instruments with negative fair value	-	62 439	62 439
	1 896	62 439	64 335

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 2016 is as follows:

(Thousands of Euro)

	'16				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Bonds					
Portuguese	123	131	8 762	-	9 016
Foreign	-	23	28 730	-	28 753
Variable income securities					
Shares					
Portuguese	-	-	-	632	632
Foreign	-	-	-	6 238	6 238
Investment units	-	-	-	300	300
	123	154	37 492	7 170	44 939

The analysis of the securities portfolio held for trading by maturity as at 31 December 2015 is as follows:

(Thousands of Euro)

	'15				
	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 balance of financial assets and liabilities held for trading as at 31 December 2016, in comparison with the assets and liabilities associated, registered in the fair value, can be analysed as follows:

(Thousands of Euro)

		'16						
		Derivative			Related Asset/Liability			
Derivative	Related financial asset/ liability	Notional	Fair value	Changes in the fair value in the year [1]	Fair value	Changes in the fair value in the year	Book value	Reimbursement amount at maturity date
Interest rate swap	Debt securities issued	90 956	940	123	48	1 716	67 237	66 785
Interest rate swap	Deposits from customers	15 900	(48)	443	12	4	15 631	15 631
Interest rate swap	Deposits from others financial institutions	51 294	2 576	(3 961)	3	(518)	53 818	40 000
Interest rate swap	Mortgages obligations	5 456 363	(2 380)	655	-	-	-	-
Interest rate swap	Loans and advances to customers	43 520	(716)	733	534	(799)	40 713	40 562
Interest rate swap	Others	4 144 224	(4 229)	(835)	-	-	-	-
Currency swap (Short)	-	67 540	379	(157)	-	-	-	-
Currency swap (Long)	-	67 914						
Future options (Short)	-	10 935	-	-	-	-	-	-
Future options (Long)	-	466	-	-	-	-	-	-
Forwards (Short)	-	4 812	4	7	-	-	-	-
Forwards (Long)	-	4 817						
Options (Short)	-	67 666	12 006	11 975	-	-	-	-
Options (Long)	-	395 019			-	-	-	-
Credit Default Swaps	-	-	-	35 176	-	-	-	-
		10 421 426	8 532	44 159	597	403	177 399	162 978

(1) Includes the result of derivatives disclosed in Note 6.

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:

(Thousands of Euro)

		'15						
		Derivado			Ativo / Passivo associado			
Produto derivado	Related financial asset/ liability	Notional	Fair value	Changes in the fair value in the year [1]	Fair value	Changes in the fair value in the year	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	(519)	44 825	44 453
Interest rate swap	Others	2 791 779	(3 394)	9 748	-	-	-	-
Currency swap	-	94 521	536	(126)	-	-	-	-
Future options (Short)	-	4 676	-	-	-	-	-	-
Future options (Long)	-	805	-	-	-	-	-	-
Forwards	-	275 068	(3)	1	-	-	-	-
Options	-	107 034	31	(328)	-	-	-	-
Credit Default Swaps	-	85 000	(35 176)	(35 176)	-	-	-	-
		9 066 217	(35 627)	(27 678)	194	(3 122)	268 711	246 492

(1) Includes the result of derivatives disclosed in Note 6.

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 at 31 December 2016 amounts to Euro 271 thousands (31 December 2015: Euro 5,293 thousands), as referred in note 6.

The analysis of financial instruments held for trading, by maturity date as at 31 December 2016, is as follows:

(Thousands of Euro)

	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Ativo	Passivo
Interest rate contracts						
Interest rate swaps	120 044	5 528 749	4 153 464	9 802 257	19 218	23 075
Options	-	2 199	85 338	87 537	1 601	1 595
Futures	6 513	-	-	6 513	-	-
Exchange rate contracts						
Currency swaps	135 454	-	-	135 454	399	20
Forwards	7 664	1 965	-	9 629	4	-
Index / Shares contracts						
Futures	4 888	-	-	4 888	-	-
Options	5 075	58 291	250	63 616	-	-
Credit contracts						
Credit default swaps	-	-	-	-	-	-
Options	-	-	311 532	311 532	12 000	-
	279 638	5 591 204	4 550 584	10 421 426	33 222	24 690

The analysis of financial instruments held for trading, by maturity date as at 31 December 2015, is as follows:

(Thousands of Euro)

	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Ativo	Passivo
Interest rate contracts						
Interest rate swaps	8 000	5 535 805	2 955 308	8 499 113	9 193	10 208
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
Forwards	265 952	3 854	5 262	275 068	2	5
Index contracts						
Index futures	5 481	-	-	5 481	-	-
Credit contracts						
Credit default swaps	-	-	85 000	85 000	49	35 225
	426 108	5 555 291	3 084 818	9 066 217	13 069	48 696

On 31 December 2016, the loan obtained from BEI is collateralized by obligations of the Portuguese State at a nominal amount of Euro 2,500 thousands, provided as guarantee and recorded under the caption financial assets held for trading.

23 Financial assets available-for-sale

This balance is analysed as follows:

(Thousands of Euro)

	'16				
		Fair value reserve			
	Cost [1]	Positive	Negative	Impairment Losses	Book value
Fixed income securities:					
Issued by public entities					
Portuguese	1 409 126	3 344	(63 118)	-	1 349 352
Foreign	347 104	1 216	(8 470)	-	339 850
Issued by other entities					
Portuguese	34 714	18	(144)	(28 107)	6 481
Foreign	131 040	7 380	(728)	(34 641)	103 051
Variable income securities:					
Shares					
Portuguese	76 154	9 815	(1 626)	(1 920)	82 423
Foreign	72 628	14 746	(24)	(77)	87 273
Investment fund units	1 023 525	23 060	(600)	(125 683)	920 302
	3 094 291	59 579	(74 710)	(190 428)	2 888 732

(1) Acquisition cost relating to shares and amortised cost relating to debt securities.

(Thousands of Euro)

	'15				
		Fair value reserve			
	Custo [1]	Positiva	Negativa	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	39 480	739	(1 550)	(26 300)	12 369
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
	3 746 261	74 681	(68 800)	(112 151)	3 639 991

(1) Acquisition cost relating to shares and amortised cost relating to debt securities.

The balance Financial assets available for sale includes securities subject to hedging operations, whose impact in the financial statement position at 31 December 2015 is positive and amounts to Euro 286 thousands, as referred in note 24.

As referred in note 53, the balance Variable income securities - Investment fund units includes at 31 December 2016 the amount of Euro 47,932 thousands (31 December 2015: Euro 56,517 thousands) 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 2016 this amount includes Euro 7,838 thousands (31 December 2015: Euro 6,153 thousands) engaged to junior securities (investment fund units with a more subordinated character), which are fully provided, according to notes 21 and 53.

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 amortized 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.

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 thousands and an impairment in the amount of Euro 1,565 thousands, as described in note 21. The fair value reserve of the securities transferred amounted, at the date of reclassification, to Euro 3,858 thousands.

The analysis of the impact of reclassifications until 31 December 2016, is presented as follows:

(Thousands of Euro)

	At the date of reclassification		'16		
	Book value	Fair value	Book value	Fair value	Difference
Financial assets available for sale to:					
Loans to customers	358 488	358 488	268 706	280 840	12 134
	358 488	358 488	268 706	280 840	12 134

The amounts recorded in profit or loss and fair value reserves at 31 December 2016, related to financial assets reclassified in prior years, are as follows:

(Thousands of Euro)

	Profit / (loss) in the year	Variation	
	Interests	Fair value reserves	Equity
Financial assets available for sale to:			
Loans to customers	12 075	(1 382)	(1 382)
	12 075	(1 382)	(1 382)

If the reclassifications described above had not taken place, the additional amounts recognised in equity at 31 December 2016, would be as follows:

(Thousands of Euro)

	Profit / (loss) in the year		
	Fair value changes	Fair value reserves	Equity
Financial assets available for sale to:			
Loans to customers	12 134	13 516	13 516
	12 134	13 516	13 516

The analysis of the impact of these reclassifications until 31 December 2015, is presented as follows:

(Thousands of Euro)

	At the date of reclassification		'15		
	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 2016 abd 2015, the analysis of financial assets available-for-sale net of impairment, by valuation levels, is presented as follows:

(Thousands of Euro)

	'16				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Issued by public entities					
Portuguese	1 349 352	-	-	-	1 349 352
Foreign	339 850	-	-	-	339 850
Issued by other entities				-	
Portuguese	1 496	2 443	2 542	-	6 481
Foreign	73 683	12 896	16 472	-	103 051
	1 764 381	15 339	19 014	-	1 798 734
Variable income securities					
Shares					
Portuguese	-	-	77 539	4 884	82 423
Foreign	1 288	-	85 647	338	87 273
Investment fund units	6 878	-	913 424	-	920 302
	8 166	-	1 076 610	5 222	1 089 998
	1 772 547	15 339	1 095 624	5 222	2 888 732

	'15				
	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	2 938	-	12 369
Foreign	91 670	100 924	63 103	-	255 697
	2 342 883	109 574	66 041	-	2 518 498
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	1 031 856	5 222	3 639 991

As referred in IFRS 13, financial instruments are measured according to the valuation levels described in note 46.

The assets included in level 3, in balance Variable income securities - investment fund units includes participation units in real estate investment funds, in credit recovery specialized funds and venture capital funds which are valued in accordance with the Net Asset Value of the Fund (VLGF) determined by the management company in the amount of Euro 913,424 thousands (31 December

2015: Euro 818,968 thousands) of which Euro 800,151 thousands (31 December 2015: Euro 699,823 thousands) relate to real estate investment funds. The assets of specialized credit recovery funds which are valued in the accounts of the respective funds, at fair value, by internal methodologies used by the management company.

The assets of real estate investment funds are valued by the management company based on the valuation reports prepared by experts registered with the CMVM.

For all financial assets recorded in level 3, the sensitivity analysis carried out considered a 10% change in the value of the financial asset, and consequently, an impact of Euro 109,562 thousands was calculated on 31 December 2016 (31 December 2015: Euro 103,186 thousands).

Instruments classified as level 3 have associated unrealized gains and losses in the positive amount of Euro 49,778 thousands (31 December 2015: positive amount of Euro 21,077 thousands) recognised in fair value reserves.

As at 31 December 2016, the impairment amount registered for these securities amounts to Euro 160,789 thousands (31 December 2015: Euro 112,115 thousands).

The movements occurred in financial assets available for sale recorded in level 3 are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 January	1 031 856	1 790 549
Acquisitions	23 467	205 116
Revaluations	(33 858)	(2 759)
Disposals	(61 045)	(961 050)
Transfers	135 204	-
Balance on 31 December	1 095 624	1 031 856

The balance Transfers is analysed in note 46.

As at 31 December 2015, assets classified in level 3 also include the shares held by the Group in Visa Europe Limited, amounting to Euro 7,900 thousands.

During 2016, CEMG received an up front of Visa Inc. in the amount of Euro 8,421 thousands and recognised in the financial statements the earned-out (deferred cash: it shall be paid shortly after the 3rd year of the transaction conclusion), in the amount of Euro 704 thousands, as described in notes 7 and 31.

Additionally, the 3,057 preference shares of Visa Inc (Series C) were recorded in the portfolio of financial assets available-for-sale, in level 3. Those preference shares were recognised in the balance sheet in the amount of Euro 2,850 thousands, at the date of completion of the transaction. The revaluation of these preference shares, as at 31 December 2016, resulted in the recognition of a positive fair value reserve in the amount of Euro 307 thousands.

The movements occurred in Impairment of financial assets available-for-sale are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 January	112 151	58 984
Charge for the period	130 529	114 094
Write-back for the period	(38 044)	(55 254)
Charge-off	(14 208)	(5 673)
Balance on 31 December	190 428	112 151

As at 31 December 2016, impairment for investment units of real estate investment funds amounts to Euro 101,340 thousands (31 December 2015: Euro 46,950 thousands), as referred in note 15.

The analysis of the available-for-sale financial assets by maturity date, as at 31 December 2016, is as follows:

(Thousands of Euro)

	'16				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Issued by public entities					
Portuguese	14 918	81 790	1 252 644	-	1 349 352
Foreign	5 612	13 473	320 765	-	339 850
Issued by other entities					
Portuguese	-	1 856	3 928	697	6 481
Foreign	5 466	257	96 540	788	103 051
	25 996	97 376	1 673 877	1 485	1 798 734
Variable income securities					
Shares					
Portuguese	-	-	-	82 423	82 423
Foreign	-	-	-	87 273	87 273
Investment fund units	-	-	1 804	918 498	920 302
	-	-	1 804	1 088 194	1 089 998
	25 996	97 376	1 675 681	1 089 679	2 888 732

The analysis of the available-for-sale financial assets by maturity date, as at 31 December 2015, is as follows:

(Thousands of Euro)

	'15				
	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	-	-	11 169	1 200	12 369
Foreign	-	167	251 979	3 551	255 697
Papel comercial	23 109	131 156	2 359 482	4 751	2 518 498
Variable income securities					
Shares	-	-	-	82 839	82 839
Portuguese	-	-	-	76 725	76 725
Foreign	-	-	2 135	959 794	961 929
Investment fund units	-	-	2 135	1 119 358	1 121 493
	23 109	131 156	2 361 617	1 124 109	3 639 991

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 amounts to Euro 3,508 million at 31 December 2016 after hair cut (31 December 2015: Euro 3,707 million);
- Securities pledged as collateral to the Portuguese Securities Market Commission under the Investors' Compensation Fund in the nominal amount of Euro 1,000 thousands at 31 December 2016 and 2015;
- The amount of the EIB loan obtained is collateralized by securities of Portuguese and Greek states in the nominal amount of Euro 331,855 thousands (31 December 2015: 706,638 thousands), 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 (31 December 2015: Euro 25 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:

(Thousands of Euro)

	'16	'15
Asset		
Interest rate swap	-	9
Liability		
Interest rate swap	-	439

As of 31 December 2015, 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 46.

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, cash flows 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:

(Thousands of Euro)

	'16	'15
Finantial assets available for sale	-	286

The analysis of the hedging derivatives portfolio by maturity date, as at 31 December 2015 is as follows:

(Thousands of Euro)

	'15							
	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)

As at 31 December 2016, the fair value hedge operations can be analysed as follows:

(Thousands of Euro)

	'16						
Derivative	Hedged item	Hedged risk	Notional	Fair value[1]	Changes in the fair value of the derivative in the year	Hedged 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	-	-	430	-	(286)
			-	-	430	-	(286)

(1) Includes accrued interest.
(2) Attributable to the hedged risk.

As at 31 December 2015, the fair value hedge operations can be analysed as follows:

(Thousands of Euro)

	'15						
Derivative	Hedged item	Hedged risk	Notional	Fair value[1]	Changes in the fair value of the derivative in the year	Hedged 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	Taxa de juro	5 000	(430)	1 004	286	(944)
			5 000	(430)	1 004	286	(944)

(1) Includes accrued interest.
(2) Attributable to the hedged risk.

25 Held-to-maturity investments

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Fixed income securities		
Bonds issued by Portuguese public entities	1 126 125	26 130

The fair value of held-to-maturity investments portfolio is presented in note 46.

CEMG assessed, with reference to 31 December 2016, 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 2016 are analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OT 2,875% 15-Oct-2025	January 2015	October 2025	Fixed rate of 2.875%	36 058
OT 4,450% 15-June-2018	March 2008	June 2018	Fixed rate of 4.450%	216 604
OT 2,200% 17-Oct-2022	September 2015	October 2022	Fixed rate of 2.200%	90 422
OT 3,850% 15-April-2021	February 2005	April 2021	Fixed rate of 3.850%	256 707
OT 4,950% 25-Oct-2023	June 2008	October 2023	Fixed rate of 4.950%	99 465
OT 5,650% 15-Feb-2024	May 2013	February 2024	Fixed rate of 5.650%	98 618
OT 2,875% 21-July-2026	January 2016	July 2026	Fixed rate of 2.875%	328 251
				1 126 125

The held-to-maturity investments, as at 31 December 2015 are analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OT 2,875% 15-october-2025	January 2015	October 2025	Fixed rate of 2.875%	26 130
				26 130

The held-to-maturity investments are valued in accordance with the established in note 1 c).

During 2016 and 2015, CEMG did not transfer to or from this assets category.

As at 31 December 2016, the analysis of held-to-maturity investments by maturity date is as follows:

(Thousands of Euro)

	'16				
	Due within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds issued by portuguese public issuers	10 879	10 022	462 041	643 183	1 126 125

As at 31 December 2015, the analysis of held-to-maturity investments by maturity date is as follows:

(Thousands of Euro)

	'15				
	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

As of 31 December 2016, the amount of the loan obtained from EIB is collateralized by obligations of the Portuguese state at a nominal amount of Euro 303,934 thousands, provided as guarantee and recorded in the caption held-to-maturity Investments.

26 Investments in subsidiaries and associated companies

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Montepio Holding, S.G.P.S., S.A.	403 750	341 250
Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, S.A.	8 997	8 997
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	3 200	3 200
Montepio Gestão de Activos Imobiliários, ACE	637	636
	416 584	354 083
Impairment of investments in subsidiaries and associated companies	157 297	-
	259 287	354 083

In 2016, CEMG made supplementary capital contributions to its subsidiary Montepio Holding, SGPS, S.A., amounting to Euro 62,500 thousands. These supplementary capital contributions were made in order to Montepio Holding could provide its subsidiaries with the development of each one's business.

During 2016, an impairment loss was recognized for Montepio Holding, S.G.P.S., S.A., in the amount of Euro 157,297 thousands, as described in note 16.

CEMG analysed the impairment regarding investments made in its subsidiaries, considering the recoverable value of the businesses developed by each one. The recoverable amount, in accordance with the accounting policy described in this report, was determined by the higher of fair value net of selling costs and value in use.

The value in use was determined based on the business plan approved by the management, considering also the specificity of the businesses and markets where CEMG's subsidiaries operate, discount rate differentiated levels, for the solvency levels required for banking activity and for the perpetuity growth of net results.

The validation of the assumptions used and the evolution of the macroeconomic and market conditions may result in changes in these assumptions and, consequently, in the recoverable amount calculated for the subsidiaries that are subject of this analysis.

Financial statements were prepared based on the continuity of its operations, which depend on the future development of the assumptions underlying the recoverability of their shareholdings and on the success of the initiatives taken by the Executive Board of Directors with the purpose to strengthen equity.

Montepio Holding
Following the analysis carried out, we concluded on the disclosure in the 2016 financial statements of an impairment in the amount of Euro 157,297 thousands related with the shareholding held in Montepio Holding, S.G.P.S., S.A. ("Montepio Holding").

Montepio Holding holds 100% of the capital and voting rights of Montepio Investimento, SA, Montepio Crédito, SA, Montepio Valor, SA, Semelhanças e Coincidências, SA, and Ssagincentive, Sociedade de Serviços Auxiliares e Gestão de imóveis, S.A, as well as a 81.57% shareholding in Finibanco Angola, SA and a 45.78% shareholding in Banco Terra, SA.
On this basis, each of the subsidiaries directly owned by Montepio Holding was evaluated, as follows:

Montepio Investimento
Regarding Montepio Investimento, the evaluation considered the value of equity and incorporated the impacts resulting from the weighting made over the following aspects:

- the business funding is dependent on ECB and CEMG funding;
- the commissioning has a relevant contribution to the results and, therefore, is subject to some seasonality;
- the proportion and concentration of instruments recorded in the portfolio of available-for-sale financial assets;
- the implied real estate risk in the captions of loans to customers and non-current assets held for sale.

Montepio Crédito
Following the analysis of Montepio Crédito's balance sheet, the best value for the valuation of this subsidiary considered was its equity.

Montepio Valor
The discounted dividend methodology was used in the valuation made to this subsidiary, based on the business plan for 2017 and a zero percent dividend growth in perpetuity, despite the expectation of market recovery.

Finibanco Angola
The valuation made for Finibanco Angola was based on a study performed by an external advisor who considered the average of three valuation methodologies: market multiples (average valuation values resulting from the P/B and P/E market), comparable transactions and discounted dividend method.

On this basis, the valuation of 81.57% of the shareholding held by Montepio Holding in Finibanco Angola amounted to USD 70,242 thousands, corresponding to approximately Euro 62,936 thousands.

BTM - Banco Terra

The fair value estimate of BTM - Banco Terra was determined based on a study performed by an external advisor who considered two different valuation methodologies: market multiples (P/B) and comparable transactions.

Thus, the valuation of 45.78% of the shareholding held by Montepio Holding in BTM - Banco Terra, obtained on the basis of the above mentioned study, resulted in a valuation of the 45.78% shareholding in Banco Terra of USD 14,374 thousands, corresponding to approximately Euro 12,879 thousands.

The result of these methodologies application to each of the subsidiaries determined that the valuation amount of Montepio Holding is Euro 246,453 thousands.

Impairment movements of investments in subsidiaries and associates are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 January	-	-
Charge for the year	157 297	-
Balance on 31 January	157 297	-

The financial information concerning subsidiary and associated companies is presented in the following table:

(Thousands of Euro)

	Number of shares	Percentage of direct shares	Unit value Euros	Acquisition cost
31 December 2016				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100,00%	1,00	403 750
Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, S.A.	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 Activos Imobiliários, ACE	636 924	26,00%	1,00	637
				416 584
31 December 2015				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100,00%	1,00	341 250
Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, S.A.	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 Activos Imobiliários, ACE	636 924	26,00%	1,00	636
				354 083

The list of subsidiaries and associated CEMG's companies is presented in note 55.

27 Non-current assets held for sale

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Investments arising from recovered loans	867 174	866 484
Impairment of non-current assets held for sale	(143 432)	(132 619)
	723 742	733 865

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 1,496 thousands (31 December 2015: Euro 1,551 thousands) related with other non-current assets held for sale resulting from the foreclosure of contracts of loans to customers, which have an associated impairment of Euro 1,367 thousands (31 December 2015: Euro 1,057 thousands).

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 sell 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 12,439 thousands (31 December 2015: Euro 18,202 thousands).

The movements, in 31 December 2016 and 2015, for non-current assets held for sale are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 January	866 484	909 549
Acquisitions	184 447	204 443
Disposals	(183 685)	(247 099)
Other movements	(72)	(409)
Balance on 31 December	867 174	866 484

The movement in impairment for non-current assets held for sale balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 January	132 619	130 045
Charge for the year	41 917	98 451
Write-back for the year	(9 653)	(28 938)
Charge-off	(21 451)	(66 939)
Balance on 31 December	143 432	132 619

In addition to the impairment losses, CEMG recognised in the income statement for 2016, losses arising from real estate disposal in the amount of Euro 5,499 thousands and gains in the amount of Euro 21,739 thousands (31 December 2015: losses of Euro 25,683 thousands and gains of Euro 13,034 thousands), as mentioned in note 9.

28 Property and equipment

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Cost		
Land and buildings		
For own use	204 334	7 557
Leasehold improvements in rented buildings	30 517	40 571
Equipment		
Computer equipment	87 554	84 724
Interior installations	20 262	20 218
Furniture	18 386	19 273
Security equipment	7 210	7 243
Office equipment	2 547	2 702
Motor vehicles	901	2 246
Other equipment	1	1
Works of art	2 870	2 870
Assets in operacional lease	534	656
Other tangible assets	1 848	1 938
Work in progress	4 507	3 439
	381 471	193 438
Accumulated depreciation		
Charge for the year	(10 452)	(9 484)
Accumulated charge in previous years	(148 210)	(152 699)
	(158 662)	(162 183)
	222 809	31 255

During the first quarter of 2016, CEMG acquired from Montepio Geral Associação Mutualista premises for own use in the amount of Euro 199,444 thousands, as described in notes 48 and 57.

The movements in Property and equipment, during 2016, are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost					
Land and buildings					
For own use	7 557	199 591	2 814	-	204 334
Leasehold improvements in rented buildings	40 571	32	10 610	524	30 517
Equipment					
Computer equipment	84 724	3 013	183	-	87 554
Interior installations	20 218	106	62	-	20 262
Furniture	19 273	232	1 119	-	18 386
Security equipment	7 243	85	118	-	7 210
Office equipment	2 702	2	157	-	2 547
Motor vehicles	2 246	3	1 348	-	901
Other equipment	1	-	-	-	1
Works of art	2 870	-	-	-	2 870
Assets in operacional lease	656	-	122	-	534
Other tangible assets	1 938	-	90	-	1 848
Work in progress	3 439	1 893	-	(825)	4 507
	193 438	204 957	16 623	(301)	381 471
Accumulated depreciations					
Land and building					
Leasehold improvements in rented buildings	3 311	2 636	1 010	-	4 937
Equipament	32 542	2 379	9 797	-	25 124
Computer equipment					
Interior installations	78 613	3 272	182	-	81 703
Furniture	15 907	1 288	63	-	17 132
Security equipment	17 945	488	1 118	-	17 315
Office equipment	6 663	273	116	-	6 820
Motor vehicles	2 667	15	159	-	2 523
Other equipment	2 235	6	1 340	-	901
Assets in operacional lease	1	-	-	-	1
Other tangible assets	425	69	100	-	394
Outros ativos tangíveis	1 874	26	88	-	1 812
	162 183	10 452	13 973	-	158 662
	31 255				222 809

The movements in Property and equipment, during 2015, are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost					
Land and buildings					
For own use	7 730	-	(288)	115	7 557
Leasehold improvements in rented buildings	40 350	51	(183)	353	40 571
Equipment					
Computer equipment	82 361	2 918	(555)	-	84 724
Interior installations	20 022	150	(22)	68	20 218
Furniture	19 290	160	(177)	-	19 273
Security equipment	7 325	19	(101)	-	7 243
Office equipment	2 957	18	(273)	-	2 702
Motor vehicles	2 571	16	(341)		2 246
Other equipment	1	-	-	-	1
Works of art	2 869	1	-	-	2 870
Assets in operacional lease	975		(319)		656
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					
Leasehold improvements in rented buildings	3 173	236	98	-	3 311
Equipament	30 142	2 567	167	-	32 542
Computer equipment					-
Interior installations	75 152	4 015	554	-	78 613
Furniture	14 512	1 417	22	-	15 907
Security equipment	17 488	633	176	-	17 945
Office equipment	6 444	319	100	-	6 663
Motor vehicles	2 895	44	272	-	2 667
Other equipment	2 440	56	261	-	2 235
Assets in operacional lease	1	-	-	-	1
Other tangible assets	522	123	220	-	425
Outros ativos tangíveis	1 810	74	10	-	1 874
	154 579	9 484	1 880	-	162 183
	36 924				31 255

29 Intangible assets

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Cost		
Software	93 713	78 045
Other intangible assets	61	88 333
Work in progress	5 853	6 361
	99 627	172 739
Accumulated depreciation		
Charge for the year	(12 376)	(12 822)
Accumulated charge in previous years	(54 177)	(41 355)
	(66 553)	(54 177)
	33 074	118 562
Impairment of intangible assets	(61)	(88 333)
	33 013	30 229

As at 31 December 2016, CEMG performed the write-off of the caption Other intangible assets in the amount of Euro 88,272 thousands, which was impaired.

As at 31 December 2015, the balance Other intangible assets includes de amount of Euro 88,272 thousands 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 the income statement.

As at 31 December 2015, CEMG's Executive Board of Directors recorded an impairment in the amount of Euro 88,333 thousands, corresponding to the total balance sheet value of Other intangible assets, based on the estimate of the future economic benefits of this asset.

The movements in Intangible assets, during 2016, are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost					
Software	78 045	5 538	-	10 130	93 713
Other intangible assets	88 333	-	(88 272)	-	61
Work in progress	6 361	9 879	-	(10 387)	5 853
	172 739	15 417	(88 272)	(257)	99 627
Accumulated depreciation					
Software	(54 177)	(12 376)	-	-	(66 553)
	(54 177)	(12 376)	-	-	(66 553)
Impairment	(88 333)	-	88 272	-	(61)
	30 229				33 013

The movements in Intangible assets, during 2015, are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost					
Software	66 854	-	-	11 191	78 045
Other intangible assets	88 333	-	-	-	88 333
Work in progress	3 465	14 087	-	(11 191)	6 361
	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

Impairment movements for other intangible assets are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 January	88 333	-
Charge for the year	-	88 333
Write-back for the year	-	-
Charge-off	(88 272)	-
Balance on 31 December	61	88 333

30 Taxes

Deferred tax assets and liabilities as at 31 December 2016 and 2015 are analysed as follows:

(Thousands of Euro)

	Asset		Liability		Net	
	2016	2015	2016	2015	2016	2015
Financial instruments	22 231	20 713	(11 879)	(23 586)	10 352	(2 873)
Provisions / impairment						
Granted credit impairment	227 430	165 498	-	-	227 430	165 498
Other risks and charges	6 345	8 384	-	-	6 345	8 384
Impairment in securities and non-financial assets	49 326	965	-	-	49 326	965
Employees benefits	45 621	40 928	-	-	45 621	40 928
Other	82	408	(53)	(53)	29	355
Tax losses carried forward	174 705	176 314	-	-	174 705	176 314
Net deferred tax asset / (liability)	525 740	413 210	(11 932)	(23 639)	513 808	389 571

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 13,266 thousands (31 December 2015: Euro 15,919 thousands) 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 3,404 thousands (31 December 2015: Euro 3,633 thousands) 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 in 2011 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 2016, deferred taxes associated with Employee benefits includes the amount of Euro 13,551 thousands (31 December 2015: Euro 10,194 thousands) related with employee benefits in excess when compared with the existing limits.

The deferred tax rate is analysed as follows:

(Thousands of Euro)

	'16	'15
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 associated with tax losses.
(b) Applicable to deferred taxes associated with temporary differences.

Analysis of the recoverability of deferred tax assets

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 recognized in CEMG's financial statements have an underlying high expectation of recoverability. The evaluation of the recoverability of deferred tax assets is supported in the last year prepared on the Funding and Capital Plan for the period from 2017 to 2019, at the opportunity, to the Bank of Portugal, assuming a pre-tax growth assumption between 2019 and 2024.

Thus, the recoverability of deferred tax assets, namely related to tax losses carried forward, is supported in CEMG's forecasted financial statements, prepared under the aforementioned Funding and Capital Plan, which took into account the macroeconomic and competitive environment where CEMG operates as well as the strategic priorities established in the Strateg Plan for the period between 2016 and 2018.

The recovery of profitability, liquidity and capital levels recommended in the Strategic Plan is fundamentally supported by favorable impacts induced by:

(i) recovery of the core banking product: by increasing the net interest income provided by the monitoring of turnover and pricing, particularly the cost of deposits, as well as by the increase in commissions, benefiting from the impact of the price increase to be implemented;

(ii) a reduction in operating costs: this is reflected in the positive effects associated with the downsizing of the branch network and the number of employees completed in 2016, as well as the reduction in the level of investments;

(iii) reinforcing risk management: materializing the favorable effects of the improvement introduced in the credit granting, monitoring and recovery processes that have been put into practice; and

(iv) strengthening of the institutional model.

Following this assessment, and as at 31 December 2016 and 2015, CEMG recognised all deferred tax assets, thus, there are no deferred tax assets to be recognised.

In addition, a sensitivity analysis was carried out considering a scenario in which the results before tax evolved at a 10% rate lower than those considered in the aforementioned projections, and no impact on deferred taxes was determined.

The expiry date of recognised tax losses carried forward is presented as follows:

(Thousands of Euro)

Expire date	'16	'15
2017	-	32 075
2018	-	47 074
2027	50 915	97 165
2028	123 790	-
	174 705	176 314

Main assumptions used

With the publication of the Notice no. 5/2015 of the Bank of Portugal, the entities that presented the individual financial statements in accordance with the Adjusted Accounting Standards issued by the Bank of Portugal (NCA) have now applied the International Financial Reporting Standards as adopted in the European Union. As a result of this change, the disclosure in CEMG's individual financial statements of loans granted to customers, guarantees provided and other similar operations, is subject to the calculation of impairment in accordance with the requirements of International Accounting Standard 39 - Financial Instruments: Recognition and Measurement (IAS 39), replacing the rules stipulated in Notice no. 3/95 of the Bank of Portugal.

Regulatory Decree no. 5/2016, of 18 of November, stipulated the maximum limits of impairment losses and other corrections of value for specific credit risk deductible for purposes of determining IRC taxable income in the year 2016, assuming that Notice no. 3/95 of the Bank of Portugal should be considered for the purpose of calculating the maximum limits of impairment losses accepted in for tax purposes in 2016.

In addition, this Regulatory Decree also included a transitional rule, of optional application, which provides for the possibility of a positive difference between the value of the provisions for loans and advances established on 1 January 2016 under Notice no. 3/95 of the Bank of Portugal and the impairment losses recorded at 1 January 2016 relating to the same loans and advances are considered in the calculation of the taxable income of 2016 only in the part that exceeds the tax losses generated in taxation periods beginning on or after 1 January 2012 and that have not been used, and CEMG has opted to apply the aforementioned transitional rule to the tax losses carried forward, with the respective impacts recorded on the financial statements as at 31 December 2016.

Tax recognised in the income statement and reserves for the years ended at 31 December 2016 and 2015 is analysed as follows:

(Thousands of Euro)

	'16		'15	
	Charged to net income/(loss)	Charged to reserves and retained earnings	Charged to net income/(loss)	Charged to reserves and retained earnings
Financial instruments		13 225	-	17 746
Provisions / impairment	108 254	-	(35 706)	-
Employees benefits	3 990	703	4 966	325
Other	(326)	-	305	-
Tax losses carried forward	(13 930)	12 321	100 582	-
Deferred taxes/ recognized as profit/ (losses)	97 988	26 249	70 147	18 071
Current taxes/ recognized as profit/ (losses)	317	-	7 650	-
	98 305	26 249	77 797	18 071

The reconciliation of the effective tax rate is analysed as follows:

(Thousands of Euro)

	'16		'15	
	%	Valor	%	Valor
Net income/(loss) before taxes		(342 072)		(408 793)
Income tax based on the current nominal tax rate	(21,0)	71 835	21,0	85 847
Extraordinary contribution for the banking sector	0,8	(2 687)	0,5	(2 140)
Charge/reversal of taxable provisions/impairments	(2,9)	9 798	1,2	(5 094)
Autonomous taxation	0,4	(1 271)	0,5	(1 977)
Corrections to previous periods	(0,3)	950	(2,3)	9 269
Effect of differences in income tax for the period	(5,5)	18 861	1,7	(6 815)
Deferred taxes not previosly recorded	-	-	(2,6)	10 633
Other	(0,2)	819	2,9	(11 926)
Income taxes for the year	(28,7)	98 305	(19,0)	77 797

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 2014 period. As a result of the inspection, CEMG was object of some corrections to the taxable profit determined in that year, and CEMG paid the settled amounts, without prejudice of appeal regarding some corrections made by the tax authorities..

31 Other assets

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Other debtors	167 664	278 831
Sundry debtors	14 624	4 409
Other accrued income	43 908	30 324
Recoverable subsidies from Portuguese Government	5 521	5 241
Prepayments and deferred costs	303	515
	232 020	319 320
Impairment for other assets	(26 389)	(17 996)
	205 631	301 324

As at 31 December 2016 and 2015, the balance Other debtors is analysed as follows::

(Thousands of Euro)

	'16	'15
SilverEquation	101 012	161 420
Supplementary capital contributions	14 910	14 910
Public Entities	6 983	14 198
Montepio Geral - Associação Mutualista	-	45 100
Real estate	-	7 115
Other	44 759	36 088
	167 664	278 831

The balance SilverEquation includes the receivable amounts under the operation of sale of credits and property to SilverEquation in 2014. The amount of Euro 101,012 thousands is expected to be received in 2017, with the exception of Euro 30,266 thousands that will be received in 2019.

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 thousands, which are fully provided, as described in note 53.

As at 31 December 2016, the balance Public Entities includes an amount of Euro 6,983 thousands (31 December 2015: Euro 14,198 thousands) related to receivable amounts from public entities, mostly related with courts in the context of insolvency proceedings and lodge claims.

As at 31 December 2015, Montepio Geral Associação Mutualista includes the receivable amount under the sale of the shareholding in Montepio Seguros, S.G.P.S., S.A., in the amount of Euro 45,100 thousands.

As at 31 December 2015, the balance Real Estate includes the amount of Euro 7,115 thousands related with the receivable amount from the sale of properties classified as non-current assets held for sale.

As at 31 December 2016, the balance Others includes the amount receivable of Euro 7,569 thousands under the operation of sale of credits carried out during the first semester of 2016, as described in notes 9 and 21.

As at 31 December 2016, the balance Sundry debtors includes the earn-out (deferred cash: to be paid shortly after the 3rd year of the completion of the transaction) of Visa Inc., in the amount of Euro 704 thousands, as described in notes 7 and 23.

As at 31 December 2016, the balance Other receivables includes an amount of Euro 36,000 thousands (31 December 2015: Euro 26,000 thousands), referring to receivables related with services rendered by CEMG to Montepio Geral Associação Mutualista, as described in note 10.

The balance Recoverable subsidies receivable from the Portuguese Government corresponds to recoverable subsidies referring to mortgage and PME's loans, in accordance with the legal provisions applicable to low-interest loan. These amounts do not bear interest and are claimed monthly.

As at 31 December 2016 and 2015, the balance Recoverable subsidies receivable from the Portuguese Government are presented as follows:

(Thousands of Euro)

	'16	'15
Overdue subsidies unclaimed	3 262	3 283
Recoverable subsidies from the Portuguese Government outstanding	2 206	1 768
Subsidies unclaimed	53	190
	5 521	5 241

The movements in Impairment for other assets are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 January	17 996	3 086
Charge for the year	6 335	14 910
Reversal for the year	(54)	-
Charge-off	(33)	-
Transfers	2 145	-
Balance on 31 December	26 389	17 996

The balance Transfers refers to the impairment associated to the renting, which is now recorded in the balance Other assets, as described in note 21.

32 Deposits from central banks

As at 31 December 2016 and 2015, 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, as described in note 23.

As at 31 December 2016 and 2015, the analysis of deposits from Central Banks by maturity is as follows:

(Thousands of Euro)

	'16	'15
Up to 3 months	360 000	535 027
More than 6 months	1 947 947	1 727 231
	2 307 947	2 262 258

The operations are remunerated at the rates of Bank of Portugal in force at the contract date.

33 Deposits from other financial institutions

This balance is analysed as follows:

(Thousands of Euro)

	'16			'15		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from financial institutions in Portugal						
Deposits repayable on demand	56 724	-	56 724	14 437	-	14 437
Term deposits	-	26 521	26 521	-	25 041	25 041
Other resources	-	405	405	-	-	-
	56 724	26 926	83 650	14 437	25 041	39 478
Deposits from financial institutions abroad						
BEI loan	-	460 471	460 471	-	560 644	560 644
OCI loan	-	-	-	-	-	-
Deposits repayable on demand	103 990	-	103 990	46 822	-	46 822
Term deposits	-	259 875	259 875	-	435 504	435 504
Sales operations with repurchase agreement	-	1 625 776	1 625 776	-	860 210	860 210
CSA's	4 340	-	4 340	10 530	-	10 530
Repos	-	5 917	5 917	-	48	48
Other deposits	2 906	53 805	56 711	2 277	72 280	74 557
	111 236	2 405 844	2 517 080	59 629	1 928 686	1 988 315
Adjustments to hedge operations value	3	-	3	521	-	521
	167 963	2 432 770	2 600 733	74 587	1 953 727	2 028 314

The balance Deposits from other financial institutions, analysed by maturity, is as follows:

(Thousands of Euro)

	'16	'15
Up to 3 months	1 075 714	578 890
3 months to 6 months	106 536	203 180
6 months to 1 year	11 419	171 034
1 year to 5 years	504 494	627 336
More than 5 years	902 567	447 353
	2 600 730	2 027 793
Adjustments arising from hedging operations	3	521
	2 600 733	2 028 314

As part of derivative financial instruments operations with institutional counterparties, according to the signed contracts, CSA has, on 31 December 2016, the amount of Euro 4,340 thousands (31 December 2015: Euro 10,530 thousands) deposits from other credit institutions received as collateral for these operations.

The funds obtained under CSA with international financial institutions, are remunerated at EONIA rate. However, because these rates have shown negative values, these funds have not been remunerated.

The balance Deposits from other financial institutions includes issues at fair value through profit and loss according to internal valuation methodologies, considering mainly market observed data, in the amount of Euro 53,818 thousands (31 December 2015: Euro 71,065 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 fair value adjustment at 31 December 2016 amounts to Euro 3 thousands (31 December 2015: Euro 521 thousands). Financial liabilities included in this balance are revaluated against results, according with the accounting policy described in note 1 d), having been recognised, at 31 December 2016, a gain of Euro 518 thousands (31 December 2015: a gain of Euro 1,321 thousands), related to changes in the fair value, as referred in notes 6 and 22.

The amount of the EIB loan is collateralised by Portuguese and Greek states securities in the amount of Euro 638,289 thousands (31 december 2015: Euro 706,638 thousands), recorded in the balance Financial assets held for trading, Financial assets available-for-sale and Held-to-maturity investments, as described in notes 22, 23 and 25, respectively.

The balance Repos refers to the Margin Maintenance of the Repos in accordance with the Global Master Repurchase Agreement.

34 Recursos de clientes

This balance is analysed as follows:

(Thousands of Euro)

	'16			'15		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	3 252 183	137 699	3 389 882	2 555 461	116 502	2 671 963
Term deposits	-	8 546 819	8 546 819	-	9 421 738	9 421 738
Saving accounts	-	113 653	113 653	-	106 359	106 359
Other deposits	19 735	299 910	319 645	7 672	-	7 672
Adjustments arising from hedging operations	12	-	12	8	-	8
	3 271 930	9 098 081	12 370 011	2 563 141	9 644 599	12 207 740

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 11/94 of the Bank of Portugal, of 29 December.

The caption Term deposits includes deposits at fair value through profit and loss, measured in accordance with internal evaluation techniques considering, mainly, observable market inputs, in the amount of Euro 15,631 thousands (31 December 2015: Euro 54,654 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 been recognised a loss, at 31 December 2016, in the amount of Euro 4 thousands (31 December 2015: Euro 12 thousands) related to fair-value variations associated to CEMG credit risk, as referred in notes 6 and 22.

The balance Deposits from customers, analysed by maturity, is as follows:

(Thousands of Euro)

	'16	'15
Deposits repayable on demand	3 389 882	2 671 963
Term deposits and saving accounts		
Up to 3 months	709 607	1 403 408
3 months to 6 months	3 380 913	3 447 941
6 months to 1 year	1 765 112	1 979 416
1 year to 5 years	2 752 929	2 642 405
More than 5 years	51 911	54 927
	12 050 354	12 200 060
Other items		
Up to 3 months	319 645	7 672
Adjustments arising from hedging operations	12	8
	12 370 011	12 207 740

During 2016, deposits from clients were remunerated at the average rate of 1.03% (31 December 2015: 1.55%).

35 Debt securities issued

The balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Euro Medium Term Notes (EMTN)	39 913	61 138
Bonds	1 040 533	1 340 138
Covered bonds	265 028	520 113
Securitizations	538 155	334 340
	1 883 629	2 255 729

The fair value of the debt securities issued is presented in note 46.

The balance Debt securities issued includes issues at fair value profit or loss, in the amount of Euro 67,237 thousands (31 December 2015: Euro 98,167 thousands), 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 the income statement, as referred in the accounting policy presented in note 1 c). As at 31 December 2016 a loss in the amount of Euro 1,716 thousands (31 December 2015: a loss of Euro 1,131 thousands) was recognized regarding the fair value variations associated to credit risk of CEMG, as described in notes 6 and 22.

As at 31 December 2016 and 2015, the analysis of Debt securities issued outstanding by maturity is as follows:

(Thousands of Euro)

	'16	'15
Due within 6 months	434 392	413 028
6 months to 1 year	160 347	27 133
1 year to 5 years	750 687	1 478 682
Over 5 years	538 155	327 251
	1 883 581	2 246 094
Adjustments arising from hedging operations	48	(1 668)
	1 883 629	2 244 426

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousands, CEMG issued a total of Euro 2,300,000 thousands at nominal value.

As at 31 December 2016, the main characteristics of these issues are as follows:

(Thousands of Euro)

Description	Nominal value	Nominal value of sale	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody's/ Fitch/Dbrs)
Covered bonds - 4S	500 000	265 028	500 053	May 2013	May 2017	Monthly	Euribor 1M + 0,75%	A3/A/A
Covered bonds - 5S	500 000	-	500 148	December 2015	December 2020	Quarterly	Euribor 3M + 0,80%	A3/A/A
Covered bonds - 6S	300 000	-	300 211	November 2016	November 2023	Quarterly	Euribor 3M + 0,80%	A3/A/A
Covered bonds - 7S	500 000	-	500 090	December 2016	December 2022	Quarterly	Euribor 3M + 0,75%	A3/A/A
Covered bonds - 8S	500 000	-	500 122	December 2016	December 2026	Quarterly	Euribor 3M + 0,90%	A3/A/A
	2 300 000	265 028	2 300 624					

As at 31 December 2015, the main characteristics of these issues are as follows:

(Thousands of Euro)

Description	Nominal value	Nominal value of sale	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody's/ Fitch/Dbrs)
Covered bonds - 2S	1 000 000	320 083	1 000 259	December 2009	December 2016	Quarterly	Euribor 3M + 0,75%	Baa1/BB+/A
Covered bonds - 4S	500 000	200 030	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 3M + 0,80%	Baa1/BB+/A
	2 000 000	520 113	2 000 546					

The operations carried out by CEMG under the Issuance of Covered Bonds Programme of CEMG, in 2016 and 2015, are presented as follows:

- December 2016: Euro 500,000 thousands issue; within 6 years; at an interest rate of Euribor 3M plus 0.75%
- December 2016: Euro 500,000 thousands issue; within 10 years; at an interest rate of Euribor 3M plus 0.90%
- December 2016: Euro 1,000,000 thousands reimbursement;
- November 2016: Euro 300,000 thousands issue; within 7 years; at an interest rate of Euribor 3M plus 0.80%;
- December 2015: Euro 500,000 thousands issue; within 5 years; at an interest rate of Euribor 3M plus 0.80%; and
- November 2015: Euro 500,000 thousands reimbursement.

The covered bonds are guaranteed by a cover assets pool, comprised of mortgage loans 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. The legal and regulatory framework of these obligations is set out 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 2016, the amount of credits that collateralize these issues amounted to Euro 2,725,631 thousands (31 December 2015: EUR 2,727,400 thousands), according with note 21.

The movements in Debt securities issued during the year 2016 is analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Issues	Repayments	Net Repurchase	Other movements [(a)]	Balance on 31 December
Euro Medium Term Notes (EMTN)	61 138	-	-	(23 000)	1 775	39 913
Bonds	1 340 138	-	(114 898)	(175 112)	(9 595)	1 040 533
Covered bonds	520 113	1 300 000	(1 000 000)	(620 000)	64 915	265 028
Securitizations	334 340	-	(12 099)	216 198	(284)	538 155
	2 255 729	1 300 000	(1 126 997)	(601 914)	56 811	1 883 629

(a) Include the issuance of Euro 65,000 thousand, the movement of accrued interest on the balance sheet, corrections for operations at the fair value option and exchange variation.

The movements in debt securities issued in the year ended 31 December 2015 is analysed as follows:

(Thousands of Euro)

	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)	-	520 113	520 113
Securitizations	164 063	200 000	(30 009)	-	286	334 340
	2 100 535	728 100	(929 336)	(154 880)	511 310	2 255 729

(a) Include the issuance of Euro 65,000 thousand, the movement of accrued interest on the balance sheet, corrections for operations at the fair value option and exchange variation.

As at 31 December 2016, CEMG performed the reimbursement of Euro 1,126,997 thousands (31 December 2015: 929,336 thousands).

During 2016, CEMG issued 3 series, the 6th (Euro 300,000 thousands), the 7th (Euro 500,000 thousands) and the 8th (Euro 500,000 thousands), of covered bonds in the nominal global amount of Euro 1,300,000 thousands and reimbursed the 2nd series in the nominal amount of Euro 1,000,000 thousands.

During 2015, CEMG issued the 5th series of covered bonds in the nominal amount of Euro 500,000 thousands and reimbursed the 3rd series in a nominal amount of Euro 500,000 thousands.

As at 31 December 2016, CEMG sold the amount of Euro 65,000 thousands of covered bonds - 4th series (31 December 2015: CEMG sold the amount of Euro 320,000 thousands of covered bonds - 2nd series and the amount of Euro 200,000 thousands of covered bonds - 4th series).

As at 31 December 2016, CEMG did not performed EMTN issues neither cash bonds (31 December 2015: CEMG issued Euro 28,100 thousands).

In accordance with the account policy described in note 1 c), debt issued repurchased by CEMG is cancelled 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 2016, CEMG recognized a profit of Euro 701 thousands (31 December 2015: loss of Euro 3,916 thousands), as referred in note 10.

As at 31 December 2016, the balance Debt securities issued is comprise of the following issues:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGAÇÕES CAIXA-MG TAXA FIXA SETEMBRO 2010-2020	09/09/10	09/09/20	Fixed annual rate of 4%	100
OBRIGAÇÕES CAIXA-FNB DEZEMBRO 07/17	20/12/10	19/12/17	1st year: fixed rate of 5%; after 2nd year interest is calculated: minimum [15 * (30 Yr Swap Rate - 10 Yr Swap Rate) + 0.75%;15 * (10 Yr swap Rate - 2 Yr Swap Rate) + 1.25%]. With a minimum of 0% and a maximum of 6.5% each year	23 735
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-1.SERIE	31/01/12	01/02/17	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
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-2.SERIE	28/02/12	01/03/17	Fixed annual rate of 5.6667% (4th year fixed rate of 7.3333% and 5th year fixed rate of 9.8333%)	9 750
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-3.SERIE	30/03/12	31/03/17	Fixed annual rate of 4.9539% (4th year fixed rate of 5.6122% and 5th year fixed rate of 6.5997%)	30 000
OBRIGAÇÕES CAIXA-CRPC-2012-2020-1. SERIE	30/03/12	31/03/20	Fixed annual rate of 5.25% (4th year fixed annual rate of: 6% and 5th year: 6.75%; 6th to 8th coupon Max[6.25% e Min (IPC+2%;9.15%)]	3 300
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-4.SERIE	30/04/12	01/05/17	Fixed annual rate of 4.80% (4th year fixed rate of 5.40% and 5th year fixed rate of 6.35%)	51 000
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-5.SERIE	31/05/12	01/06/17	Fixed annual rate of 6.8874%(4th year: 9.6247% and 5th year 13.6063%)	8 700
OBRIGAÇÕES CAIXA-MONTEPIO CAPITAL CERTO 2012-2020-2ªSERIE	31/05/12	01/06/20	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
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-6.SERIE	29/06/12	30/06/17	Fixed annual rate of 7.27% (4th year: 9.27% and 5th year 12.77%)	5 000
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-7.SERIE	31/07/12	01/08/17	Fixed annual rate of 8.40% (4th year: 10.40%; 5th year 11.90%)	6 000
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-8.SERIE	31/08/12	01/09/17	Fixed annual rate of 9.7667% (4th year: 12.1% and 5th year 10.7%)	9 000
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-9.SERIE	28/09/12	29/09/17	Fixed annual rate de 11.9179% (4th year fixed rate of: 13.3857% and 5th year fixed rate of: 12.3286%)	14 000
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-10.SERIE	31/10/12	01/11/17	Fixed annual rate de 5.15% (4th year fixed rate of: 5.60% and 5th year fixed rate of: 6.15%)	43 000
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-11.SERIE	28/11/12	29/11/17	Fixed annual rate of 5.15% (4th year fixed rate of: 5.25%; 5th year fixed rate of: 5.70%)	36 000
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2012/2017-12.SERIE	15/01/13	29/12/17	Fixed annual rate of 5% (3rd year fixed rate of: 5.25%; 4th year fixed rate of: 5.40% e 5th year fixed rate of: 5.75%)	21 250
OBRIGAÇÕES CAIXA-MG POUPANÇA FAMILIAR 2.SERIE	15/01/13	29/12/17	Fixed annual rate of 5% (3rd year fixed rate of: 5.40%; 4th year fixed rate of: 5.60%; 5th year fixed rate of: 6.25%)	1 700
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2018-1.SERIE	31/01/13	01/02/18	Fixed annual rate of 5.00% (3rd year fixed rate of: 5.15%; 4th year fixed rate of: 5.25%; 5th year fixed rate of: 5.50%)	44 000
OBRIGAÇÕES CAIXA-MONTEPIO PARTIC-US-D-FEV/13	13/02/13	13/02/18	Fixed annual rate of 3.90%	254
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2018-2.SERIE	28/02/13	01/03/18	Fixed annual rate of 4.85% (3rd and 4th years fixed rate of 5.00%; 5th year fixed rate of: 5.40%)	33 300
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2021-1.SERIE	28/02/13	01/03/21	Fixed annual 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%)];7th coupon Max[6.15%; Min (IPC+2%;8.50%)]; 8th coupon Max[6.45%; Min (IPC+2%;8.50%)])	2 148
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-05032018	05/03/13	05/03/18	Fixed annual rate of 4.25% (3rd year fixed rate of: 4.50%; 4th year fixed rate of: 4.70%; 5th year fixed rate of: 4.90%)	256
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2018-3.SERIE	28/03/13	29/03/18	Fixed annual rate of 4.40% (3rd year fixed rate of: 4.75%; 4th year fixed rate of: 4.90%; 5th year fixed rate of: 5.65%)	23 500
OBRIGAÇÕES CAIXA-MONTEPIO POUPANÇA FAMILIAR 2013-2018-1.SERIE	30/04/13	01/05/18	Fixed annual rate of 4.40% (3rd year fixed rate of: 4.75%; 4th year fixed rate of: 4.90%; 5th year fixed rate of: 6.70%)	1 550
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2018-4.SERIE	30/04/13	01/05/18	Fixed annual rate of 4.40% (3rd year fixed rate of: 4.75%; 4th year fixed rate of: 4.90%; 5th year fixed rate of: 6.70%)	31 200
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2018-5.SERIE	31/05/13	01/06/18	Fixed annual rate of 4.4% (3rd year: 4.75%. 4th year: 4.9% and 5th year fixed rate of: 5.65%)	34 650

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGAÇÕESS CAIXA-MG CAPITAL CERTO 2013/2018-6.SERIE	28/06/13	29/06/18	Fixed annual rate of 4.4% (3rd year rate: 4.6%, 4th year rate: 4.75% and 5th year rate: 4.9%)	30 100
OBRIGAÇÕESS CAIXA-MG CAPITAL CERTO 2013/2021-2.SERIE	28/06/13	29/06/21	Fixed annual rate of 4.9% (3rd year rate: 5.1%, 4th year rate: 5.1%, 5th year rate: 5.65% and 6th to 8th year rate: Max(5.95%;Min(IPC+2%;8.15%))	812
OBRIGAÇÕESS CAIXA-MG CAPITAL CERTO 2013/2018-7.SERIE	31/07/13	01/08/18	Fixed annual rate of 3.85% (3rd year rate: 4.35%. 4th year rate: 4.55% and 5th year rate: 4.9%)	33 800
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2018-8.SERIE	30/08/13	31/08/18	Fixed annual rate of 3.65% (3rd year rate: 4.35%, 4th year rate: 4.55% and 5th year rate: 4.90%)	30 000
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2018-9.SERIE	30/09/13	01/10/18	Fixed annual rate of 3.65% (3rd year rate Taxa: 4%, 4th year rate: 4.2% and 5th year rate: 4.4%)	35 900
OBRIGAÇÕES CAIXA-MG CAPITAL CERTO 2013/2018-10.SERIE	31/10/13	01/11/18	Fixed annual rate of 3.75% (3rd year rate: 4%, 4th year rate: 4.1% and 5th year rate: 4.4%)	30 950
CEMG CAPITAL CERTO 2013/2018 11 SERIE	29/11/13	30/11/18	Fixed annual rate of 3.65% (3rd year rate: 3.7%. 4th year rate: 3.75% and 5th year rate: 4%)	27 000
MONTEPIO CAPITAL CERTO 2013/2018 12ª SERIE	30/12/13	31/12/18	Fixed annual rate of 3.65% (3rd year rate: 3.7%. 4th year rate: 3.75% and 5th year rate: 4%)	20 600
MONTEPIO CAPITAL CERTO 2014/2019 1S	31/01/14	01/02/19	Fixed annual rate of 3.4% (3rd year rate: 3.45%. 4th year rate: 3.5% and 5th year rate: 3.75%)	27 400
MONTEPIO CAPITAL CERTO 2014/2019 2S	28/02/14	01/03/19	Fixed annual rate of 3.4% (3rd year rate: 3.45%. 4th year rate: 3.5% and 5th year rate: 3.75%)	33 050
CEMG CAIXA PARTICULAR 2014/06.03.2017	06/03/14	06/03/17	Fixed annual rate of 2.675%	400
CEMG CAPITAL CERTO 2014/2019 3 SERIE	28/03/14	29/03/19	Fixed annual rate of 3.4% (3rd year rate: 3.45%. 4th year rate: 3.5% and 5th year rate: 3.75%)	33 400
CEMG CAPITAL CERTO 2014/2019 4 SERIE	30/04/14	01/05/19	Fixed annual rate of 3.4% (3rd year rate: 3.45%. 4th year rate: 3.5% and 5th year rate: 3.75%)	35 450
CEMG CAPITAL CERTO 2014/2019 5 SERIE	30/05/14	31/05/19	Fixed annual rate of 3.4% (3rd year rate: 3.45%. 4th year rate: 3.5% and 5th year rate: 3.75%)	33 100
CEMG CAPITAL CERTO 2014/2019 6 SERIE	30/06/14	01/07/19	Fixed annual rate of 3.4% (3rd year rate: 3.45%. 4th year rate: 3.5% and 5th year rate: 3.75%)	31 450
CEMG CAPITAL CERTO 2014/2019 7 SERIE	31/07/14	01/08/19	Fixed annual rate of 3.15% (3rd year rate: 3.20%. 4th year rate: 3.25% and 5th year rate: 3.50%)	50 600
CEMG CAPITAL CERTO 2014/2019 8 SERIE	29/08/14	30/08/19	Fixed annual rate of 3.15% (3rd year rate: 3.20%. 4th year rate: 3.25% and 5th year rate: 3.50%)	34 950
CEMG CAPITAL CERTO 2014/2019 9S	30/09/14	01/10/19	Fixed annual rate of 2.75% (3rd year rate: 3.00%. 4th year rate: 3.10% and 5th year rate: 3.35%)	17 900
CEMG CAPITAL CERTO 2014/2019 10 SERIE	31/10/14	01/11/19	Fixed annual rate of 2.90% (3rd year rate: 2.95%. 4th year rate: 2.95% and 5th year rate: 3.25%)	25 050
CEMG CAPITAL CERTO 2014/2019 11 SERIE	28/11/14	29/11/19	Fixed annual rate of 2.90% (3rd year rate: 2.95%. 4th year rate: 2.95% and 5th year rate: 3.25%)	26 650
MONTEPIO CAPITAL CERTO 2014/2029 12S	02/01/15	31/12/19	Fixed annual rate of 2.90% (2° a 4th year rate: 2.95% and 5th year rate: 3.25%)	15 000
EMPRÉSTIMO OBRIGACIONISTA - CEMG 07	30/01/07	30/01/17	1st year rate: 4.2%; 2nd year rate: 1 x 10yr CMS rate	39 750
OBRIGAÇÕES HIPOTECÁRIAS - 5S	09/12/15	09/12/20	Euribor 3M + 0.80%	265 000
PELICAN MORTGAGES n.° 3	30/03/07	15/09/54	Euribor 3M + 0.13%	121 955
PELICAN SME n.° 2	05/03/15	25/02/43	Euribor 3M + 0.30%	416 200
			Debt securities issued	1 856 106
			Adjustments arising from hedging operations, accruals, deferred gains and losses	27 523
				1 883 629

As at 31 December 2016, bonds issued bear postponed interest at an effective interest rate ranging between 0.38% and 13.61% (31 December 2016: 0.55% and 13.39%).

36 Provisions

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Provisions for general banking risks	13 851	-
Provisions for liabilities and charges	7 142	15 509
	20 993	15 509

The movements in provisions for guarantees and commitments assumed in 2016 are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 January	-	-
Charge for the year	11 456	-
Write-back for the year	(19 942)	-
Transfers	22 337	-
Balance on 31 December	13 851	-

The balance Transfers refers to the impairment associated with off balance sheet credit exposure which, in 2016, are registered in the balance Provisions for guarantees and commitments, as described in note 21.

The movements in provisions for liabilities and charges are analysed as follows:

(Thousands of Euro)

	'16	'15
Balance on 1 January	15 509	16 151
Charge for the year	1 885	3 331
Write-back for the year	(255)	(3 862)
Charge-off	(8 252)	(111)
Transfers	(1 745)	-
Balance on 31 December	7 142	15 509

These provisions are accounted in accordance with the probability of occurrence of certain contingencies related with the CEMG's activity, and are revised at each reporting date in order to reflect the best estimate of the loss amount.

37 Other subordinated debt

As at 31 December 2016, the main characteristics of Other subordinated debt, are analysed as follows:

(Thousands of Euro)

Description Issue	Issue date	Maturity date	Issue amount	Interest rate	Book value
CEMG/08 1.ª série	Feb 2008	Feb 2018	150 000	Euribor 6 months+1.5%	111 348
CEMG/08 2.ª série	Jul 2008	Jul 2018	150 000	Euribor 6 months+1.5%	113 216
CEMG/08 3.ª série	Jun 2008	Jun 2018	28 000	Euribor 12 months+1.5%	4 202
FNB 08/18 1ª/2ª Série	Dec 2008	Dec 2018	10 363	Euribor 6 months+1.75% (i)	8 328
					237 094

As at 31 December 2015, the main characteristics of Other subordinated debt, are analysed as follows:

(Thousands of Euro)

Description 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	Jul 2008	Jul 2018	150 000	Euribor 6 months+1.5%	120 894
CEMG/08 3.ª série	Jun 2008	Jun 2018	28 000	Euribor 12 months+1.5%	18 177
FNB 08/18 1ª/2ª Série	Dec 2008	Dec 2018	10 363	Euribor 6 months+1.75% (i)	10 373
FNB Grandes empresas 07/16_ 1ª série	May 2007	May 2016	6 450	Max (0;6.0%*(1-n/8)) (ii)	6 532
FNB Grandes empresas 07/16 2ª/3ª série	Jun 2007	Jun 2016	30 250	Max (0;6.0%*(1-n/8)) (ii)	30 330
					333 686

(i) - Remuneration paid on a half-yearly basis. The first cupon is fixed:

Coupon	Interest rate/range
1st coupon	6.50% (annual rate)
Betweem the 2nd and 10th coupon	Euribor 6M + 1.50% (annual rate)
Remaining 11th	Euribor 6M + 1.75% (annual rate)

(ii) - The coupons will be paid on the end of each year (9 May, to the 1st series and 20 June to the 2nd and 3rd series)

Coupon	Interest rate/range
1st Coupon	5,50%
2nd Coupon	5,50%
3rd Coupon	Max [0;6.0% x (1-n/3)]
4th Coupon	Max [0;6,0% x (1-n/4)]
5th Coupon	Max [0;6,0% x (1-n/5)]
6th Coupon	Max [0;6,0% x (1-n/6)]
7th Coupon	Max [0;6,0% x (1-n/7)]
8th Coupon	Max [0;6,0% x (1-n/8)]
9th Coupon	Max [0;6,0% x (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.

As at 31 December 2016 and 2015, the movement under Other subordinated liabilities was as follows:

(Thousands of Euro)

	'16				
	Balance on 1 January	Reimbursements	Net purchases	Other movements [(a)]	Balance on 31 December
CEMG/06	26 148	(26 100)	-	(48)	-
CEMG/08 1.ª série	121 232	-	(9 740)	(144)	111 348
CEMG/08 2.ª série	120 894	-	(7 507)	(171)	113 216
CEMG/08 3.ª série	18 177	-	(13 808)	(167)	4 202
FNB 08/18 1ª/2ª Série	10 373	-	(2 042)	(3)	8 328
FNB Grandes empresas 07/16_ 1ª série	6 532	(6 450)	-	(82)	-
FNB Grandes empresas 07/16 2ª/3ª série	30 330	(30 250)	-	(80)	-
	333 686	(62 800)	(33 097)	(695)	237 094

(a) Includes the accrued interest in the balance sheet..

(Thousands of Euro)

	'15				
	Balance on 1 January	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	121 031	-	-	(137)	120 894
CEMG/08 3.ª série	18 179	-	-	(2)	18 177
FNB 08/18 1ª/2ª Série	10 375	-	-	(2)	10 373
FNB Grandes empresas 07/16_ 1ª série	6 512	-	-	20	6 532
FNB Grandes empresas 07/16 2ª/3ª série	30 491	-	-	(161)	30 330
FNB Indices estratégicos 07/17 1ª série	14 947	(14 947)	-	-	-
FNB Indices estratégicos 07/17 2ª/3ª série	39 000	(39 000)	-	-	-
FNB Rendimento Seguro 05/15	238	(238)	-	-	-
	388 257	(54 185)	-	(386)	333 686

(a) Includes the accrued interest in the balance sheet, adjustments arising from hedging operations, fair value adjustments, currency change and disposal of subordinated debt.

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 thousands was recognised, regarding the fair value variations resulting from the CEMGs credit risk.

As at 31 December 2016, the subordinated debt bears postponed interest every six and 12 months and its effective interest rate range is set between 1.31% and 1.53% (31 December 2015: 0.49% and 2.00%).

Other subordinated debt portfolio is recorded at fair value, as presented in note 46.

38 Other liabilities

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Creditors		
Suppliers	4 633	7 088
Other creditors	17 567	10 649
Administrative Public Sector	11 692	13 802
Charges with staff expenses	26 460	33 692
Other expenses	14 716	7 949
Deferred income	770	999
National and foreign operations to settle	105 637	55 865
Other sundry liabilities	22 504	31 889
	203 979	161 933

As at 31 December 2016, the balance Other sundry liabilities includes the amount of Euro 15,412 thousands (31 December 2015: Euro 15,509 thousands), related with the net liabilities recognised in the balance sheet, which present the difference between the costs with pensions, health benefits and death subsidy and the assets, as referred in note 47.

As at 31 December 2016, the balance Charges with staff expenses includes the amount of Euro 6,911 thousands (31 December 2015: Euro 14,218 thousands), related with the seniority award. Additionally, as at 31 December 2016, this balance includes the amount of 18,942 thousands (31 December 2015: Euro 19,474 thousands) related to the holiday paid accrual.

39 Institutional capital

CEMG's institutional capital, which is fully paid, amounts to Euro 1,770,000 thousands (31 December 2015: Euro 1,500,000 thousands), fully belonging to Montepio Geral - Associação Mutualista.

At 18 march 2016, the Group performed a capital increase subscribed by Montepio Geral Associação Mutualista ("MGAM"), in accordance with the statutory resolutions of MGAM General Council, the General and Supervisory Council and the Executive Board of Directors of CEMG.

The referred capital increase was materialised by MGAM fully paid-up in cash through the realisation of institutional capital in the amount of Euro 270,000 thousands.

40 Participation fund

As at 31 December 2016 and 2015, the CEMG's participation fund has a total nominal value of Euro 400,000 thousands, 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 thousands, 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 Articles of Association 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 include: (i) the right to receive an annual payment when, existing sufficient results to distribute, the General Shareholders Meeting decides in that way, under a proposal of the Executive Board of Directors, (ii) the right to the Refund 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) the right to the reimbursement following the amortisation of these participation units by deliberation of CEMG General Meeting of Shareholders, always subject to the prior approval from Bank of Portugal. The right to information to the owners of these participation units is made through a common representative elected in the General Meeting of owners of these participation units, 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:

(Thousands of Euro)

	'16		'15	
	Number of Investment Fund Units held	Percentage	Number of Investment Fund Units held	Percentage
Related parties				
Montepio Geral Associação Mutualista	284 113 190	71,03%	207 260 984	51,82%
Montepio Investimento, S.A.	80 918	0,02%	31 580 918	7,90%
	284 194 108	71,05%	238 841 902	59,72%

41 Other equity instruments

This caption includes the issuance of Euro 15,000 thousands 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.

CEMG repurchased perpetual subordinated instruments in the amounts of Euro 6,727 thousands, during 2013, and Euro 1,950 thousands in March 2016. After these operations, the balance Other equity instruments amounts to Euro 6,323 thousands (31 december 2015: Euro 8,273 thousands).

Payment

The Issuer is prevented from proceeding to the interest payment if, in the Executive Board of Directors or Bank of Portugal opinion, this payment endanger compliance with the Regulatory equity requirements regulation.

During 2016, CEMG proceeded to the interest payment for this emission in the amount of Euro 372 thousands (31 December 2015: Euro 758 thousands).

Reimbursement

These values are perpetual securities and are only refundable under the terms of early repayment provided below.

By prior 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 with prior agreement from Bank of Portugal, these Securities are redeemable at the option of the Issuer, at any time.

A disqualification event as Core Capital is defined as a change in any legal document or its official interpretation which implies that these securities values may no longer be classified as Core Capital of the Issuer.

On this basis, at 31 December 2016 and 2015, these obligations are not seen as a positive element of the CEMG's Equity.

42 General and special reserve

The general and special reserve 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 cover future losses 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, annually, 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 cover losses or to increase capital.

The variation of the general and special reserves balances is analysed in note 43.

43 Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

(Thousands of Euro)

	'16	'15
Fair value reserves		
Fair value reserves		
Available-for-sale financial assets	(15 131)	5 881
Loans to customers	2 476	3 858
	(12 655)	9 739
Taxes		
Available-for-sale financial assets	11 082	(1 735)
Loans to customers	(730)	(1 138)
	10 352	(2 873)
Fair value reserves net of taxes	(2 303)	6 866
Reserves and retained earnings:		
General reserve	186 000	186 000
Special reserve	68 273	68 273
Deferred tax reserve	55 526	42 502
Other reserves and retained earnings	(850 190)	(457 769)
	(540 391)	(160 994)

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 periods in accordance with accounting policy described in note 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 financial assets available-for-sale, during 2016, are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Reavaluation	Acquisition	Sales	Impairment recognized in the year	Balance on 31 December
Fixed income securities						
Bonds issued by public Portuguese entities	(17 192)	(23 502)	(13 951)	(5 129)	-	(59 774)
Bonds issued by public foreign entities	7 828	(12 799)	(1 930)	(7 696)	7 343	(7 254)
Bonds issued by other entities						
Portuguese	(811)	(10 096)	(6)	(721)	11 508	(126)
Foreign	(9 837)	48 342	498	(12 659)	(19 692)	6 652
	(20 012)	1 945	(15 389)	(26 205)	(841)	(60 502)
Variable income securities						
Shares in companies						
Portuguese	7 888	(1 764)	-	301	1 764	8 189
Foreign	3 698	18 505	322	(9 840)	2 037	14 722
Investments fund units	14 307	73 929	584	2 560	(68 920)	22 460
	25 893	90 670	906	(6 979)	(65 119)	45 371
	5 881	92 615	(14 483)	(33 184)	(65 960)	(15 131)

The movements in the fair value reserve on financial assets available-for-sale, during 2015, are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Reavaluation	Acquisition	Sales	Impairment recognized in the year	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 fair value reserves on financial assets available-for-sale, are detailed as follows:

(Thousands of Euro)

	'16	'15
Amortised cost of available-for-sale financial assets	3 094 291	3 746 261
Accumulated impairment recognized	(190 428)	(112 151)
Amortised cost of available-for-sale financial assets, net of impairment	2 903 863	3 634 110
Market value of available-for-sale financial assets	2 888 732	3 639 991
Net/ unrealised gains/(losses) recognized in the fair value reserve	(15 131)	5 881

44 Dividends distribution

During 2016 and 2015, CEMG did not distributed profits.

45 Obligations and other commitments

The balances are analysed as follows:

(Thousands of Euro)

	'16	'15
Guarantees granted	442 010	448 720
Commitments to third parties	1 339 783	1 448 383
Assets transferred in securitised operations	48 553	170 819
Securities and other items held for safekeeping on behalf of customers	6 710 382	7 266 785
	8 540 728	9 334 707

The amounts of Guarantees granted and Commitments to third parties are analysed as follows:

(Thousands of Euro)

	'16	'15
Guarantees granted		
Guarantees	414 608	423 888
Open documentary credits	27 402	24 832
	442 010	448 720
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	561 996	681 632
Potential obligation with the Investors' Indemnity System	1 592	1 689
Annual contribution to the Guarantee Deposits Fund	22 768	22 768
Revocable commitments		
Revocable credit lines	753 427	742 294
	1 339 783	1 448 383

Bank guarantees granted are financial operations that do not translate necessarily into mobilisation of Funds by CEMG.

Documentary credits correspond to irrevocable commitments with the CEMG's clients, 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 express agreement of all parties involved.

Revocable and irrevocable commitments represent contractual agreements to extend credit to the CEMG'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 commitments, the analysis of these operations follows the same basic principles of any commercial operation, namely the solvency of the underlying client and business, and considering that CEMG requires these operations to be adequately covered by collaterals when needed. Considering that is expected that the majority of these commitments expire without having being used, the indicated amounts do not represent necessarily future cash flow needs.

As at 31 December 2016 and 2015, 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 that Fund.

As at 31 december 2016 and 2015, under the Deposit Guarantee Fund, CEMG granted as pledge treasury bonds (OT 4.35% 07/2017), recorded as financial assets available-for-sale, with a nominal value of Euro 25,000 thousands, as described in note 23.

As at 31 December 2016 and 2015, 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 due 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 the Group in the event of default by the respective counterparties, without considering potential credit recoveries or collaterals.

CEMG provides custody services over assets that are not included in the financial statements, as follows:

(Thousands of Euro)

	'16	'15
Deposit and safekeeping of securities	6 710 382	7 266 785

46 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 of 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 financial assets and liabilities 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 term. The rate of return of funding with the European Central Bank is of 0.0% for the operations negotiated at December 2016.

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 dates (rates from the monetary market or from the interest rate swap market, at the end of the period). For 31 December 2016, the average discount rate was 0.73% for Repos and 0.17% for the remaining resources. As at 31 December 2015 they were of -0.205% and 0.02%, 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 (Bid-price), 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 financial contents - 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 also calibrated against the values of short-term interest rate forwards. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are also 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 respective market conditions and terms.

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", the numerical methods based on techniques of discounted cash flow and options valuation models, considering market variables namely the market interest rates applicable to the instruments concerned, and where necessary, their volatility, shall apply.

Interest rates are determined based on information disseminated by the suppliers of financial contents - 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 also calibrated against the values of short-term interest rate forwards. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are also 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 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. 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 dates (rates from the monetary market or from the interest rate swap market, at the end of the year) and the spread used at the reporting date, which was calculated from the average of production for 2016. The average discount rate was 2.70% for housing loans (31 December 2015: 3.43%), 5.55% to individual credit (31 December 2015: 5.90%) to treasury loans is 3.90% (31 December 2015: 4.49%) and 4.46% to the remaining loans (31 December 2015: 4.48%), 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 and Debits to clients repayable on demand

Considering the short maturity of these financial instruments, the conditions of this portfolio are similar to those in force at the reporting date. 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 dates (rates of monetary market or the interest rate swap market, at the end of the year) and the spread of CEMG at the reporting date, which was calculated from the average production of the last month of the 2016 semester. The average discount rate at 31 December 2016 was of 1.01% (31 December 2015: 1.04%)

Debt securities issued and Subordinated debt

For these financial instruments, fair value was calculated for the components that are not yet reflected on the balance sheet. For the fixed interest rate instruments for which CEMG applies a hedge-accounting policy, 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 9.09% (31 December 2015: 5.80%). The average discount rate calculated for senior issues placed on the retail market was 0.79% (31 December 2015: 1.28%). The senior issue placed on the institutional market is valued at fair value through profit or loss.

As at 31 December 2016, 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 CEMG:

(Thousands of Euro)

	Currencies				
	Euro	United States Dollar	Sterling Pound	Swiss Franc	Japanese Yen
1 day	-0,3730%	0,7700%	0,2750%	-0,8350%	-0,0854%
7 days	-0,3730%	0,7233%	0,2750%	-0,8350%	-0,0854%
1 month	-0,3680%	0,7750%	0,2900%	-0,8250%	-0,4000%
2 months	-0,3380%	0,8500%	0,3700%	-0,7950%	-0,4900%
3 months	-0,3190%	1,0500%	0,3600%	-0,8000%	-0,3000%
6 months	-0,2210%	1,2500%	0,4500%	-0,6950%	-0,2500%
9 months	-0,1390%	1,4500%	0,6800%	-0,6250%	-0,2500%
1 year	-0,0820%	1,4750%	0,8000%	-0,6500%	-0,2500%
2 years	-0,1600%	1,4780%	0,6110%	-0,6000%	-0,0050%
3 years	-0,1000%	1,6820%	0,6910%	-0,5270%	0,0025%
5 years	0,0750%	2,0050%	0,8780%	-0,3210%	0,0450%
7 years	0,3150%	2,1970%	1,0470%	-0,0980%	0,0975%
10 years	0,6600%	2,3790%	1,2440%	0,1530%	0,1975%
15 years	1,0300%	2,5090%	1,4260%	0,4260%	0,4150%
20 years	1,1750%	2,5380%	1,4260%	0,4260%	0,4150%
30 years	1,2350%	2,5650%	1,4260%	0,4260%	0,4150%

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 CEMG:

(Thousands of Euro)

	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	0,0400%	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%

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:

(Thousands of Euro)

			Volatility (%)				
Exchange rates	'16	'15	1 month	3 months	6 months	9 months	1 year
EUR/USD	1,0541	1,0887	10,313	10,530	10,835	10,630	10,520
EUR/GBP	0,8562	0,7340	9,825	10,270	10,850	10,808	10,790
EUR/CHF	1,0739	1,0835	5,340	6,125	7,115	7,360	7,475
EUR/JPY	123,40	131,07	11,325	12,165	13,670	13,555	13,528

Concerning the exchange rates, CEMG uses in its valuation models the spot rate observed in the market at the time of the valuation.

The fair value of the financial assets and liabilities of CEMG, at 31 December 2016 and 2015, is presented as follows::

(Thousands of Euro)

	'16				
	At fair value through profit or loss	Ao justo valor através de reservas	Amortised cost	Book value	Fair value
Financial assets					
Cash and deposits at central banks	-	-	381 288	381 288	381 288
Loans and advances to credit institutions repayable on demand	-	-	71 039	71 039	71 039
Loans and advances to credit institutions	-	-	729 040	729 040	729 040
Loans and advances to customers	40 713	-	13 758 998	13 799 711	13 676 719
Financial assets held for trading	78 161	-	-	78 161	78 161
Available-for-sale financial assets	-	2 888 732	-	2 888 732	2 888 732
Held-to-maturity investments	-	-	1 126 125	1 126 125	1 087 911
	118 874	2 888 732	16 066 490	19 074 096	18 912 890
Financial liabilities					
Deposits from central banks	-	-	2 307 947	2 307 947	2 307 947
Deposits from other credit institutions	53 818	-	2 546 915	2 600 733	2 612 416
Deposits from customers	15 631	-	12 354 380	12 370 011	12 340 583
Debt securities issued	67 237	-	1 816 392	1 883 629	1 921 967
Financial liabilities held for trading	26 148	-	-	26 148	26 148
Other subordinated debt	-	-	237 094	237 094	214 296
	162 834	-	19 262 728	19 425 562	19 423 357

(Thousands of Euro)

	'15				
	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	-	-	610 480	610 480	610 584
Loans and advances to customers	44 825	-	14 120 635	14 165 460	13 437 329
Financial assets held for trading	42 277	-	-	42 277	42 277
Other financial assets at fair value through profit/(loss)	-	-	-	-	-
Available-for-sale financial assets	-	3 639 991	-	3 639 991	3 639 991
Hedging derivatives	9	-	-	9	9
Held-to-maturity investments	-	-	26 130	26 130	25 716
	87 111	3 639 991	15 165 987	18 893 089	18 164 648
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	-	2 157 562	2 255 729	2 380 724
Financial liabilities held for trading	64 335	-	-	64 335	64 335
Hedging derivatives	439	-	-	439	439
Other subordinated debt	-	-	333 686	333 686	308 237
	288 660	-	18 863 841	19 152 501	19 295 295

The following table summarizes, by valuation levels, the fair value of CEMG's financial assets and liabilities, as at 31 December 2016:

(Thousands of Euro)

	'16				
	Level 1	Level 2	Level 3	Financial instruments at value	Fair Value
Financial assets					
Cash and deposits at central banks	381 288	-	-	-	381 288
Loans and advances to credit institutions repayable on demand	71 039	-	-	-	71 039
Loans and advances to credit institutions	-	-	729 040	-	729 040
Loans and advances to customers	-	40 713	13 636 006	-	13 676 719
Financial assets held for trading	44 939	33 222	-	-	78 161
Available-for-sale financial assets	1 772 547	15 339	1 095 624	5 222	2 888 732
Held-to-maturity investments	1 087 911	-	-	-	1 087 911
	3 357 724	89 274	15 460 670	5 222	18 912 890
Financial liabilities					
Deposits from central banks	2 307 947	-	-	-	2 307 947
Deposits from other credit institutions	-	53 818	2 558 598	-	2 612 416
Deposits from customers	-	15 631	12 324 952	-	12 340 583
Debt securities issued	-	67 237	1 854 730	-	1 921 967
Financial liabilities held for trading	1 458	24 690	-	-	26 148
Other subordinated debt	-	-	214 296	-	214 296
	2 309 405	161 376	16 952 576	-	19 423 357

The following table summarizes, by valuation levels, the fair value of CEMG's financial assets and liabilities, as at 31 December 2015:

(Thousands of Euro)

	'15				
	Level 1	Level 2	Level 3	Financial instruments at value	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	-	-	610 584	-	610 584
Loans and advances to customers	-	44 825	13 392 504	-	13 437 329
Financial assets held for trading	19 798	22 479	-	-	42 277
Available-for-sale financial assets	2 493 339	109 574	1 031 856	5 222	3 639 991
Hedging derivatives	-	9	-	-	9
Held-to-maturity investments	25 716	-	-	-	25 716
	2 947 595	176 887	15 034 944	5 222	18 164 648
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	2 282 557	-	2 380 724
Financial liabilities held for trading	1 896	62 439	-	-	64 335
Hedging derivatives	-	439	-	-	439
Other subordinated debt	-	-	308 237	-	308 237
	2 264 154	286 764	16 744 377	-	19 295 295

CEMG 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 evaluation 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 evaluation technique used and inputs used and review processes to test the accuracy of the values obtained

CEMG considers an active market where transactions of particular financial instruments occur with frequency and business volumes sufficient for providing information over prices continuously. 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; 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.

During 2016, transfers in the amount of Euro 135,204 thousands were executed, which were related with the transfer of a real estate investment fund from level 1 in 2015 to level 3 in 2016.

47 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). In addition, and in accordance with the same policy, CEMG calculates on an annual basis, as of 31 December of each year, pension liabilities and other benefits.

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 CEMG 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.

In December 2016, CEMG issued a new Collective Labor Agreement (ACT), introducing a number of changes in the employment benefits, such as the change in the retirement age, in line with the general Social Security system, and the attribution of an end-of-career premium which replaced the extinguished seniority award.

In addition to the change in the benefit plan, there are also a number of special temporary provisions which impact on the calculation of the current liabilities value, in particular the freezing of salary increases for 2016 and 2017 and the freeze on automatic career promotions. As a result of the amendment to the

ACT, contributions to SAMS were made based on a fixed cost per employee, and were no longer indexed to salaries.

The main actuarial assumptions used in calculating the current value of liabilities are as follows:

	Pressupostos '16	Pressupostos '15
Financial assumptions		
Wage growth rate	0% 2017;1,0% 2018+	0,75%
Pension growth rate	0% 2017;0,5% 2018+	0,25%
Projected rate of return of plan assets	2,00%	2,75%
Discount rate	2,00%	2,75%
Revaluation Rate		
Salaries growth rate - Social Security	2,00%	0,75%
Monetary correction rate	1,00%	0,75%
Demographic assumptions and valuation methods		
Mortality table		
Men	TV 88/90	TV 88/90
Women	TV 88/90	TV 88/90
UCP - Unit Credit projectado	UCP	UCP

The actuarial calculation is made using in calculatin the present value of liabilities, in accordance with the requirements of IAS 19. The determination of the discount rate took into consideration: (i) the evolution of the main indices regarding high quality corporate brands and (ii) duration of the responsibilities.

As at 31 December 2016, the duration of liabilities amounts to 20.70 years (31 December 2015: 23.20 years).

The number of persons covered by the pension plan is as follows:

(Thousands of Euro)

	'16	'15
Actives	3 437	3 715
Retirees and survivors	1 230	1 025
	4 667	4 740

:

Based on the accounting policy described in note 1 u), post-employment benefits, other benefits and respective coverage levels are presented as follows:

(Thousands of Euro)

	'16	'15
Assets/(Liabilities) recognised in the balance sheet		
Projected benefit obligations with pension benefits		
Pensioners	(265 870)	(138 149)
Employees	(384 125)	(464 708)
	(649 995)	(602 857)
Projected benefit obligations with healthcare benefits		
Pensioners	(20 484)	(19 178)
Employees	(30 322)	(35 745)
	(50 806)	(54 923)
Projected benefit obligations with death subsidy		
Pensioners	(1 602)	(698)
Employees	(1 469)	(892)
	(3 071)	(1 590)
Total	(703 872)	(659 370)
Coverages		
Pension Fund value	688 730	643 861
Net assets/(liabilities) in the balance sheet (see note 39)	(15 142)	(15 509)
Accumulated actuarial losses recognized in other comprehensive income	181 527	120 474

The changes in the defined benefit obligation can be analysed as follows:

(Thousands of Euro)

	'16				'15			
	Pension benefits	Healthcare benefits	Death Subsidy	Total	Pension benefits	Healthcare benefits	Death Subsidy	Total
Responsabilities in the beginning of the year	602 857	54 923	1 590	659 370	607 830	54 768	1 543	664 141
Current service cost	2 527	1 625	41	4 193	10 331	1 677	43	12 051
Interest cost	16 579	1 510	44	18 133	15 196	1 369	39	16 604
Actuarial gains and losses								
- Changes in the assumptions	55 866	(6 230)	657	50 293	(14 375)	(1 313)	(52)	(15 740)
- Not related to changes assumptions	(2 248)	2 125	770	647	(7 846)	(346)	37	(8 155)
Change of the retirement age	(37 551)	(1 777)	(16)	(39 344)	-	-	-	-
Pensions paid by the fund	(13 635)	(1 370)	(15)	(15 020)	(8 959)	(1 232)	(20)	(10 211)
Early retirement, mutually agreed terminations and others	23 304	-	-	23 304	680	-	-	680
Participant contributions	2 296	-	-	2 296	-	-	-	-
Responsabilities in the end of the year	649 995	50 806	3 071	703 872	602 857	54 923	1 590	659 370

As mentioned, CEMG amended the ACT, and changed the retirement age. This represents a cut in employees benefits, in accordance with IAS 19, and its impact was recorded against the income statement.

The evolution of the pension fund's value in the year ended 31 December 2016 and 2015 is analysed as follows:

(Thousands of Euro)

	'16	'15
Balance of the funds in the beginning of the year	643 861	574 085
Expected return on plan assets	17 706	14 352
Actuarial gains/(losses)	(10 113)	(1 392)
CEMG contributions	50 000	64 739
Participant contributions	2 296	2 288
Pensions paid by the fund	(15 020)	(10 211)
Balance of the funds at the end of the year	688 730	643 861

The pension funds are managed by "Futuro - Sociedade Gestora de Fundos de Pensões, S.A.", in which CEMG participates in 97.3% as at 31 December 2016 (31 December 2015: 97.2%).

CEMG contribution balance relates to contributions made in cash by CEMG in 2016. As at 31 December 2015, this contribution refers to deliveries made by CEMG in 2015, related to 2014.

As at 31 December 2016 and 2015, the assets of the pension fund, divided between quoted and non-quoted, can be analysed as follows:

(Thousands of Euro)

	'16			'15		
	Assets of the Fund	Quoted	Non-quoted	Assets of the Fund	Quoted	Non-quoted
Variable income security						
Shares	50 431	50 431	-	46 287	46 287	-
Shares investment fund	99 787	94 939	4 848	95 007	3 195	91 812
Equity shares	1 227	1 227	-	1 908	1 908	-
Bonds	428 027	418 554	9 473	421 001	421 001	-
Real estate	7 480	-	7 480	7 729	-	7 729
Real estate investment funds	25 774	5 890	19 884	26 480	514	25 966
Venture capital funds	4 869	-	4 869	10 364	-	10 364
Hedge funds - Uncorrelated Investments	-	-	-	25	-	25
Investment in banks and others	71 135	-	71 135	35 060	-	35 060
	688 730	571 041	117 689	643 861	472 905	170 956

The pension fund' assets used by CEMG or representative of securities issued by other CEMG entities are analysed as follows:

(Thousands of Euro)

	'16	'15
Investments in banks and other	71 135	30 142
Real Estate	7 480	7 729
Bonds	43	85
Others	1 228	1 908
	79 886	39 864

The changes in the accumulated actuarial gains and losses are analysed as follows:

(Thousands of Euro)

	'16	'15
Actuarial gains and losses in the beginning of the year	120 474	142 977
Actuarial (Gains) and losses in the year		
- Changes in the assumptions	50 293	(15 740)
- Experience adjustments	10 760	(6 763)
Actuarial gains and losses recognised in other comprehensive income	181 527	120 474

The actuarial gains and losses include, among others: (i) the positive amount of Euro 13,612 thousands resulting from the change in the contributions to SAMS, (ii) the negative amount of Euro 102,199 thousands resulting from the change in the discount rate and (iii) the positive amount of Euro 38,293 thousands of the combined effect of the changes in the growth rates of salaries, pensions and revaluation of salaries for the purpose of determining Social Security pension.

The costs with pensions, health-care benefits and death subsidies are analysed as follows:

(Thousands of Euro)

	'16	'15
Current service cost	4 193	9 763
Net interest costs/(Income) in the liabilities coverage balance	427	2 252
Costs with early retirement and mutually agreed terminations	23 304	680
Change of the retirement age	(39 344)	-
Costs for the year	(11 420)	12 695

As at 31 December 2016 and 2015, the evolution of net (assets)/ liabilities in the balance sheet is analysed as follows:

(Thousands of Euro)

	'16	'15
In the beginning of the year	(15 509)	(90 056)
CEMG's contribution	50 000	64 739
Current service cost	(4 193)	(9 763)
Net interest costs/(income) in the liabilities coverage balance	(427)	(2 252)
Change of the retirement age	39 344	-
Actuarial (gains) / losses related to the liability	(50 940)	23 895
Financial (gains) / losses related to the pension fund	(10 113)	(1 392)
Early retirement, mutually agreed terminations and others	(23 304)	(680)
In the end of the year	(15 142)	(15 509)

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:

(Thousands of Euro)

	'16		'15	
	Liabilities		Liabilities	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% change)	(35 485)	35 632	(26 461)	27 459
Wage growth rate (0.25% change)	22 497	(20 272)	16 776	(15 622)
Pension growth rate (0.25% change)	22 200	(20 594)	16 555	(15 871)
SAMS contribution (0.25% change)	3 143	(3 041)	2 344	(2 344)
Future death (1 year change)	(18 162)	17 784	(17 370)	17 195

As at 31 December 2016 and 2015, liabilities with the seniority premium amounted to Euro 6,911 thousands and Euro 14,219 thousands, respectively

The cost associated with the seniority award, for 2016 and 2015, amounted to Euro 1,612 thousands and Euro 721 thousands, respectively. Following the revision of the ACT applicable to CEMG, there was a profit of Euro 7,422 thousands in the year 2016, related to the extinction of this benefit.

The cost associated with the defined contribution plan amounted to Euro 46 thousands (2015: Euro 52 thousands).

48 Related parties transactions

As defined in IAS 24, are considered related parties of CEMG the companies detailed in note 55, 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.

CEMG's first-line directors are considered in Other key management personnel.

On this basis, the list of related parties considered by CEMG is presented as follows:

Holder of the institutional capital
Montepio Geral Associação Mutualista

Executive Board of Directors
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

General and Supervisory Board
Álvaro João Duarte Pinto Correia
Acácio Jaime Liberato Mota Piloto
António Fernando Menezes Rodrigues
Eugénio Óscar Garcia Rosa
Francisco José Fonseca da Silva
José António de Arez Romão
Luís Eduardo Henriques Guimarães
Rui Pedro Brás Matos Heitor
Vitor Manuel do Carmo Martins

Other related parties' Board of Directors
Alberto Carlos Nogueira Fernandes da Silva
Aldina Antónia da Costa Romaneiro
Amândio Manuel Carrilho Coelho
Ana Lúcia Louro Palhares
António Francisco de Araújo Pontes
António Paulo da Silva Gonçalves Raimundo
António Sezões Almeida Porto
António Tomás Correia
Artur Luís Martins
Bernard J. Christiaanse
Carlos Morais Beato
Eduardo José da Silva Farinha
Fernando Dias Nogueira
Fernando Paulo Pereira Magalhães
Fernando Ribeiro Mendes

Other related parties' Board of Directors (cont.)
Fernão Vasco de Almeida Bezerra Fernandes Thomaz
Francisco António Laranjeira Souto
Isabel Maria Loureiro Alves Brito
João Filipe Milhinhos Roque
Joaquim de Campos Afonso
Joaquim Manuel Marques Cardoso
Johannes Hendricus de Roo
Jorge Humberto Cruz Barros Jesus Luís
Jorge Manuel Santos Oliveira
Jorge Rafael Torres Gutierrez de Lima
José António Fonseca Gonçalves
José de Almeida Serra
José Joaquim Fragoso
José Luís Esparteiro da Silva Leitão
José Manuel Rodriguez Garcia
Luís Filipe dos Santos Costa
Luís Miguel Marques Ferreira Cardoso
Luís Soares dos Santos
Manuel Aranda da Silva
Manuel de Pinho Baptista
Margarida Maria Pinto Rodrigues Duarte
Maria Manuela Traquina Rodrigues
Mário José Brandão Ferreira
Mário José Matos Valadas
Miguel Alexandre Teixeira Coelho
Norberto da Cunha Junqueira F. Félix Pilar
Nuno Henrique Serra Mendes
Paula Alexandra Gonçalves de Oliveira Guimarães
Pedro António Castro Nunes Coelho
Pedro Jorge Gouveia Alves
Pedro Miguel de Almeida Alves Ribeiro
Pedro Miguel Moura Líbano Monteiro
Ricardo Canhoto de Carvalho
Rosa Maria Parra Sevilla
Tereza de Jesus Teixeira Barbosa Amado
Virgílio Manuel Boavista Lima
Vitor Guilherme de Matos Filipe

Other key management elements

Alexandra M. Quirino. P. Silva
Alexandra Melo Ponciano
Ana Catarina Mendes Horta
Ana Maria G. Almeida
António Fernando Figueiredo Lopes
António José M. L. Coutinho
Fernando Jorge Lopes Centeno Amaro
Fernando M. S. Costa Alexandre
Gabriel Fernando Sá Torres
João Eduardo Dias Fernandes
José Carlos Sequeira Mateus
Luís Miguel O. Melo Correia
Luísa Maria Xavier Machado

Other key management elements (cont.)

Maria Carmo M. V. Calvão
Maria Fernanda M. C. Correia
Maria Margarida C. P. R. R. Andrade
Nuno Augusto Pereira Coelho
Patrícia E. C. E. Fernandes
Paulo Jorge A. Rodrigues
Pedro Jorge Fonte Araújo
Pedro Miguel R. Crespo
Pedro Nuno Coelho Pires
Rui Sérgio C. S. C. Gama
Rosária Fátima M. Abreu
Vasco Francisco Almeida
Vítor Fernando Santos Cunha

Other related parties’

Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, S.A.
Banco Terra, S.A.
Bem Comum, Sociedade de Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto
Clínica CUF 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.
Fundação Montepio Geral
Fundo de 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.
Leacock Prestação de Serviços, Limitada
Lestinvest, S.G.P.S., S.A. *
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Moçambique Companhia de Seguros, S.A.R.L.
Montepio - Capital de Risco, SCR, S.A. *
Montepio Arrendamento - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional
Montepio Arrendamento II - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional
Montepio Arrendamento III - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional
Montepio Crédito - Instituição Financeira de Crédito, S.A.
Montepio Gestão de Activos - S.G.F.I., S.A.
Montepio Gestão de Activos Imobiliários, A.C.E.
Montepio Holding, S.G.P.S., S.A.
Montepio Imóveis - Sociedade Imobiliária de Serviços Auxilares, S.A.
Montepio Investimento, S.A.
Montepio Recuperação de Crédito, A.C.E. *
Montepio Seguros, S.G.P.S., 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.
Nebra Renovables, S.L.
Nova Câmbio - Instituição de Pagamento, S.A.
Pelican Mortgages I P Limited Company
Polaris - Fundo de Investimento Imobiliário Fechado
Portugal Estates Fund - Fundo de Investimento Imobiliário Fechado
Residências Montepio, Serviços de Saúde, S.A.
SAGIES - Segurança e Higiene no Trabalho, S.A.
Semelhanças e Coincidências, S.A.
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.
Sociedade Portuguesa de Administrações, S.A.
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis S.A.
Valor Prime - Fundo de Investimento Imobiliário Aberto

* Entity settled in 2016.

As at 31 December 2016, 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 (Gross), Available-for-sale financial assets, Other Assets, Guarantees and commitments provided to third parties, are presented as follows:

(Thousands of Euro)

	'16							
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	Available for trading financial assets	Other assets	Guarantees and commitments provided to third parties	Total
Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, S.A.	-	1 702	-	-	-	10	-	1 712
Bolsimo - Gestão de Activos, S.A.	-	-	1	-	-	-	-	1
Clínica de Serviços Médicos Computorizados de Belém, S.A.	-	-	13	-	-	-	-	13
Conselho de Administração de Outras Partes Relacionadas	-	-	1 181	-	-	-	-	1 181
Conselho de Administração Executivo	-	-	145	-	-	-	-	145
Conselho Geral e de Supervisão	-	-	859	-	-	-	-	859
Finibanco Angola, S.A.	10 343	22 842	-	-	-	46	4 357	37 588
Germont - Empreendimentos Imobiliários, S.A.	-	-	16 323	-	-	-	2 731	19 054
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	2 449	-	-	-	1 050	3 499
Lusitania Vida, Companhia de Seguros, S.A.	-	-	1	-	-	-	-	1
Lusitania, Companhia de Seguros, S.A.	-	-	-	-	-	-	1 500	1 500
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	103 053	209 080	1 846	99	557	79 089	393 724
Montepio Geral Associação Mutualista	-	-	11	-	-	36 834	177	37 022
Montepio Gestão de Activos Imobiliários, ACE	-	-	-	-	-	-	-	-
Montepio Holding, S.G.P.S., S.A.	-	-	152 905	-	-	69	-	152 974
Montepio Imóveis - Soc Imobiliária de Serviços Auxilares, S.A.	-	-	13 452	-	-	-	-	13 452
Montepio Investimento, S.A.	-	75 166	-	-	-	383	181	75 730
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.	-	-	-	-	-	114	-	114
Nova Câmbio - Instituição de Pagamento, S.A.	-	-	1	-	-	-	1 000	1 001
Outros Elementos chave de Gestão	-	-	3 489	-	-	-	-	3 489
PEF - Fundo de Investimento Imobiliário Fechado	-	-	110	-	-	-	90	200
Polaris-Fundo de Investimento Imobiliário Fechado	-	-	6 002	-	-	2	-	6 004
Residências Montepio, Serviços de Saúde, S.A.	-	-	312	-	-	-	-	312
Valor Prime - Fundo de Investimento Imobiliário Aberto	-	-	35 016	-	-	109	5 000	40 125
	10 343	202 763	441 350	1 846	99	38 124	95 175	789 700

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 (Gross), Available-for-sale financial assets, Other Assets, Guarantees and commitments provided to third parties, are analysed as follows:

(Thousands of Euro)

	'15						
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.	-	3 701	-	-	-	-	3 701
Clínica de Serviços Médicos Computorizados de Belém, S.A.	-	-	21	-	-	-	21
Conselho de Administração Executivo actual	-	-	154	-	-	-	154
Conselho de Administração Executivo anterior	-	-	227	-	-	-	227
Conselho Geral e de Supervisão actual	-	-	839	-	-	-	839
Conselho Geral e de Supervisão anterior	-	-	359	-	-	-	359
Elementos dos Conselhos de Administração de Outras partes relacionadas	-	-	364	-	-	-	364
Finibanco Angola, S.A.	6 960	22 045	-	-	505	5 461	34 971
Valor Prime - 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
Outros elementos chave de gestão	-	-	3 796	-	-	8	3 804
Polaris - Fundo de Investimento Imobiliário Fechado	-	-	5 710	-	1	-	5 711
Portugal Estates Fund - Fundo de Investimento Imobiliário Fechado	-	-	99	-	-	-	99
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 2016, CEMG's liabilities with related parties, included in the balances Participation Fund, Deposits from other financial institutions, Deposits from customers, Liabilities represented by securities and Other subordinated debt and Other liabilities, are analysed as follows:

(Thousands of Euro)

	'16					
Companies	Participation Fund	Deposits from other financial institutions	Deposits from customers	Liabilities represented by securities and Other subordinated debt	Other liabilities	Total
Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, S.A.	-	233 764	-	-	-	233 764
Banco Terra, S.A.	-	1 479	-	-	-	1 479
Bolsimo - Gestão de Activos, S.A.	-	-	5 883	-	-	5 883
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto	-	-	14 180	-	-	14 180
Clínica CUF Belém, S.A.	-	-	13	-	-	13
Clínica de Serviços Médicos Computorizados de Belém, S.A.	-	-	9	-	-	9
Conselho de Administração de Outras Partes Relacionadas	69	-	3 034	130	-	3 233
Conselho de Administração Executivo	45	-	1 528	-	-	1 573
Conselho Geral e de Supervisão	55	-	1 906	-	-	1 961
Empresa Gestora de Imóveis da Rua do Prior S.A	-	-	5	-	-	5
Finibanco Angola, S.A.	-	46 900	-	-	-	46 900
Finibanco Vida - Companhia de Seguros de Vida, S.A.	-	-	2 227	1 000	-	3 227
Fundação Montepio Geral	-	-	982	-	-	982
Fundo de Pensões - Montepio Geral	2 998	-	74 578	50	-	77 626
Futuro - Sociedade Gestora de Fundos de Pensões, S.A.	-	-	1 574	-	-	1 574
Germont - Empreendimentos Imobiliários, S.A.	-	-	62	-	-	62
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	-	-	73	-	-	73
Lusitania Vida, Companhia de Seguros, S.A.	-	-	15 399	21 250	-	36 649
Lusitania, Companhia de Seguros, S.A.	499	-	13 394	13 000	-	26 893
Montepio Arrendamento - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	-	29 091	-	-	29 091
Montepio Arrendamento II - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	-	29 365	-	-	29 365
Montepio Arrendamento III - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	-	16 567	-	-	16 567
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	-	1 560	-	305	1 865
Montepio Geral Associação Mutualista	284 113	-	253 604	994 714	-	1 532 431
Montepio Gestão de Activos - Soc Gestora Fundos de Investimento, S.A.	-	-	1 290	-	-	1 290
Montepio Gestão de Activos Imobiliários, ACE	-	-	2 168	-	-	2 168
Montepio Holding, S.G.P.S., S.A.	-	-	24 580	874	-	25 454
Montepio Imóveis - Sociedade Imobiliária de Serviços Auxilares, S.A.	-	-	-	-	-	-
Montepio Investimento, S.A.	81	46 789	-	-	259	47 129
Montepio Seguros, S.G.P.S., S.A.	-	-	159	-	-	159
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.	-	-	4 783	-	-	4 783

(Thousands of Euro)

Companies	'16 Participation Fund	Deposits from other financial institutions	Deposits from customers	Liabilities represented by securities and Other subordinated debt	Other liabilities	Total
N Seguros, S.A.	220	-	1 073	-	-	1 293
Nova Câmbio - Instituição de Pagamento, S.A.	302	-	462	-	-	764
Outros Elementos chave de Gestão	36	-	1 299	20	-	1 355
PEF - Fundo de Investimento Imobiliário Fechado	-	-	7	-	-	7
Polaris-Fundo de Investimento Imobiliário Fechado	-	-	20	-	-	20
Residências Montepio, Serviços de Saúde, S.A.	-	-	87	-	-	87
SAGIES - Segurança e Higiene no Trabalho, S.A.	-	-	81	-	-	81
Semelhanças e Coincidências, S.A.	-	-	15	-	-	15
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	-	2 092	-	-	2 092
Sociedade Portuguesa de Administrações, S.A.	-	-	146	-	-	146
Ssagincentive - Sociedade de Serviços Auxiliares e Gestão de Imóveis, S.A.	-	-	2 471	-	-	2 471
Valor Prime - Fundo de Investimento Imobiliário Aberto	-	-	2 068	-	17	2 085
	288 418	328 932	507 835	1 031 038	581	2 156 804

As at 31 December 2015, CEMG's liabilities with related parties, included in the balances Participation Fund, Deposits from other financial institutions, Deposits from customers, Liabilities represented by securities and Other subordinated debt and Other liabilities, are analysed as follows:

(Thousands of Euro)

Companies	'15 Participation Fund	Deposits from other financial institutions	Deposits from customers	Liabilities represented by securities and Other subordinated debt	Other liabilities	Total
Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, S.A.	-	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
Conselho de Administração Executivo actual	-	-	2 320	45	-	2 365
Conselho de Administração Executivo anterior	-	-	155	-	-	155
Conselho Geral e de Supervisão actual	-	-	1 749	-	-	1 749
Conselho Geral e de Supervisão anterior	-	-	2 018	5	-	2 023
Elementos dos Conselhos de Administração de Outras partes relacionadas	-	-	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
Valor Prime - Fundo de investimento Imobiliário Aberto	-	-	1 872	-	88	1 960

(Thousands of Euro)

Companies	'15 Participation Fund	Deposits from other financial institutions	Deposits from customers	Liabilities represented by securities and Other subordinated debt	Other liabilities	Total
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 II - 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	1 321 887	-	1 697 202
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
Outros elementos chave de gestão	-	-	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, S.A.	-	-	1 634	-	-	1 634
Sociedade Portuguesa de Administrações, S.A.	-	-	282	-	-	282
	238 842	482 910	336 342	1 372 704	5 131	2 435 929

As at 31 December 2016, 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:

(Thousands of Euro)

Companies	'16 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.	18	7 113	1	274	-
Bolsimo - Gestão de Ativos, S.A.	-	-	1	-	-
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	-	-	-	-	-
Clínica de Serviços Médicos Computorizados de Belém, S.A.	1	-	-	-	-
Conselho de Administração de Outras Partes Relacionadas	2	27	2	1	-
Conselho de Administração Executivo	-	10	1	-	-
Conselho Geral e de Supervisão	9	20	1	-	-
Finibanco Angola, S.A.	-	86	-	280	-
Finibanco Vida - Companhia de Seguros de Vida, S.A.	-	62	46	-	-
Fundo de Capital de Risco Montepio Crescimento	-	-	-	-	-
Fundo de Pensões - Montepio Geral	-	41	-	-	-
Futuro - Sociedade Gestora de Fundos de Pensões, S.A.	-	19	5	-	-
Germont - Empreendimentos Imobiliários, S.A.	378	-	-	-	-
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	195	-	1	-	-
Lestinvest, S.G.P.S., S.A.	-	-	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	-	385	7 798	-	-
Lusitania, Companhia de Seguros, S.A.	11	198	4 910	6	-
Montepio Arrendamento - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	43	178	-	-
Montepio Arrendamento II - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	41	161	-	-
Montepio Arrendamento III - Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional	-	12	198	-	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	7 150	-	5	2 864	-
Montepio Geral Associação Mutualista	-	55 578	1 455	15 785	5 555
Montepio Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.	-	4	5	-	-
Montepio Gestão de Activos Imobiliários, ACE	-	-	-	2 864	-
Montepio Holding, S.G.P.S., S.A.	2 341	287	-	-	1 283
Montepio Imóveis - Sociedade Imobiliária de Serviços Auxilares, S.A.	175	-	1	-	-
Montepio Investimento, S.A.	591	44	21	443	-
Montepio Recuperação de Crédito, ACE	-	-	-	3 488	3 413
Montepio Seguros, S.G.P.S., S.A.	-	-	37	-	-
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.	-	12	812	832	-
N Seguros, S.A.	-	7	10	-	-
Nova Câmbio - Instituição de Pagamento, S.A.	41	-	35	-	-
Outros Elementos chave de Gestão	12	10	2	-	-
PEF - Fundo de Investimento Imobiliário Fechado	6	-	12	-	-
Polaris-Fundo de Investimento Imobiliário Fechado	184	-	3	-	-
Residências Montepio, Serviços de Saúde, S.A.	22	-	30	24	-
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.	-	15	-	-	-
Valor Prime - Fundo de Investimento Imobiliário Aberto	1 067	2	187	-	814
	12 203	64 016	15 918	26 861	11 065

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:

(Thousands of Euro)

Companies	'15 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.	38	20 114	1	264	-
Conselho de Administração de Outras Partes Relacionadas	2	11	2	-	-
Carteira Imobiliária - Fundo Especial Inv. Imobiliário Aberto	-	1	15	-	-
Clíniica CUF de Belém, S.A.	-	-	2	-	-
Clínica de Serviços Médicos Computorizados de Belém, S.A.	1	-	-	-	-
Conselho de Administração Executivo anterior	-	4	-	-	-
Conselho de Administração Executivo atual	-	19	-	-	-
Conselho Geral e de Supervisão atual	13	46	1	-	-
Conselho Geral e de Supervisão anterior	4	13	-	-	-
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 Vida, S.A.	-	74	29	-	-
Valor Prime - 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	-	-	-	-
Iberpartners, Cafés S.G.P.S., S.A.	-	-	-	-	-
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 - F.I.I.F. Para Arrendamento Habitacional	-	68	218	-	-
Montepio Arrendamento II - F.I.I.F. Para Arrendamento Habitacional	-	887	470	-	-
Montepio Arrendamento III - F.I.I.F. Para Arrendamento Habitacional	-	769	484	-	-
Montepio Crédito - I.F.I.C., S.A.	3 857	-	6	102	828
Montepio Crescimento Fundo 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 Activos 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 Mediação - Sociedade Mediadora de Seguros, S.A.	-	-	-	-	-
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	-
Outros Elementos chave de Gestão	14	34	2	-	-
Polaris - Fundo Inv. Imob. Fech. Subsc. Partic.	233	-	3	-	-
Portugal Estates Fund (PEF) - F U N I I F S P	3	-	12	-	-
Residências Montepio, Serviços de Saúde, S.A.	21	-	37	30	-
SILVIP - Soc. Gestora Fundos Investimento Imobiliarios, S.A.	-	16	-	-	-
	14 423	99 318	11 800	47 839	29 800

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 10.

Related parties relevant transactions
During 2016, and as described in note 57, the following relevant transactions were carried out with other related parties:

- Acquisition of properties for Montepio Geral Associação Mutualista's own use, for the total amount of Euro 199,444 thousands, as described in note 28;
- Acquisition of subordinated and perpetual debt securities, in the total amount of Euro 45,191 thousands to Montepio Geral Associação Mutualista; and
- Acquisition of 2,868,092 Units of the Prime Participation Fund, amounting to Euro 24,738 thousands to Montepio Geral Associação Mutualista.

During 2016 and 2015, there were no transactions with the pension's fund of CEMG.

49 Securitization transactions

As at 31 December 2016, there are eight securitization transactions, seven 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 (business acquisitions) 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 653,250 thousands. 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 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 762,375 thousands. 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 1,028,600 thousands. 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. (to the date, Finibanco S.A.) had settled a mortgage credit portfolio to «Tagus - Sociedade de Titularização de Créditos, S.A.» in the amount of Euro 236,500 thousands (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 1,027,500 thousands. 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 1,107,000 thousands. The transfer price by which the loans were transferred was their nominal value, including the initial selling costs which represented 0.1083% of the Asset Backed Notes.

As at 7 May 2014, Caixa Económica Montepio Geral 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 fixed limit (Aggregate Principal Amount Outstanding) of Euro 308,700 thousands. The sale was made at their nominal value, including the initial selling costs which represented 0.1871% of 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 fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,124,300 thousands. 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) 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).

As at 31 December 2016, the securitization operations executed by CEMG are presented as follows:

(Thousands of Euro)

				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	48 553	653 250	-
Pelican Mortgages No. 3	March 2007	euro	Mortgage credit	762 375	250 542	762 375	121 955
Pelican Mortgages No. 4	May 2008	euro	Mortgage credit	1 028 600	669 799	1 028 600	-
Aqua Mortgage No. 1	December 2008	euro	Mortgage credit	236 500	133 455	236 500	-
Pelican Mortgages No. 5	March 2009	euro	Mortgage credit	1 027 500	668 633	1 027 500	-
Pelican Mortgages No. 6	February 2012	euro	Mortgage credit	1 107 000	873 879	1 107 000	-
Pelican Finance No. 1	May 2014	euro	Consumer credit	185 300	174 107	185 300	-
Pelican SME No. 2	March 2015	euro	Small companies	1 124 300	1 026 425	1 124 300	416 200
				6 124 825	3 845 393	6 124 825	538 155

Additionally, the detail of securitized loans not derecognised by securitization operation and nature of the contracts at 31 December 2016 is presented as follows:

(Thousands of Euro)

	Not derecognised securitisation transactions							
	Pelican Mortgage n.° 3	Pelican Mortgage n.° 4	Aqua Mortgage n.° 1	Pelican Mortgage n.° 5	Pelican Mortgage n.° 6	Pelican Finance n.° 1	Pelican SME n.° 2	Total
Domestic credit								
Corporate								
Loans and advances	-	-	-	-	-	-	735 889	735 889
Pledged current account	-	-	-	-	-	-	139 310	139 310
Other credits	-	-	-	-	-	-	62 466	62 466
Private								
Mortgage	249 498	666 603	129 452	665 858	864 865	-	-	2 576 276
Consumer and other credits	-	-	-	-	-	172 675	73 863	246 538
	249 498	666 603	129 452	665 858	864 865	172 675	1 011 528	3 760 479
Credit and overdue interest								
Less than 90 days	155	697	553	630	1 745	217	680	4 677
More than 90 days	889	2 499	3 450	2 145	7 269	1 215	14 217	31 684
	1 044	3 196	4 003	2 775	9 014	1 432	14 897	36 361
	250 542	669 799	133 455	668 633	873 879	174 107	1 026 425	3 796 840

In December 2016, CEMG settled Pelican Mortgages no. 2, through the exercise of the existing Call Option.

As at 31 December 2015, the securitization operations executed by CEMG are presented as follows:

(Thousands of Euro)

				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	-
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	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	185 300	172 643	185 300	-
Pelican SME No. 2	March, 2015	euro	Small companies	1 124 300	1 020 353	1 124 300	184 555
				6 830 425	4 134 979	6 830 425	323 037

Additionally, the detail of securitized loans not derecognised by securitization operation and nature of the contracts at 31 December 2015 is presented as follows::

(Thousands of Euro)

	Not derecognised securitisation transactions							
	Pelican Mortgage n.° 3	Pelican Mortgage n.° 4	Aqua Mortgage n.° 1	Pelican Mortgage n.° 5	Pelican Mortgage n.° 6	Pelican Finance n.° 1	Pelican SME n.° 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	149 604	714 842	908 047	-	-	2 758 232
Consumer and other credits	-	-		-	-	171 947	83 350	255 297
	274 602	711 137	149 604	714 842	908 047	171 955	1 013 720	3 943 907
Credit and overdue interest								
Less than 90 days	28	368	381	256	1 248	142	1 335	3 758
More than 90 days	1 011	2 871	3 309	1 940	5 520	546	5 298	20 495
	1 039	3 239	3 690	2 196	6 768	688	6 633	24 253
	275 641	714 376	153 294	717 038	914 815	172 643	1 020 353	3 968 160

As at 31 December 2016, the notes issued by the special purpose vehicles, are analysed as follows:

(Thousands of Euro)

						Rating (initial)				Rating (current)			
Issue	Bond issued	Issue amount Euros	Current amount Euros	ICEMG's interest retention (nominal value) Euros	Maturity date	Fitch	Moodys	S&P	DBRS	Fitch	Moodys	S&P	DBRS
Pelican Mortgages No 1	Class A	611 000 000	5 327 017	2 184 600	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 3	Class A	717 375 000	236 777 846	114 821 933	2054	AAA	Aaa	AAA	n.a.	BBB-	A3	BB+	n.a.
	Class B	14 250 000	6 113 269	6 113 250	2054	AA-	Aa2	AA-	n.a.	BBB-	Ba2	B-	n.a.
	Class C	12 000 000	5 148 016	5 148 000	2054	A	A3	A	n.a.	BB	B2	B-	n.a.
	Class D	6 375 000	2 734 883	2 734 875	2054	BBB	Baa3	BBB	n.a.	B	Caa1	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	527 322 161	527 322 161	2056	AAA	n.a.	n.a.	AAA	A+	n.a.	n.a.	A (h)
	Class B	55 500 000	46 680 533	46 680 533	2056	AA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	n.a.
	Class C	60 000 000	50 465 441	50 465 441	2056	A-	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class D	25 000 000	21 027 267	21 027 267	2056	BBB	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Class E	27 500 000	23 129 994	23 129 994	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	461 406 237	461 406 237	2061	AAA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	AA (h)
	Class B	195 000 000	161 601 606	161 601 606	2061	BBB-	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	27 500 000	22 789 970	22 789 970	2061	B	n.a.	n.a.	n.a.	BBB-	n.a.	n.a.	n.a.
	Class D	27 500 000	22 789 970	22 789 970	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	570 574 444	570 574 444	2063	A	n.a.	A-	AA	A+	n.a.	A-	AA (h)
	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	96 484 665	96 484 665	2063	n.a.	n.a.	AAA	n.a.	n.a.	n.a.	A+	AA (h)
	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	129 700 000	2043	A+	n.a.	n.a.	A (lo)	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 2016, the notes issued by the special purpose vehicles, are analysed as follows:

(Thousands of Euro)

						Rating (initial)				Rating (current)			
Issue	Bond issued	Issue amount Euros	Current amount Euros	ICEMG's interest retention (nominal value) Euros	Maturity date	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.	AA (h)
	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+	AA (h)
	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 (lo)	A+	n.a.	n.a.	A (lo)
	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.

50 Risk management

Risk general profile

Risk appetite is based on certain principles - namely consistency, sustainability and profitability - and is defined in terms of the strategic plan and the intended market positioning. CEMG analyzes the risks it faces in its activities and identifies those that are materially relevant. For these, objectives are set according to the desired level of return and strategy, tolerance levels, that is, ranges of risk variation that can lead to discussions and decisions about corrective measures, and limits that are exceeded can lead to immediate corrective measures.

The main concern of the Executive Board of Directors in determining risk appetite is its compliane/alignment with other organizational components (business strategy and global vectors of risk strategy). In addition, the Executive Board of Directors seeks to ensure that risk appetite is well understood across the entire organization, especially the business units responsible for decision making, which may affect risk exposure and its monitoring.

The Executive Board of Directors determines the maintenance of sound balance sheet ratios, through a strong capital position and a stable and secure liquidity profile, which allow for stressful situations. The Executive Board of Directors seeks to ensure sufficient capital to meet regulatory requirements to cover potential losses, with an optimized balance sheet structure that maintains stable financing capacity and strong liquidity reserves, ensuring the continuity of its operations and the protection of its depositors and holders of non-subordinated debt.

Particularly, CEMG has clear objectives, determined in its strategic plan, for capital ratios, ratio of transformation of deposits into credit and liquidity and financing ratios, in addition to a feasible and sustainable business model aligned with risk appetite.

Strategies and Processes

CEMG is subject to several risks during the course of its 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.

CEMG's overall risk management is the responsibility of the Executive Board of Directors, which defines the tolerance levels and maximum risk limits that it is willing to assume globally, for each specific risk considered materially relevant, in accordance with the defined strategic objectives and business plans. This policy is reviewed regularly on the basis of the results obtained and the levels defined for indicators and risk limits.

Control and efficient risk management have played a key role in CEMG's balanced and sustained development. In addition, it contributes to the optimization of the profitability / risk binomial of the various lines of business, they also ensure the maintenance of a conservative risk profile in solvency and liquidity.

Risk management has maintained the following main objectives:

- Identification, quantification and control of the different types of risk assumed, progressively adopting uniform principles and methodologies;
- Continuous contribution to the improvement of tools to support operation decisions and the development of internal techniques for performance evaluation and optimization of the capital base;
- Follow-up of activities and strategies, participating in the design of organizational solutions and in the assumed risk monitoring and reporting.

Structure and 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.

Regarding internal supervision, the General and Supervisory Board, whose members are elected at the General Meeting of CEMG, which also appoints the President, appoints the Financial Matters Committee, whose independent functions include the supervision of the effectiveness on internal auditing systems and procedures, internal control, risk control and accounting.

There are also three Committees to Support the General and Supervisory Board. The Remuneration Committee is composed of three members elected at the General Assembly, who also appoints the President. The members of the Remuneration Committee shall be independent of the members of the Executive Board of Directors of CEMG and, in general, of the matters on which they deliberate and include at least one member with knowledge and experience in remuneration policy. It is the responsibility of the Remuneration Committee to exercise the functions defined in the Law, in compliance with the remuneration policy approved at the General Meeting. The Evaluation Committee is composed by three independent members with competence to perform the functions in question, elected at a General Meeting, which also appoints the President. It is the Evaluation Committee's responsibility to perform the functions related to the internal policy of selecting and evaluating the members of the bodies. The Risks Committee is composed by three members of the General and Supervisory Board elected for this function in the General Meeting, which also appoints the President. The Risks Committee shall apply the functions defined in the Law.

In addition, Support Committees to the Executive Board of Directors were constituted, which are dependent structures of the Executive Board of Directors, being as forums for discussion and support decision-making, through the formulation of proposals and recommendations to the Executive Board of Directors, 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 Executive Board of Directors, 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 Executive Board of Directors 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 Executive Board of Directors 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, as well as for the analysis of policies, methodologies, models and limits for the quantification of risks relevant to CEMG's activity and the adequacy of government models, processes and procedures, methodologies and systems for identification, quantification, monitoring and reporting of risks, and these are formulated or issued recommendations to the Executive Board of Directors, 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. In addition, CEMG is part of the Future Investment Committee, which makes management decisions on the Montepio Pension Fund.

The Real Estate Risk Committee monitors the management of property risk by elaborate proposals or issuing recommendations to the Executive Board of Directors in order to promote an optimized management of property risk in line with the defined objectives.

Regarding efficiency and effectiveness, the Credit Recovery Committee monitors the performance of the credit recovery process, preparing proposals or issuing recommendations for approval by the Executive Board of Directors with the purpose to increase the performance and increase of the credit recovery measures / plans.

The Department of Risk is responsible for supporting the Executive Board of Directors in making decisions related to the management of different types of inherent risk to the business, within the Group, and is the responsible body for the risk management function.

This department ensures the analysis and management of the risk, providing advice to the Executive Board of Directors, 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 the Executive Board of Directors.

This department also ensures the accomplishment of several prudential reports to the supervision authority, namely the domain of their own funds requirements, major risk control, 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 and to the Supervisory Body.

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 as a part od the internal control system assynes the main responsability 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 practices.

The compliance risk is mitigated encouraging a culture of compliance and 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, through an independent intervention, permanent and effective, to define the procedures and mechanisms of compliance control, and respective monitoring.

In the performed activities, the aspects that contribute to the characterization of compliance risk are identified and evaluated, with a special focus on the institutional processes, associated with products and services, information duties towards clients and, in general, providing specialized support in matters of control and compliance.

It is the responsibility of the compliance function to prepare and submit to the Management and Supervisory Bodies a report, at least on an annual basis, identifying any non-compliance and the respective recommendations for the purpose of correcting identified nonconformities or weaknesses.

The compliance function, which has been assigned to the Department of Compliance, has been carried out with the objective of reinforcing and implementing the strategic guidelines regarding the improvement of management and the internal control system.

CEMG is exposed to a number of risks, including credit, concentration, market, interest rate, liquidity, real estate, pension fund and operating risks. 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. All risks identified as materials are subject to regular monitoring and mitigation in order to reduce potential losses to the institution. The monitoring of these risks is centralized in the Department of Risk, which informs the Executive Board of its evolution and proposes action measures when necessary.

Risk evaluation

Credit Risk

Credit risk is associated with the uncertainty of expected returns due to the inability of both the lessee (and his guarantor, if any), or the issuer of a security or counterparty to comply with its obligations.

The fundamental principle of credit risk analysis is independence towards business decisions. In this analysis instruments are used and rules defined according to the materiality of the exposures, familiarity with the types of risk involved (eg the modeling capacity of such risks) and the liquidity of the instruments.

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.

Regarding the analysis methodologies, within the credit risk, the credit risk techniques and models are based on econometric modeling, based on the institution's experience in granting various types of credit facilities and, where possible, recovery.

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) and behavioral models for a significant part of the portfolio.

In corporate credit internal rating, models are used to medium and large companies, while for customers "Empresários em nome individual" (ENI's) and small companies is applied the scoring model business.

Regardless of the typology of the applicable model, any proposal, contract or credit customer is classified into a single risk scale class, in ascending order of Probability of Default, and this scale composed of 19 classes, of which the first 15 correspond to performing risk classes, classes 16 to 18 to credit incidents and 19th to non-compliance.

The pricing of the active operations reflects the expected loss, as well as the capital borrowed cost and equity and the administrative costs. In quantifying the expected loss, the marginal probabilities of default for the term of the operation, associated with the internal risk classes and the loss severity, quantified through market estimates, are considered, taking into account the types of credit and of collaterals. Pricing also reflects the business relationship with customers.

It is possible to exceed the response of scoring systems, internal ratings and internal price lists, only by higher decision levels, in accordance with principles of delegation of responsibilities set out. Rejection situations are defined in order to minimize the risk of adverse selection.

Intervention limits are also defined for the different decisions, by amount of operation and global customer exposure, type of operation / collateral and assigned risk class. In this context, the principle that higher hierarchical positions have to approve operations with lower adjusted ROE risk or higher exposures is highlighted. These limits are approved by the Executive Board of Directors, and the highest decision scale corresponds to the Executive Board of Directors. At intermediate stages, it is compulsory to intervene in a collegial system of at least two players, one belonging to the commercial network and the other to the Department of Credit Analysis (independent body of the commercial structure).

Risk analysis also involves regular internal reporting on key types of risk for the Executive Board of Directors and the business areas involved. Within credit risk, monthly internal reports are prepared, with the main risk indicators of credit portfolios and metrics on the use of rating / scoring models. In terms of preventive monitoring, an alert system is in place for the main indicators of credit risk tightening, as well as watchlist for monitoring the largest exposures of the credit portfolio to companies. A weekly exposure risk report is also prepared for counterparties.

CEMG's credit risk exposure can be analysed as follows:

(Thousands of Euro)

	'16	'15
Deposits with other credit institutions	71 039	50 617
Loans with credit institutions	729 040	522 731
Loans and advances to customers	13 799 711	14 165 460
Financial assets held for trading	70 991	26 462
Available-for-sale financial assets	1 798 734	2 518 498
Hedging derivatives	-	9
Held-to-maturity investments	1 126 125	26 130
Other assets	203 746	198 723
Guarantees granted	414 608	423 888
Documentary credits	27 402	24 832
Irrevocable commitments	561 996	681 632
Credit default swaps (notionals)	-	85 000
	18 803 392	18 723 982

The analysis of the risk exposure by sector of activity, for 2016, can be analysed as follows:

(Thousands of Euro)

Activity	'16							
	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	Impair-ment	Book value	Gross Amount	Impair-ment	Book value	Gross Amount	Impair-ment
Agriculture	157 258	12 802	-	-	-	-	1 331	15
Mining	15 129	963	-	-	-	-	996	72
Food, beverage and tobacco	233 135	19 940	-	2 181	-	-	2 483	95
Textiles	86 532	10 931	-	-	-	-	934	2
Shoes	43 935	4 147	-	-	-	-	245	-
Wood and cork	37 964	5 447	-	-	-	-	522	27
Printing and publishing	106 973	7 747	-	998	-	-	377	59
Petroleum refining	328	41	-	17 925	-	-	-	-
Chemicals and rubber	121 307	12 323	-	-	-	-	3 219	99
Non-metallic minerals	146 178	5 171	-	-	-	-	1 974	137
Basis metallurgic industries and metallic products	176 863	18 670	-	-	-	-	6 104	109
Production of machinery	39 732	2 817	-	-	-	-	1 532	95
Production of transport material	36 014	1 349	-	-	-	-	6 725	222
Other transforming industries	53 355	6 781	-	-	-	-	481	1
Electricity, gas and water	191 994	2 739	-	22 196	-	-	4 923	254
Construction	1 113 829	337 492	-	-	-	-	116 424	5 849
Wholesale and retail	1 200 093	158 191	-	7 996	-	-	68 486	2 765
Tourism	495 477	32 726	-	-	-	-	9 458	217
Transports	389 093	52 355	-	-	-	-	12 226	434
Communication and information activities	102 543	8 675	-	40 504	27 641	-	6 317	40
Financial activities	1 085 265	64 259	56 331	31 722	9 307	-	129 536	1 342
Real estate activities	710 581	129 881	-	-	-	-	19 505	1 076
Services provided to companies	638 365	51 462	-	-	-	-	33 566	275
Public services	133 645	4 773	14 660	1 689 202	-	1 126 125	517	11
Other activities of collective services	445 809	29 694	-	-	-	-	9 126	427
Mortgage loans	7 169 989	166 935	-	48 757	25 800	-	4 327	205
Other	19 585	2 949	-	-	-	-	676	23
	14 950 971	1 151 260	70 991	1 861 481	62 748	1 126 125	442 010	13 851

The analysis of the risk exposure by sector of activity, for 2015, can be analysed as follows:

(Thousands of Euro)

Activity	'15						
	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	Book value	Gross Amount	Impairment	Book value	Gross Amount
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
	15 384 770	1 421 824	26 462	6 429 171	62 905	26 130	448 720

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 31 December 2015, a long position of credit default swaps of Euro 80 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.

CEMG's total credit portfolio, including in addition to customer loans, guarantees and guarantees provided in the amount of Euro 442,010 thousands (31 December 2015: Euro 448,720 thousands) and irrevocable credit amounting to Euro 561,996 thousands (31 December 2015: Euro 681,632 thousands), broken down between impairment and non-impairment credit, is presented as follows:

(Thousands of Euro)

	'16	'15
Total Credit	15 954 977	16 515 122
Individually significant		
Gross amount	5 656 232	5 898 911
Impairment	(626 604)	(698 476)
Net value	5 029 628	5 200 435
Collective analysis		
Loans with signs of impairment		
Gross amount	1 883 406	1 982 872
Impairment	(526 578)	(505 760)
Net value	1 356 828	1 477 112
Loans with no signs of impairment	8 415 339	8 633 339
Impairment (IBNR)	(11 929)	(15 074)
Net value	14 789 866	15 295 812

As at 31 December 2016 and 2015, impairment determined according to the accounting policy described in note 1 b), is presented as follows:

(Thousands of Euro)

	'16						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loan amount	Impairment	Loan amount	Impairment	Loan amount	Impairment	Loan net of impairment
Corporate loans	5 576 364	612 949	2 581 766	359 427	8 158 130	972 376	7 185 754
Mortgage loans	23 398	1 381	7 070 226	94 047	7 093 624	95 428	6 998 196
Other loans	56 470	12 274	646 753	85 033	703 223	97 307	605 916
	5 656 232	626 604	10 298 745	538 507	15 954 977	1 165 111	14 789 866

(Thousands of Euro)

	'15						
	Impairment calculated on an individual basis		Impairment calculated on a portfolio basis		Total		
	Loan amount	Impairment	Loan amount	Impairment	Loan amount	Impairment	Loan net of impairment
Corporate loans	5 808 027	674 306	2 699 119	343 499	8 507 146	1 017 805	7 489 341
Mortgage loans	18 136	1 948	7 271 184	100 364	7 289 320	102 312	7 187 008
Other loans	72 748	22 222	645 908	76 971	718 656	99 193	619 463
	5 898 911	696 476	10 616 211	520 834	16 515 122	1 219 310	15 295 812

The analysis of the fair value of collaterals associated to CEMG's total portfolio:

(Thousands of Euro)

	'16	'15
Loans with impairment:		
Securities and other financial assets	225 069	255 336
Residential real estate - Mortgage loans	39 293	28 098
Real Estate - Construction and CRE	1 967 427	2 023 908
Other Real Estate	1 798 189	1 492 133
Other guarantees	424 533	357 590
	4 454 511	4 157 065
Parametric Analysis:		
Securities and other financial assets	24 294	23 958
Residential real estate - Mortgage loans	1 396 889	1 437 661
Real Estate - Construction and CRE	381 937	386 217
Other Real Estate	361 092	362 558
Other guarantees	7 553	7 395
	2 171 765	2 217 789
Loans with no impairment:		
Securities and other financial assets	293 549	305 287
Residential real estate - Mortgage loans	12 096 015	12 033 566
Real Estate - Construction and CRE	242 739	229 822
Other Real Estate	843 136	866 613
Other guarantees	31 756	33 767
	13 507 195	13 469 055
	20 133 471	19 843 909

CEMG's total credit portfolio, by segment and respective impairment, as of 31 December 2016 and 2015, is presented as follows:

(Thousands of Euro)

	Exposure 2016					Impairment 2016		
Segment	Default loans	Restructured	Restructured	Default loans	Restructured	Total impairment	Loans in compliance	Default loans
Corporate	5 899 071	5 087 888	156 378	811 183	234 570	471 135	67 770	403 365
Construction and CRE	2 259 059	1 226 120	117 423	1 032 939	487 465	501 241	27 305	473 936
Mortgage loans	7 093 624	6 702 804	147 082	390 820	135 547	95 428	7 078	88 350
Other	703 223	548 095	21 435	155 128	28 298	97 307	4 511	92 796
	15 954 977	13 564 907	442 318	2 390 070	885 880	1 165 111	106 664	1 058 447

(Thousands of Euro)

	Exposure 2015					Impairment 2015		
Segment	Default loans	Restructured	Restructured	Default loans	Restructured	Imparidade total	Loans in compliance	Default loans
Corporate	6 068 778	5 248 352	126 433	820 426	263 424	512 769	126 307	386 462
Construction and CRE	2 438 368	1 318 248	170 974	1 120 120	560 173	505 036	56 120	448 916
Mortgage loans	7 289 320	6 921 830	214 135	367 490	127 199	102 312	10 390	91 922
Other	718 656	553 592	27 478	165 064	26 504	99 193	3 862	95 331
	16 515 122	14 042 022	539 020	2 473 100	977 300	1 219 310	196 679	1 022 631

(Thousands of Euro)

		Total exposure 2016						Total impairment 2016			
		Loans in compliance			Default loans			Loans in compliance		Default loans	
Segment	Total exposure 2016	With no evidence	Delay (days) <30 With evidence	Sub-total	Delay (days) <= 90*	Delay (days) > 90 dias	Total impairment 2016	Delay (days) < 30	Delay (days) between 30 - 90	Delay (days) <= 90*	Delay (days) > 90 dias
Corporate	5 899 071	4 622 224	423 398	5 087 888	44 372	766 811	471 135	56 983	10 787	12 014	391 351
Construction and CRE	2 259 059	980 254	234 338	1 226 120	154 624	878 315	501 241	26 574	731	48 475	425 461
Mortgage loans	7 093 624	6 143 586	485 340	6 702 804	25 257	365 563	95 428	5 108	1 970	4 955	83 395
Other	703 223	443 750	95 610	548 095	5 333	149 795	97 307	3 717	794	1 516	91 280
	15 954 977	12 189 814	1 238 686	13 564 907	229 586	2 160 484	1 165 111	92 382	14 282	66 960	991 487

(Thousands of Euro)

		Total exposure 2015						Total impairment 2015			
		Loans in compliance			Default loans			Loans in compliance		Default loans	
Segment	Total exposure 2015	With no evidence	Delay (days) <30 With evidence	Sub-total	Delay (days) <= 90*	Delay (days) > 90 dias	Total impairment 2015	Delay (days) < 30	Delay (days) between 30 - 90	Delay (days) <= 90*	Delay (days) > 90 dias
Corporate	6 068 778	4 586 397	563 256	5 248 352	158 153	662 273	512 769	110 481	15 826	61 025	325 437
Construction and CRE	2 438 368	985 706	309 693	1 318 248	227 684	892 436	505 036	53 705	2 415	62 358	386 558
Mortgage loans	7 289 320	6 280 604	556 333	6 921 830	25 270	342 220	102 312	7 343	3 047	3 728	88 194
Other	718 656	435 845	106 855	553 592	5 917	159 147	99 193	2 854	1 008	1 471	93 860
	16 515 122	12 288 552	1 536 137	14 042 022	417 024	2 056 076	1 219 310	174 383	22 296	128 582	894 049

The credit portfolio, by segment and by production year, as of 31 December 2016, is presented as follows:

(Thousands of Euro)

	Corporate			Construction and CRE			Mortgage loans			Other		
Year of production	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2004 and previous years	1 894	106 619	23 154	1 596	267 687	117 270	60 191	2 224 424	31 069	41 261	35 282	8 342
2005	605	35 060	6 892	422	88 653	41 871	14 332	801 759	12 051	4 806	10 390	2 037
2006	816	79 387	8 799	532	122 949	40 855	17 161	975 038	16 512	6 808	28 536	4 020
2007	1 447	103 637	20 563	837	143 399	50 366	17 491	978 952	16 562	39 751	43 987	14 810
2008	5 779	106 024	26 303	1 458	113 358	30 181	9 070	508 238	8 185	53 617	42 237	8 564
2009	8 457	189 303	39 847	2 660	132 904	39 537	5 001	320 539	4 159	40 899	44 057	10 828
2010	7 541	287 787	69 336	1 646	108 321	35 288	5 189	361 691	3 493	19 424	43 647	13 894
2011	10 992	272 056	51 453	2 501	104 813	27 540	1 978	138 201	1 108	20 068	36 075	10 799
2012	7 469	297 498	47 795	1 594	84 740	23 380	1 327	92 811	971	11 407	30 643	7 292
2013	15 592	1 030 383	76 250	1 981	162 998	34 531	1 674	121 839	814	16 757	49 915	7 106
2014	20 294	1 021 920	54 876	4 097	286 690	31 952	1 964	145 871	239	25 411	91 350	6 782
2015	17 398	892 372	28 225	2 905	245 045	11 066	2 254	178 198	136	25 822	101 163	2 022
2016	23 002	1 477 025	17 642	5 196	397 502	17 404	2 932	246 063	129	30 663	145 941	811
	121 286	5 899 071	471 135	27 425	2 259 059	501 241	140 564	7 093 624	95 428	336 694	703 223	97 307

The credit portfolio, by segment and by production year, as of 31 December 2015, is presented as follows:

(Thousands of Euro)

	Corporate			Construction and CRE			Mortgage loans			Other		
Year of production	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2004 and previous years	2 202	117 889	25 482	1 746	347 933	142 143	59 017	2 332 837	34 278	41 681	37 566	8 017
2005	670	41 356	8 389	464	112 846	37 718	14 761	859 016	12 405	4 755	12 143	2 112
2006	984	88 828	9 732	604	138 955	35 454	17 718	1 042 139	17 337	7 079	57 444	14 492
2007	1 954	126 581	20 680	1 063	187 367	46 262	17 929	1 042 632	17 906	41 237	50 624	14 656
2008	8 312	148 094	34 300	2 302	148 920	28 369	9 383	545 300	9 141	58 847	49 499	8 960
2009	9 743	226 438	42 744	3 154	193 279	52 869	5 204	346 915	4 605	43 382	54 896	11 523
2010	9 113	335 768	71 219	1 965	148 768	34 518	5 400	388 658	3 504	20 998	56 630	13 014
2011	12 603	365 754	46 679	2 911	136 497	28 122	2 088	150 801	1 111	22 572	45 561	10 138
2012	9 016	381 043	40 598	1 741	126 670	21 532	1 405	102 461	901	12 570	39 850	6 214
2013	19 742	1 076 300	75 722	2 327	241 667	41 073	1 780	134 979	771	18 464	64 215	5 450
2014	24 777	1 289 999	45 153	4 247	333 766	28 770	2 067	157 477	223	28 093	118 660	3 782
2015	25 849	1 870 728	92 071	4 797	321 700	8 206	2 342	186 105	130	26 952	131 568	835
	124 965	6 068 778	512 769	27 321	2 438 368	505 036	139 094	7 289 320	102 312	326 630	718 656	99 193

The credit gross exposure and individual and collective impairment by segment, as of 31 December 2016 and 2015, is analysed as follows:

(Thousands of Euro)

	'16									
	Corporate		Construction and CRE		Mortgage loans		Other		Total	
Evaluation	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	3 870 485	233 720	1 705 879	379 229	23 398	1 381	56 470	12 274	5 656 232	626 604
Consolidated	2 028 586	237 415	553 180	122 012	7 070 226	94 047	646 753	85 033	10 298 745	538 507
	5 899 071	471 135	2 259 059	501 241	7 093 624	95 428	703 223	97 307	15 954 977	1 165 111

(Thousands of Euro)

	'15									
	Corporate		Construction and CRE		Mortgage loans		Other		Total	
Evaluation	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	3 955 155	288 360	1 852 872	385 946	18 136	1 948	72 748	22 222	5 898 911	698 476
Consolidated	2 113 623	224 409	585 496	119 090	7 271 184	100 364	645 908	76 971	10 616 211	520 834
	6 068 778	512 769	2 438 368	505 036	7 289 320	102 312	718 656	99 193	16 515 122	1 219 310

The credit gross exposure and individual and collective impairment by business sector, as of 31 December 2016 and 2015, is analysed as follows:

(Thousands of Euro)

	'16											
	Construction		Industry		Trade		Real estate activities		Other activities		Total	
Evaluation	Exposure	Impairment		Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	933 706	257 465		39 605	442 036	38 424	599 826	111 217	2 912 219	166 238	5 576 364	612 949
Consolidated	279 739	79 488	547 324	57 597	845 456	117 387	121 595	19 204	787 652	85 751	2 581 766	359 427
	1 213 445	336 953	1 235 901	97 202	1 287 492	155 811	721 421	130 421	3 699 871	251 989	8 158 130	972 376

(Thousands of Euro)

	'15											
	Constrution		Industry		Trade		Real estate activities		Other activities		Total	
Evaluation	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Individual	1 107 736	255 082	690 811	40 596	461 369	42 134	573 495	117 175	2 974 616	219 319	5 808 027	674 306
Consolidated	312 004	78 984	561 154	53 744	878 019	115 788	117 537	16 502	830 405	78 481	2 699 119	343 499
	1 419 740	334 066	1 251 965	94 340	1 339 388	157 922	691 032	133 677	3 805 021	297 800	8 507 146	1 017 805

The restructured loan portfolio, by applied restructuring measure, as of 31 December 2016 and 2015, is analysed as follows:

(Thousands of Euro)

	'16								
	Loan in compliance			Default loan			Total		
Measure	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment
Deadline extension	708	72 824	3 564	537	52 532	19 912	1 245	125 356	23 476
Waiting period	2 038	198 394	17 619	2 371	610 504	248 758	4 409	808 898	266 377
New operation / settlement	781	72 927	4 357	719	46 064	16 654	1 500	118 991	21 011
Interest rate decrease	6	613	18	116	13 161	4 603	122	13 774	4 621
Other	575	97 560	4 211	422	163 619	82 244	997	261 179	86 455
	4 108	442 318	29 769	4 165	885 880	372 171	8 273	1 328 198	401 940

(Thousands of Euro)

	'15								
	Loan in compliance			Default loan			Total		
Measure	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment
Deadline extension	930	86 385	4 039	491	64 137	19 046	1 421	150 522	23 085
Waiting period	2 948	368 008	38 268	2 214	635 098	216 983	5 162	1 003 106	255 251
New operation / settlement	1 072	44 843	1 607	616	39 040	13 468	1 688	83 883	15 075
Interest rate decrease	11	972	12	122	13 037	5 300	133	14 009	5 312
Other	541	38 812	999	433	225 988	99 237	974	264 800	100 236
	5 502	539 020	44 925	3 876	977 300	354 034	9 378	1 516 320	398 959

The inflow and outflow movements in the restructured loan portfolio are presented as follows:

(Thousands of Euro)

	'16	'15
Opening balance of the restructured portfolio	1 516 320	1 703 303
Restructured loans for the year	275 699	191 716
Accrued interest of the restructured portfolio	1 359	2 327
Settlement of restructured loans (total ou partial)	(338 776)	(301 441)
Loans reclassified as "normal"	(126 404)	(79 585)
Closing balance of the restructured portfolio	1 328 198	1 516 320

The fair value of the collateral underlying the credit portfolio of the Corporate, Construction and Commercial Real Estate (CRE) and Housing segments, with reference to 31 December 2016, is presented as follows:

(Thousands of Euro)

	Construction and CRE				Retail - Mortgage			
	Real Estate		Other collateral		Real Estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	5 309	625 257	1 111	61 307	109 070	13 216 699	336	11 842
>= 0,5 M€ e <1M€	292	203 781	39	25 191	350	215 782	-	-
>= 1 M€ e <5M€	303	641 714	19	31 500	40	62 216	-	-
>= 5 M€ e <10M€	32	229 208	3	19 115	-	-	-	-
>= 10 M€ e <20M€	26	369 133	1	12 609	2	37 500	-	-
>= 20 M€ e <50M€	9	246 591	-	-	-	-	-	-
>= 50M€	3	276 419	-	-	-	-	-	-
	5 974	2 592 103	1 173	149 722	109 462	13 532 197	336	11 842

The fair value of the collateral underlying the credit portfolio of the Corporate, Construction and Commercial Real Estate (CRE) and Housing segments, with reference to 31 December 2015, is presented as follows:

(Thousands of Euro)

	Construction and CRE				Retail - Mortgage			
	Real Estate		Other collateral		Real Estate		Other collateral	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	5 304	659 349	1 147	63 829	107 106	13 236 573	324	11 966
>= 0,5 M€ e <1M€	327	228 691	56	34 782	326	203 850	1	500
>= 1 M€ e <5M€	339	705 733	26	42 603	29	40 402	-	-
>= 5 M€ e <10M€	36	263 168	3	19 115	-	-	-	-
>= 10 M€ e <20M€	24	314 966	1	12 609	1	18 500	-	-
>= 20 M€ e <50M€	9	266 706	-	-	-	-	-	-
>= 50M€	2	201 334	-	-	-	-	-	-
	6 041	2 639 947	1 233	172 938	107 462	13 499 325	325	12 466

The LTV (loan to value) ratio of the Corporate, Construction and CRE and Housing segments, as of 31 December 2016 and 2015, is presented as follows:

(Thousands of Euro)

Segment/Ratio	'16			
	Number of real estate	Credit in compliance	Credit in default	Impairment
Corporate				
Without real estate (*)	-	4 128 665	528 882	341 123
< 60%	2 253	279 600	101 956	34 547
>= 60% e < 80%	1 020	355 304	65 469	30 432
>= 80% e < 100%	1 004	294 445	44 826	26 465
>= 100%	284	29 874	70 050	38 567
Construction and CRE				
Without real estate (*)	-	713 259	341 029	175 937
< 60%	2 087	215 146	203 426	89 294
>= 60% e < 80%	931	136 964	103 194	42 602
>= 80% e < 100%	1 793	132 823	132 519	47 332
>= 100%	1 163	27 929	252 771	146 076
Retail - Mortgage				
Without real estate (*)	-	550 205	62 576	17 129
< 60%	63 070	2 507 032	44 350	8 669
>= 60% e < 80%	28 625	2 244 488	61 364	12 135
>= 80% e < 100%	15 251	1 314 024	89 705	20 063
>= 100%	2 516	87 056	132 825	37 432

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

(Thousands of Euro)

Segment/Ratio	'15			
	Number of real estate	Credit in compliance	Credit in default	Impairment
Corporate				
Without real estate (*)	-	4 463 975	530 006	390 915
< 60%	2 270	304 827	69 579	30 008
>= 60% e < 80%	992	206 634	92 929	25 917
>= 80% e < 100%	960	254 179	48 879	19 188
>= 100%	261	18 737	79 033	46 741
Construction and CRE				
Without real estate (*)	-	784 139	336 175	172 239
< 60%	1 922	205 199	185 297	67 147
>= 60% e < 80%	939	82 298	166 947	60 523
>= 80% e < 100%	1 849	179 978	159 228	47 942
>= 100%	1 331	66 634	272 473	157 185
Retail - Mortgage				
Without real estate (*)	-	580 577	53 255	14 438
< 60%	58 068	2 362 897	43 038	10 633
>= 60% e < 80%	26 464	2 053 134	52 045	12 840
>= 80% e < 100%	19 009	1 674 499	86 516	23 709
>= 100%	3 921	250 723	132 636	40 692

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

The fair value and net value of real estate receivables, by type of asset, as of 31 December 2016 and 2015 are presented as follows:

(Thousands of Euro)

Assets	'16		
	Number of real estate	Fair value	Accounting value
Property	1 772	348 217	323 770
Urban	1 533	275 890	256 383
Rural	239	72 327	67 387
Buildings in development	839	122 149	112 309
Commercials	92	9 093	7 613
Housing	598	111 537	103 246
Others	149	1 519	1 450
Developed buildings	2 783	320 125	287 534
Commercials	780	106 249	95 350
Housing	1 518	197 939	178 180
Others	485	15 937	14 004
	5 394	790 491	723 613

(Thousands of Euro)

Assets	'15		
	Number of real estate	Fair value	Accounting value
Property	1 792	310 331	278 094
Urban	1 494	213 854	189 477
Rural	298	96 477	88 617
Buildings in development	378	97 419	87 561
Commercials	37	3 460	2 374
Housing	340	93 879	85 108
Others	1	80	79
Developed buildings	3 294	413 023	367 710
Commercials	892	122 964	105 926
Housing	1 968	272 323	246 753
Others	434	17 736	15 031
	5 464	820 773	733 365

The time lapse since the assignment / execution of properties received, as of 31 December 2016 and 2015, is presented as follows:

(Thousands of Euro)

Elapsed time since the recovery/execution	'16				
	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Property	79 445	52 395	182 311	9 619	323 770
Urban	68 650	46 613	133 029	8 091	256 383
Rural	10 795	5 782	49 282	1 528	67 387
Buildings in development	11 565	49 950	47 264	3 529	112 308
Commercials	805	3 174	3 416	218	7 613
Housing	10 760	46 190	42 985	3 311	103 246
Others	-	586	863	-	1 449
Developed buildings	56 774	87 551	133 956	9 254	287 535
Commercials	12 112	22 570	58 042	2 627	95 351
Housing	42 655	57 120	72 514	5 891	178 180
Others	2 007	7 861	3 400	736	14 004
	147 784	189 896	363 531	22 402	723 613

(Thousands of Euro)

Tempo decorrido desde a dação / execução	'15				
	< 1 year	>= 1 year and < 2.5 years	>= 2.5 years and < 5 years	>= 5 years	Total
Terreno	52 758	107 468	116 097	1 771	278 094
Urbano	18 248	89 740	79 853	1 636	189 477
Rural	34 510	17 728	36 244	135	88 617
Edifícios em desenvolvimento	32 139	16 988	37 409	1 025	87 561
Comerciais	132	250	1 992	-	2 374
Habitação	32 007	16 738	35 338	1 025	85 108
Outros	-	-	79	-	79
Edifícios construídos	97 543	174 450	89 040	6 677	367 710
Comerciais	17 637	59 273	27 721	1 295	105 926
Habitação	71 962	110 763	59 317	4 711	246 753
Outros	7 944	4 414	2 002	671	15 031
	182 440	298 906	242 546	9 473	733 365

Concentration Risk

In order to reduce concentration risk, CEMG seeks to diversify, as far as possible, its areas of activity and sources of income, as well as to diversify its exposures and sources of financing.

The concentration risk is analysed at the individual and sector level, seeking to reflect any shortcomings of diversification.

The concentration risk management is carried out in a centralized way, with regular monitoring of the concentration indexes by the Department of Risk. In particular, the level of concentration of the largest depositors and, with respect to the credit portfolio, the degree of regional diversification, the individual concentration level and the degree of diversification of the quality of the portfolio of companies are regularly monitored by the Department of Risk

Maximum exposure limits are established per client / group of clients related to each other, as well as limits for the concentration of the largest depositors. The exceeding of any of the established limits, even if temporary, requires the approval of the Executive Board of Directors.

Market Risk

The concept of market risk reflects the potential loss that can be registered by a given portfolio as a result of changes in rates (interest and exchange rates) and / or prices of the different financial instruments that comprise it, considering both existing correlations between them, and respective volatilities/fluctuations.

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 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.

In reports prepared, the various exposure limits are controlled, analyzing the concentration, credit, interest rate and asset price variation risks, among others. These analyzes include the analysis of scenarios, namely the sensitivity of the securities portfolio to changes in interest rates, spreads, adverse exchange rate developments and changes in market prices of stocks and real estate.

In the market risk area, in addition to CEMG's global portfolio risk report, specific risk reports for the trading portfolio as well as for the portfolios of available-for-sale assets are also carried out.

CEMG's investment portfolio is mainly concentrated in bonds, and as of 31 December 2016 represented 73.0% (31 December 2015: 87.5%) of the total portfolio, maintaining its dominant position in bonds of sovereign issuers, essentially of the Portuguese Republic.

With regard to credit derivatives, CEMG held no position in these instruments at 31 December 2016 (31 December 2015: Euro 85 million - nominal value in credit default swap).

Regarding the credit quality of debt securities, the major changes resulted from increased exposure to the Portuguese Republic, partially offset by decreases in exposure of sovereigns Italy and Spain:

(Thousands of Euro)

Rating	'16		'15		Change	
	Value	%	Value	%	Value	%
AAA	8 080	0,4	-	-	8 080	-
AA+	2 131	0,1	-	-	2 131	-
AA	1 412	0	2 629	0,1	(1 217)	(46,3)
AA-	1 025	0	4 392	0,2	(3 367)	(76,7)
A+	3 510	0,1	1 688	0,1	1 822	107,9
A	4 443	0,1	56 718	2,3	(52 275)	(92,2)
A-	4 211	0,1	43 629	1,7	(39 418)	(90,3)
BBB+	176 754	6	625 863	25,1	(449 109)	(71,8)
BBB	175 884	5,9	647 771	26,0	(471 887)	(72,8)
BBB-	21 659	0,8	28 042	1,1	(6 383)	(22,8)
BB+	2 500 427	84,4	1 038 118	41,6	1 462 309	140,9
BB	-	0	24 391	1,0	(24 391)	(100,0)
BB-	-	0	-	-	-	-
B+	2 561	0,1	-	-	2 561	-
B	-	0	-	-	-	-
B-	-	0	-	-	-	-
CCC+	-	0	-	-	-	-
CCC	12 371	0,4	11 169	0,4	1 202	10,8
CCC-	-	0	-	-	-	-
C	-	0	-	-	-	-
D	35 116	1,2	-	-	35 116	-
NR	13 044	0,4	9 551	0,4	3 493	36,6
Total	2 962 628	100	2 493 961	100	468 667	18,8

Note: excludes securities arising from own securitisations belonging to the consolidation perimeter.

With regard to the trading portfolio, the main VaR indicators are presented below:

(Thousands of Euro)

	December 2016	Average	Minimum	Maximum	2015
Market VaR	316	573	429	1 283	454
Interest rate risk	98	416	354	496	400
Exchange risk	78	94	47	95	165
Price risk	318	380	224	964	302
Spread risk (CDS)	-	1	-	-	16
Diversification effect	(178)	(318)	(196)	(271)	(429)
Credit VaR	285	150	81	146	137
VaR Total	601	723	510	1 430	591

Bank Portfolio Interest Rate Risk

The assessment of interest rate risk caused by banking portfolio operations is performed by a sensitivity analysis to the risk.

Interest rate risk is measured according to the impact on net interest income, net worth and equity caused by changes in market interest rates. The main risk factors arise from the term adjustments of the interest rate reset and / or residual maturities between assets and liabilities (repricing risk), non-parallel variations in yield curve risk, the lack of a perfect correlation between different indexes with the same term of repricing (basis risk) and the options associated with instruments enabling a different performance of the players/participants depending on the level of rates contracted and practiced at the moment (option risk).

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, CEMG 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.

(Thousands of Euro)

	Within 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years
31 December 2016					
Assets	8 461 356	3 405 824	692 130	1 404 490	2 352 668
Off balance sheet	7 959 536	20 500	43 820	66 148	-
Total	16 420 892	3 426 324	735 950	1 470 638	2 352 668
Liabilities	4 410 771	1 862 701	1 963 618	8 652 675	281 761
Off balance sheet	7 922 524	63 370	1 013	103 160	-
Total	12 333 295	1 926 071	1 964 630	8 755 835	281 761
Gap (Assets - Liabilities)	4 087 597	1 500 253	(1 228 680)	(7 285 197)	2 070 907
31 December 2015					
Assets	9 682 427	3 892 230	295 595	1 381 237	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	8 049 052	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

The following table presents the interest rate gaps for 31 December 2016 and 2015:

(Thousands of Euro)

	Dec '16				Dec '15			
	December	Average	Maximum	Minimum	December	Average	Maximum	Minimum
Interest rate Gap	(855 120)	(998 831)	(839 372)	(1 302 001)	(839 372)	(1 595 917)	(839 372)	(2 382 682)

Sensitivity to the balance sheet interest rate risk 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 31 December 2016, based on the interest rate gaps observed, an instantaneous and parallel positive variation in the interest rates by 100 bp would cause a change in the economic value expected in the banking portfolio in Euro 24,389 thousands (31 December 2015: Euro 24,003 thousands).

The following table presents the average interests, in relation to CEMG major assets and liabilities categories for the years ended 31 December 2016 and 2015, as well as the average balances and income and expense for the years:

(Thousands of Euro)

	'16			'15		
	Average balance	Average interest rate (%)	Interests	Average balance	Average interest rate (%)	Interests
Interest assets generators						
Deposits at central banks and OCI	307 172	0,00	7	330 240	0,00	16
Loans and advances to OCI	396 790	0,68	2 747	455 020	0,38	1 764
Loans and advances to customers	15 116 264	2,47	378 404	15 662 742	2,67	423 336
Securities portfolio	2 974 856	1,92	58 041	3 063 012	1,97	61 154
Others (Includes derivatives)	-	-	75 935	-	-	92 945
	18 795 082	2,70	515 134	19 511 014	2,93	579 215
Interest liabilities generators						
Deposits from ECB	2 791 845	0,04	1 061	2 816 517	0,07	1 960
Deposits from OCI	2 141 414	0,80	17 468	2 111 830	1,52	32 453
Deposits from customers	11 897 869	1,03	124 783	12 475 808	1,55	195 684
Senior debt	2 050 805	2,51	52 087	2 004 299	3,38	68 730
Subordinated debt	267 707	1,44	3 909	354 480	1,45	5 197
Others (Includes derivatives)	-	-	77 364	-	-	89 840
	19 149 640	1,42	276 672	19 762 934	1,97	393 864
Net interest income		1,25	238 462		0,94	185 351

Currency Risk

Regarding to currency risk, the procedure is the application of funds raised in various currencies through active money market and for years not exceeding those of the resources.

The breakdown of assets and liabilities, by currency, as at 31 December 2016 and 2015 is analysed as follows:

(Thousands of Euro)

'16	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	372 833	4 568	1 052	556	1 689	84	506	381 288
Loans and advances to credit instituitions repayable on demand	56 883	12 229	388	398	517	-	624	71 039
Other loans and advances to credit institutions	706 014	23 026	-	-	-	-	-	729 040
Loans and advances to customers	13 643 051	155 922	-	-	738	-	-	13 799 711
Financial assets held-for-trading	75 505	2 460	-	196	-	-	-	78 161
Financial assets available-for-sale	2 821 649	212	-	-	-	66 871	-	2 888 732
Held-to-maturity investments	1 126 125	-	-	-	-	-	-	1 126 125
Investments in associated companies and others	259 287	-	-	-	-	-	-	259 287
Non-current assets held-for-sale	723 742	-	-	-	-	-	-	723 742
Property and equipment	222 809	-	-	-	-	-	-	222 809
Intangible assets	33 013	-	-	-	-	-	-	33 013
Current tax assets	9 281	-	-	-	-	-	-	9 281
Deferred tax assets	513 808	-	-	-	-	-	-	513 808
Other assets	204 924	703	4	-	-	-	-	205 631
Total Assets	20 768 924	199 120	1 444	1 150	2 944	66 955	1 130	21 041 667
Liabilities by currency								
Deposits from central banks	2 307 947	-	-	-	-	-	-	2 307 947
Deposits from other financial institutions	2 510 389	56 108	3 990	30 150	19	-	77	2 600 733
Deposits from customers	12 269 275	76 167	6 413	12 510	1 534	-	4 112	12 370 011
Debt securities issued	1 883 372	257	-	-	-	-	-	1 883 629
Financial liabilities held-for-trading	25 971	177	-	-	-	-	-	26 148
Hedging derivatives	-	-	-	-	-	-	-	-
Provisions	20 993	-	-	-	-	-	-	20 993
Current tax liabilities	1 271	-	-	-	-	-	-	1 271
Other subordinated debt	237 094	-	-	-	-	-	-	237 094
Other liabilities	202 600	613	2	43	719	-	2	203 979
Total Liabilities	19 458 912	133 322	10 405	42 703	2 272	-	4 191	19 651 805
Exchange forward transaction	9 517	(63 684)	9 038	42 036	(373)	-	3 845	
Exchange gap		2 114	77	483	299	66 955	782	
Stress Test		(423)	(15)	(96)	(60)	(13 391)	(157)	

(Thousands of Euro)

'15	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 instituitions repayable on demand	35 434	11 222	2 000	488	290	-	1 183	50 617
Other loans and advances to credit institutions	588 253	22 227	-	-	-	-	-	610 480
Loans and advances to customers	14 024 575	140 268	-	-	617	-	-	14 165 460
Financial assets held-for-trading	38 789	2 753	-	-	735	-	-	42 277
Financial assets available-for-sale	3 586 194	268	105	-	208	53 216	-	3 639 991
Held-to-maturity investments	9	-	-	-	-	-	-	9
Investments in associated companies and others	26 130	-	-	-	-	-	-	26 130
Non-current assets held-for-sale	354 083	-	-	-	-	-	-	354 083
Property and equipment	733 865	-	-	-	-	-	-	733 865
Intangible assets	31 255	-	-	-	-	-	-	31 255
Current tax assets	30 229	-	-	-	-	-	-	30 229
Deferred tax assets	19 676	-	-	-	-	-	-	19 676
Other assets	389 571	-	-	-	-	-	-	389 571
Total Assets	300 828	397	3	86	-	-	10	301 324
Liabilities by currency	20 504 248	185 691	3 354	1 161	3 349	53 223	2 066	20 753 092
Deposits from central banks								
Deposits from other financial institutions	2 262 258	-	-	-	-	-	-	2 262 258
Deposits from customers	1 905 556	81 507	6 562	34 634	45	-	10	2 028 314
Debt securities issued	12 104 015	79 384	10 278	7 062	1 777	-	5 224	12 207 740
Financial liabilities held-for-trading	2 255 480	249	-	-	-	-	-	2 255 729
Hedging derivatives	63 859	476	-	-	-	-	-	64 335
Provisions	439	-	-	-	-	-	-	439
Current tax liabilities	15 509	-	-	-	-	-	-	15 509
Other subordinated debt	333 686	-	-	-	-	-	-	333 686
Other liabilities	153 302	4 203	2 015	66	1 893	-	454	161 933
Total Liabilities	19 094 104	165 819	18 855	41 762	3 715	-	5 688	19 329 943
Exchange forward transaction	(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)	

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.

With regards to banking portfolio's interest rate and currency exchange risks, limits are set for exposure to these risks, which are monitored at ALCO, and any possible exceedance of any of the established limits, even if temporary, requires approval from the Executive Board of Directors or application of measures to cover the exposure.

Liquidity Risk

Liquidity risk reflects CEMG's inability to meet its obligations at due date, without incurring significant losses arising from a deterioration in financing conditions (financing risk) and / or the sale of its assets at lower values to market values (market 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 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 prudential liquidity ratios, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

Limits are set for various liquidity risk indicators, which are monitored through weekly and monthly reports.

As at 31 December 2016, the recorded amount in LCR was 101,7%.

As at 31 December 2016, CEMG's financing was as follows:

(Thousands of Euro)

Liabilities	2016	Undetermined	Until 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	2 307 947	-	360 000	-	-	1 947 947
Financial liabilities held-for-trading	26 148	-	2 758	35	3 839	19 517
Deposits from other credit institutions	2 600 733	-	1 075 714	106 536	11 419	1 407 064
Deposits from customers	12 370 011	-	4 419 134	3 380 913	1 765 112	2 804 852
Debt securities issued	1 883 629	-	361 075	73 317	160 347	1 288 890
Other subordinated debt	237 094	-	499	34	668	235 892
Other liabilities	203 979	203 979	-	-	-	-
Total Liabilities	19 629 541	203 979	6 219 180	3 560 836	1 941 384	7 704 162

As at 31 December 2015, CEMG's financing was as follows:

(Thousands of Euro)

Liabilities	2015	Undetermined	Until 3 months	3 - 6 months	6 - 12 months	> 12 months
Deposits from central banks	2 262 258	-	535 027	-	-	1 727 231
Deposits from other credit institutions	64 335	-	-	-	-	64 335
Deposits from customers	2 028 314	-	578 890	203 180	171 034	1 075 210
Debt securities issued	12 207 740	-	4 083 043	3 447 941	1 979 416	2 697 340
Financial liabilities held-for-trading	2 255 729	-	42 828	45 820	346 250	1 820 831
Hedging derivatives	439	-	-	-	-	439
Other subordinated debt	333 686	-	-	62 800	-	270 886
Other liabilities	161 933	161 933	-	-	-	-
Total Liabilities	19 314 434	161 933	5 239 788	3 759 741	2 496 700	7 656 272

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 2016 and 2015 on the assets and collaterals:

(Thousands of Euro)

Assets	'16			
	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	6 158 899	-	14 882 768	-
Equity instruments	-	-	1 097 168	1 271 273
Debt securities	1 893 490	1 838 568	1 725 233	3 523 377
Other assets	-	-	2 212 016	-

(Thousands of Euro)

Assets	'15			
	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	3 327 704	-	21 006 865	-
Equity instruments	-	-	1 128 855	753 923
Debt securities	3 191 537	3 172 165	4 060 984	5 556 146
Other assets	-	-	2 194 314	-

(Thousands of Euro)

Collateral received	'16	
	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Assets from the reporting institution	81 127	70 079
Equity instruments	-	-
Debt securities	81 127	70 079
Other collateral received	-	-
Own securities issued that are not own covered bonds or ABS	-	-

(Thousands of Euro)

Collateral received	'15 Fair value of encumbered collateral received or own debt securities issued	'15 Fair value of collateral received or own debt securities issued available for encumbrance
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 ABS	-	-

(Thousands of Euro)

Encumbered assets, encumbered collateral received and associated liabilities	'16 Carrying amount of selected financial liabilities
Associated liabilities, contingent liabilities and securities borrowed	2 460 377
Assets, collateral received and own debt securities issued other than covered bonds and encumbered ABS	6 212 949

(Thousands of Euro)

Encumbered assets, encumbered collateral received and associated liabilities	'15 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

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 2016 and 2015 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 2016 amounts to Euro 1,213,500 thousands (31 December 2015: Euro 1,748,904 thousands).

It should be noted that the total amount of collateral available at the European Central Bank (BCE) on 31 December 2016 amounted to Euro 3,508,001 thousands (31 December 2015: Euro 3,706,816 thousands) with a utilization of Euro 2,307,946 thousands (31 December 2015: Euro 2,262,258 thousands):

(Thousands of Euro)

	Dec '16	Dec '15
Total collateral eligible	5 908 134	5 311 056
Total collateral in the pool	3 508 001	3 706 815
Collateral outside the pool	2 400 133	1 604 241
Collateral used	4 694 634	3 562 152
Collateral used for ECB	2 307 946	2 262 258
Collateral commited to other financing operations	2 386 688	1 299 894
Collateral available for ECB	1 200 055	1 444 558
Total collateral available	1 213 500	1 748 904

Note: collateral value takes into account the applied haircut

Real Estate Risk

Real estate risk results from possible negative impacts on CEMG's results or capital due to fluctuations in the market price of real estate.

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 monthly 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 2016 and 2015, exposure to real estate and investments real estate fund units presented the following value:

(Thousands of Euro)

	Dec '16	Dec '15
Real estate received as loan guarantee	723 613	733 365
Real estate investment fund units	800 151	835 416
	1 523 764	1 568 781
Stress test	(152 376)	(156 878)

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

Operational risk is the potential loss resulting from failures or inadequacies in internal processes, people or systems, or potential losses resulting from external events.

An integrated continuing business plan is implanted, based on the identification, evaluation, monitoring, measurement, mitigation and reporting of this type of risk. DRI 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 CEMG's operational risk management.

The operational risk profile assessment for new products, processes and systems and the consequent follow-up has allowed the prior identification and mitigation of operational risk situations.

Regarding risk monitoring, the main activities carried out were the collection and analysis of operational risk loss events, the analysis of Key Risk Indicators, the evaluation of the exposure to Operational Risk and the preparation of periodic reports on the profile of Operational risk of the Institution. In particular, quarterly monitoring reports of operational risk loss events and mitigation measures are prepared. An annual report is prepared annually, which includes the analysis of all operational risk management instruments.

Within the mitigation phase, Action Plans were suggested for the most significant risks, identified based on the operational risk management tools previously mentioned.

In addition, CEMG has implemented a business continuity management process, supported by a set of evaluation, design, implementation and monitoring activities, integrated into a cycle of continuous improvement.

This process is crucial as a risk mitigation tool, making the business processes more resilient and allowing to ensure the continuity of operations in the event situations that cause the interruption of the activity, considering the established Recovery Time Objective (RTO).

Pension Fund Risk

The pension fund risk results from the potential devaluation of the fund's assets portfolio or the decrease in the expected returns. In such scenarios, CEMG will have to make unplanned contributions in order to maintain the benefits defined by the Fund.

Regular monitoring and analysis of CEMG's Pension Fund management is carried out by the Pension Fund Monitoring Committee. In addition, the Department of Risk ensures the production of monthly reports with the evolution of the Pension Fund portfolio's market value and associated risk indicators.

Considering the provisions of the investment policy of the Montepio Geral Pension Fund relating to the exposure to various risks and different legal provisions, the control of these limits is monitored daily by means of a detailed analysis of "legal limits and investments exceeded", with a set of procedures that are performed may the limits be exceeded.

Subsequently, the Department of Risk monitors the effect of the measures adopted and their impact on the investment policy. At the same time, the levels of exposure to the legal and prudential limits that regulate the Montepio Geral Pension Fund are also monitored.

Besides verifying compliance with the investment policy and the legal and prudential limits, the management entity (Futuro) has decided to strengthen control and monitoring through a variety of risk measures and a set of internal procedures aimed at maintaining the prudent management of the risk. On this basis, a risk management model based on the technical perspective of EIOPA's "QIS Pension Funds" studies is used. The development of tolerance indicators for this model allows monitoring the variations of these indicators, in accordance with the investment policy defined for the pension fund.

Market risk monitoring is based on VaR calculation, with a confidence/reliability interval of 99.5% for one-year time horizon. Since VaR does not totally guarantees that risks do not exceed the probability used, Stress Tests are also carried out, with the purpose to calculate the impact of several extreme scenarios on the value of the portfolio.

The shareholder liquidity level and bond component of the fund is assessed through a liquidity test. With shares/participations, this analysis is done based on the number of days to settle, considering the assets in the portfolio. This test consists of verifying the liquidity of the shareholder segment, assessing how many days are necessary for its settlement in the market, considering the costs associated with these transactions and the average historical volume of transactions in the various markets. In addition, in the bond segment, the cash receipts (positive cash-flows) resulting from bond coupon (interest) payments and amortizations or possible call exercises for one month are calculated. All these tests allow to assess the degree of liquidity in the short term and to monitor or act before a possible shortage of liquidity in a timely manner.

Other risks

With regard to other risks - reputation, strategy and business risk - these are also monitored by the Executive Board of Directors, and risks are controlled and corrective measures taken based on the results obtained against the objectives / limits established in the risk appetite.

Coverage Policies and Risk Reduction

For the purpose of reducing credit risk, the risk mitigation elements associated with each operation are considered. In particular, real mortgage guarantees/ securities and financial collateral are relevant, as well as the provision of personal credit protection, namely collateral.

The enforcement of collateral depends on the size of the unexpected loss, typically occurring in larger volume transactions, especially in construction financing and housing acquisition.

In terms of direct reduction of the exposure value, credit operations collateralized by financial collateral are considered, namely, time deposits, bonds and shares included in a recognized main stock exchange index, as stipulated in Section 4, Chapter 4, Title II, Part III of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR). The market risk of the assets involved is assessed in financial collaterals and the value of the collateral is adjusted.

With regard to real mortgage collaterals/guarantees, CEMG has defined valuation and revaluation models to be applied to properties that may constitute collateral for credit operations. The asset evaluation is carried out by independent experts, and the management of evaluations and visits/inspection is centralized in a structuring unit of the Institution, regardless of the commercial area. In accordance with (EU) Regulation no. 575/2013 (CRR), the requirements for the validation and reassessment of the goods' value, depending on the cases, either by statistical and computerized methods or by review or revaluation of the valuation value by the expert.

Regarding credit guarantees, the principle of the risk of substitution of the customer by that of the protection provider, just as does not originate credit derivatives on the portfolio position/exposure.

CEMG does not usually use off-balance sheet and off-balance sheet processes, nor does it generate credit derivatives on positions/exposure in its portfolio.

Trading portfolio market risk mitigation techniques essentially consist of hedging exposures for financial products with symmetric risk to decrease the total risk of operations, the partial or total sale of exposures to reduce exposure or cancel it completely, and in defining limits that control exposure to market risk.

With regard to the banking portfolio, interest rate and foreign exchange risk mitigation techniques are the negotiation of hedging transactions with derivatives and closing positions/exposures through the sale of open positions/exposures (feasible in the medium and long-term government debt and corporate bonds).

Calculation Model of Impairment Losses on the Loan Porfolio
The Group's Calculation Model of Impairment on the Loan Portfolio has been in force since June 2006 and is subject to regular updates, governed by the general principles defined in IAS 39, as well as by the guidelines contained in the Circular Letter no. 02/2014/DSP of the Bank of Portugal, in order to align the calculation process with the best international practices.

The Group's impairment model begins by segmenting the credit portfolio customers into three distinct groups, depending on the existing signs of impairment (including internal and external information) and the size of the set of exposures of each economic / client group:

- Individually Significant: individual Clients or Economic Groups that meet at least one of the following requirements are subject to individual analysis:
    - Exposure above Euro 1 million, with signs of impairment;
    - Exposure above Euro 2,5 million, without signs of impairment
    - Regulatory Client: clients / economic groups subject to individual analysis in the previous month and that do not meet the current exposure criteria.
- Homogeneous Populations with signs of impairment: Clients or Economic Groups that do not fulfill the criteria to be Individually Significant and that present at least a sign of impairment.
- Homogeneous populations without signs of impairment: Clients or Economic Groups that do not fulfill the criteria to be Individually Significant and that do not show any sign of impairment.

Depending on the group in which the clients are classified, the operations are dealt through Individual Analysis, or Analysis based on Collective Basis.

For each of the active clients / credits, a set of impairment signs is verified, which includes internal and external information, which in turn, aggravate impairment values as they represent an increase in the risk of default. It should be noted that credit restructured due to financial difficulties is a sign of impairment and therefore the loan portfolio classified as restructured is included in the credits with signs of impairment.

In the group of homogeneous populations, customer exposures are subject to collective analysis. The calculation of the impairment value for customer loans belonging to homogeneous populations results from the product of the EAD exposure (deducted from risk-free financial collateral) by the following risk parameters:

- PD (probability of default): corresponds to internal default estimates, based on risk classifications associated with operations / clients, segment and respective impairment / credit status (if any). If the credit is in default or cross-default, the PD corresponds to 100%;
- LGD (default loss): corresponds to internal loss estimates, which vary depending on the segment, whether or not there is a real guarantee, Loan-to-Value (LTV) and default seniority, based on the historical experience of credits recovery that have been in default.

In the group of individually significant clients, client exposures are subject to individual analysis. This analysis focuses on the credit quality of the debtor, as well as on the expectations of recovering the credit, considering collateral and existing collateral.
Impairment value for Individually Significant Clients is determined using the discounted cash-flows method, that is, the impairment value corresponds to the difference between the credit value and the sum of the expected cash flows

for the client's various operations, updated according to the interest rates of each operation.

Own Funds and Capital Racios

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 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):**includes capital equivalent instruments, whose conditions are in accordance with the article 52° from Regulation no. 575/2013 and approved by the Bank of Portugal. Non-controlled interests relating to additional own funds minimum requirements of the institutions for which CEMG does not hold full ownership are also eligible. 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 63° from Regulation no. 575/2013 and approved by the Bank of Portugal. Uncontrolled interests relating to the minimum own funds requirements of the institutions for which CEMG does not hold full ownership are also eligible. 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, regulatory minimums are indicated by CRD IV / CRR of 4.5% for CET1, 6% for Tier 1 and 8% for total Capital. However, on these regulatory minimums, reserves of own funds (such as Conservation Reserve, Counter-Cyclical Reserve and Reserves for Other Systemic Institutions) are applied, the value of which is defined by the Bank of Portugal. For 2016 the Bank of Portugal defined a Counter-cyclical Reserve of 0%. Regarding Conservation Reserve, the Bank of Portugal, in its Notice 6/2016, defines its application according to the transitional plan set out in Article 160 of CRD IV, thus the value of this reserve is 0.625% in 2016, 1.250 % in 2017, 1.875% in 2018 and 2.5% after 01/01/2019. Pursuant to these provisions, as of 31 December 2016, the Common Equity Tier 1, Tier 1 and Total regulatory minimum ratios were 5.125%, 6.625% and 8.625%, respectively, including Own Capital Reserves already defined by the Bank of Portugal.

The summary of the calculation for CEMG's capital requirements as at 31 December 2016 and 2015 is presented as follows:

(Thousands of Euro)

	'16	'15
Capital Common Equity Tier 1		
Paid-up capital	2 170 000	1 900 000
Net profit, reserves and retained earnings	(786 460)	(628 250)
Other regulatory adjustments	(235 693)	(297 467)
	1 147 847	974 283
Capital Tier 1	1 147 847	974 283
Capital Tier 2		
Subordinated loans	71 221	131 222
Regulatory adjustments	(45 106)	18 102
	26 115	149 324
Total own funds	1 173 962	1 123 607
Own funds requirements		
Credit risk	840 247	907 389
Market risk	9 522	12 890
Operational risk	49 122	51 215
Other requirements	30 282	26 017
	929 173	997 511
Prutential Ratio		
Ratio Common Equity Tier 1	9,88%	7,81%
Ratio Tier 1	9,88%	7,81%
Total Capital Ratio	10,11%	9,01%

* Diferent levels of capital and capital requirements are considered, in accordance with the standards.

51 Accounting standards recently issued

Recently issued pronouncements already adopted by CEMG in the preparation of the financial statements are the following:

IAS 19 (Revised) - Defined Benefit Plans: Employee Contributions

The IASB, issued on 21 November 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1 July 2014. These amendments were endorsed by Commission Regulation (EU) 29/2015, 17 December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1 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 had 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 12 December 2013, introduce amendments, with effective date on, or after, 1 July 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. These amendments were endorsed by EU Commission Regulation 28/2015, 17 December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1 February 2015).

IFRS 2 - Definition of vesting condition

The amendment clarifies the definition of 'vesting conditions' in Appendix A of IFRS 2 Share-Based Payment by separating 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 clarifies 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, 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.

CEMG had no impact from the adoption of this amendment on its financial statements.

Improvements to IFRS (2012-2014)

The annual improvements cycle 2012-2014, issued by IASB on 25 September 2014, introduce amendments, with effective date on, or after, 1January 2016, to the standards IFRS 5, IFRS 7, IAS19 and IAS 34. 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 amendment to IFRS 7 clarifies 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 had no impact from the adoption of this amendment on its financial statements.

IAS 27: Equity Method in Separate Financial Statements
IASB issued on 12 August 2014, amendments to IAS 27, with an effective date of application for periods beginning on or after 1 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, 18 December 2015.

CEMG had not yet adopted this option in their separate accounts.

Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28)

The IASB, issued on 18 December 2014, with an effective date of application for periods beginning on or after 1 January 2016, amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities: Applying the Consolidation Exception. The application exemption on consolidation is permitted to investment companies that comply with certain requirements.

These amendments were endorsed by EU Commission Regulation 1703/2016, 22 September 2016.

These amendments are not applicable to CEMG.

Other Amendments

It was also issued by IASB in 2014, with an effective date of application for periods beginning on or after 1 January 2016, the following amendments:

- Amendments to IAS 16 and IAS 41: Bearer Plants (issued on 30 June 2014 and endorsed by EU Commission Regulation 2113/2015, 23 November)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014 and endorsed by EU Commission Regulation 2231/2015, 2 December)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014 and endorsed by EU Commission Regulation 2173/2015, 24 November)
- Amendments to IAS 1: Disclosure Initiative (issued on 18 December 2014 and was endorsed by EU Commission Regulation 2406/2015, 18 December)

CEMG had no impact from the adoption of these amendments on its financial statements.

CEMG decided to opt for not having an early application of the following standards endorsed by EU:

IFRS 9 Financial instruments (issued in 2009 and revised in 2010, 2013 and 2014)
IFRS 9 was endorsed by EU Commission Regulation 2067/2016, 22nd December 2016 (with an effective date of application for periods beginning on or after 1 January 2018).

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 recognized 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 who do not comply with SPPI criteria, would be measured at fair value through profit and loss (FVTPL).

In 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 (FVTPL).

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 (FVTPL).

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) established a new impairment model base on "expected losses" that replace the current "incurred losses" in IAS 39.

So, loss event will no longer need to occur before an impairment allowance is recognised. This new model will accelerate recognition of losses form impairment on debt instruments held that are measured at amortised cost or OCI (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 occur (what is current define as "objective evidence of impairment"), the impairment allowance would be allocated directly to financial asset affected, which provide 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 1 January 2018.

CEMG has started the process of evaluating the potential effect of this standard but given the nature of CEMG's operations, this standard is expected to have a pervasive impact on the CEMG's financial statements.

IFRS 15 - Revenue from Contracts with Customers

The IASB, issued on 28 May 2014, IFRS 15 Revenue from Contracts with Costumers. IFRS 15 was endorsed by EU Commission Regulation 1905/2016, 22 September 2016, with an effective date of application for periods beginning on or after 1 January 2018.

An early applications is allowed. 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 recognized and the amount. The model specifies that the revenue should be recognized 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.

CEMG is still evaluating the impact from the adoption of this standard.

Recently Issued pronouncements that are not yet effective for CEMG:

IFRS 14 - Regulatory Deferral Accounts

The IASB issued on 30 January 2014 a standard that defines interim measures for those adopting IFRS for the first time and has activity with regulated tariff. The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.
This standard is not applicable to CEMG.

IFRIC 22 - Foreign Currency Translations and Advance Consideration

It has been issued on 8 December 2016, IFRIC 22, effective for annual periods beginning on or after 1 January 2018.

This new IFRIC 22 defines that, has been an advance in foreign currency for an asset, expense or revenue, applying paragraphs 21-22 of IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency (or if there are multiple payments or receives, the foreign currency exist at each advance consideration date).
CEMG does not expected a significant impact form this interpretation.

IFRS 16 - Leases

The IASB, issued on 13 January 2016, IFRS 16 Leases, effective (with early application if applied at the same time IFRS 15) for annual periods beginning on or after 1 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.

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:

- On 19 January 2016, and applicable for annual periods beginning on or after 1 January 2017, amendments to IAS 12 clarifying the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice.

- On 29 January 2016, and applicable for annual periods beginning on or after 1 January 2017, amendments to IAS 7 Disclosure initiative require companies to provide information about changes in their financing liabilities in order to provide information that helps the investors to better understand changes in a company's debt.

- On 20 June 2016, and applicable for annual periods beginning on or after 1 January 2018, amendments to IFRS 2 on Classification and Measurement of Share--based Payment Transactions.

- On 8 December 2016, and applicable for annual periods beginning on or after 1 January 2018, amendments to IAS 40 on Transfers of Investment Property to clarify whether an entity should transfer property under construction or development to, or from, investment property when there is a change in the use of such property which is supported by evidence other than specifically listed in paragraph 57 of IAS 40.

- The annual improvements cycle 2014-2016, issued by IASB on 8 December 2016, introduce amendments, with effective date for annual periods beginning on or after, 1 July 2018, to the standards IFRS 1 (deletion of short-term exemption for first-time adopters) and IAS 28 (measuring an associate or joint venture at fair value) and amendments, with effective date on, or after, 1 January 2017 to IFRS 12 (clarification of the scope of the Standard).

CEMG expects no impact from the adoption of this amendment on its financial statements.

52 Sovereign debt of European Union countries subject to bailout

As at 31 December 2016, the exposure of CEMG to sovereign debt of European Union countries subject to bailout is as follows:

(Thousands of Euro)

	'16						
Issuer / portfolio	Book value	Fair value	Fair value reserve	Impairment	Average interest rate	Average maturity (years)	Measurement level
Greece							
Financial assets available-for-sale	12 365	12 365	(6 148)	-	3,00	18,43	1

As at 31 December 2015, the exposure of CEMG to sovereign debt of European Union countries subject to bailout is as follows:

(Thousands of Euro)

	'15						
Issuer / portfolio	Book value	Fair value	Fair value reserve	Impairment	Average interest rate	Average maturity (years)	Measurement level
Greece							
Financial assets available-for-sale	11 169	11 169	-	(7 343)	3,00	16,66	1

As at 31 December 2016 and 2015, the value of the securities includes respective accrued interest in the amount of Euro 460 thousands.

53 Transfer 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 CEMG's holds more than 50% of the capital of the Funds.

The Funds have a specific management structure (General Partner), fully independent from CEMG's 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; and
- 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 CEMG's, 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; and

- 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:

(Thousands of Euro)

	'16			'15		
	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	27 857	43 124	15 267	27 074	42 202	15 128
Vallis Construction Sector Fund	23 506	26 776	3 270	18 794	20 889	2 095
Fundo de Reestruturação Empresarial, FCR	21 549	21 590	41	21 549	21 590	41
	72 912	91 490	18 578	67 417	84 681	17 264

As at 31 December 2016 and 2015, the assets received under these transactions are as follows:

(Thousands of Euro)

'16	Senior Securities	Junior Securities	Total	Junior Impairment	Net Value
Fundo Vega, FCR	30 318	-	30 318	-	30 318
Vallis Construction Sector Fund	19 148	7 838	26 986	(21 243)	5 743
Fundo de Reestruturação Empresarial, FCR	12 582	-	12 582	(711)	11 871
	62 048	7 838	69 886	(21 954)	47 932

(Thousands of Euro)

'15	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

During the year 2016, impairment of Euro 15,090 thousands was recorded, related to the devaluation of the units in the Vallis Construction Sector Fund, according to notes 15 and 23.

As at 31 December 2016, the junior securities refers to investment units on the amount of Euro 7,838 thousands, as referred in note 23, which are fully provisioned.

In 2015, CEMG acquired 30,325 investment units in the Fund Vega FCR in the amount of Euro 27,292 thousands. In addition, subscribed supplementary capital contributions in the amount of Euro 14,910 thousands, according to note 31. It should be noted that the supplementary capital contributions are fully provided.

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).

54 Contingencies

Resolution Fund

Resolution measure of Banco Espírito Santo, S.A. (BES)

The Bank of Portugal applied a resolution measure to Banco Espírito Santo, SA on 3 August 2014, pursuant to the provisions of Article 145 C (1.b) of the General Regime for Credit Institutions and Financial Companies (RGICSF), in the partial transfer method of assets, liabilities, off-balance sheet assets and assets under management to a transition bank, Novo Banco, SA (Novo Banco). As part of this process, the Resolution Fund made a capital injection in Novo Banco in the amount of Euro 4,900,000 thousands, becoming the sole shareholder, and contracted loans in the amount of Euro 4,600,000 thousands, of which Euro 3,900 thousands were granted by the Portuguese State and Euro 700,000 thousands were granted by a group of credit institutions, of which Euro 70,000 thousands were granted by CEMG.

On 29 December 2015, the Bank of Portugal transferred to the Resolution Fund the emerging liabilities from possible negative effects of future decisions arising from the resolution process, resulting in liabilities or contingencies.

On 7 July 2016, the Resolution Fund stated that it would review and assess the proceedings to take following the disclosure of the report on the results of the independent evaluation exercise, which was carried out to estimate the level of credit recovery for each class of creditors in the possible/hypothetical scenario of a normal BES insolvency procedure on 3 August 2014.

Thus, under the applicable law, and where it is found that at the time of BES liquidation/settlement, creditors whose loans/credit facilities have not been transferred to Novo Banco, assume a loss higher than would have been hypothetically if BES had entered into a settlement procedure immediately prior to the application of the resolution measure, these creditors are entitled to receive the difference from the Resolution Fund. To date, there is a relevant body of legal proceedings underway against the Resolution Fund.

The Bank of Portugal announced on 20 February 2017 that it has decided to choose the potential Lone Star investor for a definitive phase of negotiations and in conditions of exclusivity aiming to complete the terms in which the sale of the Fund's share Resolution on Novo Banco, SA would come about/will be held, and on 31 March 2017, a further statement was issued stating:

"Today, the Bank of Portugal choose Lone Star to complete the sale of the Novo Banco and the Resolution Fund signed the transaction's contract documents.

Under the terms of the agreement, Lone Star will make capital injections in Novo Banco for a total amount of Euro 1,000,000 thousands, of which Euro 750,000 thousands at the time of the transaction completion and Euro 250,000 thousands within a period of up to 3 years.

Due to this capital injection, Lone Star will hold 75% of the capital stock of the Novo Banco and the Resolution Fund will maintain 25% of the capital.

The conditions agreed also include the existence of a contingent capitalization mechanism, under which the Resolution Fund, as a shareholder, commits to make capital injections in the event of certain cumulative conditions, related to: i) the performance of a delimited set of assets of Novo Banco and ii) with the development of the Bank's capitalization levels.

Possible capital injections to be made pursuant to this contingent mechanism benefit from a capital buffer resulting from the planned injection to be made under the terms of the operation and are subject to an absolute ceiling.

The agreed conditions also provide for mechanisms to safeguard the interests of the Resolution Fund, the alignment of benefits and supervision, despite the restrictions arising from the application of the State aid rules.

The completion of the sale is dependent on obtaining the usual regulatory authorizations (including the European Central Bank and the European Commission) and a liability management exercise, subject to the adhesion/approval of the bondholders, which will cover non-subordinated bonds of Novo Banco and that, by offering new bonds, it will generate at least Euro 500 million of own funds eligible for the calculation of the CET1 ratio. "

Resolution measure of Banif - Banco Internacional do Funchal, S.A. (Banif)
The Board of Directors of Bank of Portugal decided on 19 December 2015 to declare that Banif was "at risk or in a situation of insolvency" and to start an urgent resolution of the institution by the partial or total disposal method of its activity, which has materialized, on 20 December 2015, in the disposal of rights and obligations, representing assets, liabilities, off-balance sheet assets and assets under management of Banif to Banco Santander Totta S.A. (BST).

Most of the assets that were not disposed of were transferred to an asset management vehicle called Oitante, S.A. (Oitante), created specifically for this purpose, which has as sole shareholder the Resolution Fund, with the Oitante proceeding to the issuance of debt bonds in the amount of Euro 746,000 thousands, and a guarantee provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

The transaction involved public support, of which Euro 489,000 thousands by the Resolution Fund. The Euro 489,000 thousands assumed by the Resolution Fund were financed through a mutual agreement granted by the State.

Other relevant conditions
The resolution measures applied to BES and Banif referred to above determined that, with reference to 31 December 2016, the Resolution Fund held the entire capital stock of Novo Banco and Oitante, at the same time as the Resolution Fund contracted a loan and assumed other liabilities/responsibilities and contingent liabilities, namely:

- Effects of the application of the principle that no institutions' creditor under resolution may incur greater loss than it would have assumed may that institution had entered into liquidation/settlement.

- Negative effects arising from the resolution process resulting in additional liabilities or contingencies for the Novo Banco, S.A., which must be neutralized by the Resolution Fund.

- Legal proceedings against the Resolution Fund.

- Guarantee provided to the bonds issued by Oitante SA for a total amount of Euro 746,000 thousands, counter-guaranteed by the Portuguese State, for which Oitante, S.A. made an early repayment of Euro 90,000 thousands.

In order to fulfill the responsibilities of the Resolution Fund, in particular to repay the loans obtained and to meet other responsibilities that may arise, the Resolution Fund essentially has revenues from initial and periodic contributions of the participating institutions and the banking sector established by Law no. 55-A /2010. In this regard, the possibility of the Government establishing, through an ordinance, that participating institutions make special contributions is also expected, in the situations provided for in applicable legislation, particularly in the event that the Resolution Fund does not have its own resources to fulfill its obligations.

Since 2013, CEMG has made mandatory contributions, as established in Decree-Law no. 24/2013, of 19 February, which establishes the method for determining the initial, periodic and special contributions to the Resolution Fund provided for in the RGICSF.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which clarified that the periodic contribution to the RF should be recognised 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 the Article 9 of the aforementioned Decree-Law. CEMG is recognising 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 Banco Espírito Santo (BES). Therefore, the eventual collection of a special contribution appears to be unlikely".

In accordance with Decree-Law no. 24/2013, it is Bank of Portugal's responsibility to determine, by instruction, the rate to be applied in each year based on the objective incidence of periodic contributions. Bank of Portugal Instruction No. 19/2015, published on 29 December 29, stipulates that Portuguese banks paid contributions to the Resolution Fund in 2016, calculated at a 0.02% base rate. Instruction No. 21/2016 of the Bank of Portugal, of 26 December, sets the base rate to be effective in 2017 for the determination of periodic contributions to the Resolution Fund by 0.0291%.

In 2016, CEMG made regular contributions to the Resolution Fund in the amount of Euro 2,907 thousands and paid the contribution on the banking sector in the amount of Euro 12,793 thousands and were recognized as cost in April and June, in accordance with IFRIC No. 21 - Fees.

Under the Single European Resolution Fund ('FUR'), CEMG made an initial contribution of Euro 8,452 thousands in 2015, which within the Intergovernmental Agreement on the transfer of the contributions mutualisation to the FUR, was not transferred to the FUR but used for the fulfillment of obligations of the Resolution Fund resulting from the application of resolution measures prior to the Agreement's application date. This amount will have to be reset/supplemented over an 8-year period (starting in 2016) through periodic contributions to the FUR. The total amount of the contribution for the year 2016 attributable to CEMG was Euro 11,795 thousands, of which CEMG delivered Euro 10,022 thousands and the remainder was constituted in the form of a payment irrevocable commitment, according to the note. The FUR does not cover situations in progress on 31 December 2015 from the National Resolution Fund.

On 28 September 2016, the Resolution Fund announced that it had agreed with the Ministry of Finance to review the loan of Euro 3,900,000 thousands originally granted by the Portuguese State to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the maturity extension of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Minister of Finance announced that increases in liabilities arising from materialization of future contingencies will determine the maturity adjustment of Portuguese State and Bank loans to the Resolution Fund in order to maintain the required contribution to the banking sector at current levels.

The announcement made by the Resolution Fund at 21 March 2017 states:

- "The conditions of the loans obtained by the Fund for the financing of the resolution measures applied to Banco Espírito Santo, SA and Banif - Banco Internacional do Funchal, SA have been changed." These loans amounted to Euro 4,953,000 thousands, of which Euro 4,253,000 thousands were granted by the Portuguese State and Euro 700,000 thousands were granted by a set of banks.

- "Those loans will due in December 2046, without loss/prejudice to the possibility of early/anticipated repayment based on the use of revenues/receipts from the Resolution Fund. The maturity will be adjusted in conditions that guarantee the ability of the Resolution Fund to fully meet its obligations based on regular revenues/income and without the need for special contributions or any other extraordinary contributions. Following the resolution measures of BES and Banif, liabilities arising from contracts obtained by the Resolution Fund with the Portuguese State and the banks, compete in pari passu among themselves."

- "The review of loan conditions aimed to ensure the sustainability and financial balance of the Resolution Fund."

▸ "The new conditions allow for full payment of the Resolution Fund's liabilities and their remuneration, without the need for special contributions or any other extraordinary contributions from the banking sector."

Following these changes to the loans contracted by the Resolution Fund, with reference to 31 December 2016, the amount of credit and interest owed to CEMG totaled Euro 74,730 thousands.

In this context, considering the above-mentioned exposure, it is not possible at this date to estimate the effects on the Resolution Fund arising from: (i) the partial sale of Novo Banco holding/participation under the Bank of Portugal statement of 31 March 2017; (ii) the application of the principle that no creditor of the credit institution under resolution may incur greater loss than the one it would have assumed may that institution entered into liquidation; (iii) additional liabilities or contingencies for Novo Banco, S.A. that have to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including the so-called Harmed BES process; and (v) the guarantee given to the bonds issued by Oitante.

Thus, and regardless the possibility provided for in the applicable legislation for the collection of special contributions, given the recent developments regarding the renegotiation of the conditions of loans granted to the Resolution Fund by the Portuguese State and by a group of banks, CEMG included, and to the public announcements made by the Resolution Fund and by the Minister of Finance which state that this possibility will not be used. The financial statements, as of 31 December 2016, reflect CEMG's expectation that the institutions participating in the Resolution Fund will not be required to make special contributions or any other extraordinary contributions to finance the resolution measures applied to BES and Banif.

55 ▸ Subsidiary and associated companies of Caixa Económica Montepio Geral

As at 31 December 2016, 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.	Praia	8 996 509	Euro	Banking	100,00%	100,00%	100,00%
Montepio Holding, S.G.P.S., S.A.	Oporto	50 000	Euro	Holding company	100,00%	100,00%	100,00%

As at 31 December 2016, 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	10 000 000	Tourism	20,00%
Montepio Gestão de Activos Imobiliários, A.C.E.	Lisbon	2 449 707	Real Estates Holding Company	26,00%

As at 31 December 2015, the subsidiary companies of CEMG, are as follows:

					Grupo		Banco
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.	Praia	8 996 509	euro	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%

In June 2016, Montepio Recovery of ACE credit was settled, as referred in note 25.

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	10 000 000	Tourism	20,00%
Montepio Gestão de Activos Imobiliários, A.C.E.	Lisbon	2 449 707	Real Estates Holding Company	26,00%

As at 31 December 2016, CEMG held participation units of special purpose entities and investment funds as follows:

Subsidiary company	Establishment year	Acquisition year	Head Office	% of controlling interest	Consolidation method
Pelican Mortgages No. 1 PLC	2002	2002	Dublin	100%	Full
Valor Prime - Fundo de Investimento Imobiliário Aberto	1997	2012	Lisbon	94,5%	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

56 ▸ Impact of changes in the accounting policies

For the purpose of preparing individual financial statements with reference to 31 December 2016, CEMG applied for the first time, the Notice No. 5/2015 of the Bank of Portugal, of 30 December, which establishes that entities subject to its supervision shall prepare the financial statements on an individual basis in accordance with IFRS, as adopted, at any time, by European Union Regulation, thereby revoking Notice No 1/2005 of the Bank of Portugal, which established that the individual financial statements should be prepared in accordance with the Adjusted Accounting Standards (NCA's).

The change on 1 January 2016 of the aforementioned Notice results fundamentally from the revocation of Notice No. 3/95 of the Bank of Portugal regarding the impairment of the loan portfolio. In accordance with IAS 8, this change in the accounting policy is presented for comparative purposes as of 1 January 2015, recognizing at that date the full effect of the adoption of IFRS in equity. On this basis, the balance Other reserves and retained earnings includes, as of 1 January 2015, a restatement resulting from the change in the accounting policy referred above.

In addition, and still within the IFRS adoption, CEMG presents in the Balance Sheet with reference to 31 December 2016, the securitizations not derecognised by their net value, and only the debt issued and placed in third parties are recorded in liabilities.

Thus, CEMG restated assets and liabilities associated with these securitisations, effective as of 1 January 2015. This restatement did not result in changes in shareholders' equity, including net income.

The aforementioned restatement under IFRS can be analysed as follows:

(Thousands of Euro)

	'16			'15		
	31/12/2015	Adjustments	31/12/2015 restated	31/12/2014	Adjustments	01/01/2015 restated
Asset						
Cash and deposits at central banks and to credit institutions	408 742	-	408 742	258 206	-	258 206
Other loans and advances to credit institutions	372 776	237 704	610 480	780 988	148 036	929 024
Loans and advances to customers	14 068 976	96 484	14 165 460	14 655 838	25 579	14 681 417
Portfolio and derivatives	7 547 723	(3 839 316)	3 708 407	7 492 442	(3 028 485)	4 463 957
Deferred tax assets	449 460	(59 889)	389 571	342 393	(41 040)	301 353
Other assets	1 487 570	(17 138)	1 470 432	1 587 996	(24 144)	1 563 852
Total Assets	24 335 247	(3 582 155)	20 753 092	25 117 863	(2 920 054)	22 197 809
Liabilities						
Liabilities	4 290 572	-	4 290 572	4 134 961	-	4 134 961
Recursos de clientes	12 207 740	-	12 207 740	13 609 144	-	13 609 144
Outros passivos financeiros e derivados	6 328 415	(3 674 226)	2 654 189	5 486 464	(2 911 017)	2 575 447
Outros passivos	228 497	(51 055)	177 442	420 932	(107 116)	313 816
Total Liabilities	23 055 224	(3 725 281)	19 329 943	23 651 501	(3 018 133)	20 633 368
Equity						
Institutional capital	1 500 000	-	1 500 000	1 500 000	-	1 500 000
Participation fund	400 000	-	400 000	200 000	-	200 000
Reserves and retained earnings	(243 934)	98 079	(145 855)	(76 332)	82 178	5 846
Net income / (loss) for the year	(376 043)	45 047	(330 996)	(157 306)	15 901	(141 405)
Total Equity	1 280 023	143 126	1 423 149	1 466 362	98 079	1 564 441
Total Liabilities and Equity	24 335 247	(3 582 155)	20 753 092	25 117 863	(2 920 054)	22 197 809

The balance Other reserves and retained earnings includes, as of 1 January 2015, a restatement resulting from the change in the accounting policy referred above. The aforementioned restatement under IFRS can be analysed as follows:

(Thousands of Euro)

	Equity	Net income/(loss) for the year	Equity
	31 December 2015	31 December 2015	1 January 2015
Previously reported value	1 280 023	(376 043)	1 466 362
Revocation of Notice No. 3/95 of the Bank of Portugal	143 126	45 047	98 079
Restated values	1 423 149	(330 996)	1 564 441

57 Relevant facts

Capital increase

As at 18 March 2016, CEMG proceeded to an institutional 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 in the amount of Euro 270,000,000 thousands.

On the same date the disposal of 31,500,000 of investment units held by Montepio Investimento SA with a nominal value of Euro 31,500,000 thousands was carried out.

Additionally, and in accordance with the resolutions mentioned above, CEMG acquired from MGAM a group of real estate and securities by the amount of Euro 199,444 thousands and Euro 69,929 thousands, respectively.

Legal transformation into a limited company

Due to an asset higher than Euro 50,000.000, Caixa Económica Montepio Geral was automatically considered as a Caixa Económica Bancária, in accordance with the provisions of Article 6 no. 1 of Decree-Law No. 190/2015 of 10 September.

Pursuant to paragraph 2 of the above legal provision, the Bank of Portugal decided to transform CEMG into a public limited company, which, through its letter dated 21 November 2016, addressed to the Executive Board of Directors of CEMG , stated as follows: "We inform you that under the terms and for the purposes of articles 111 and 114 of the Administrative Procedure Code, which the Board of Directors of the Bank of Portugal deliberated on 21 November 2016, in accordance with the competence conferred by Article 6 (2) of the Decree-Law No. 190/2015, of 10 September the transformation of Caixa Económica Montepio Geral into a limited company, under the terms and grounds set out in the enclosed decision.

In addition, and in accordance with Article 6 (3) of Decree-Law No. 190/2015, the Portuguese Securities Market Commission was duly consulted by the Bank of Portugal.

The Executive Board of Directors of CEMG prepared an information report which set out the grounds for the transformation and presented a proposal of by-laws that submitted the approval of the Bank of Portugal, in accordance with Article 6 (4.a) of the Decree- Law No. 190/2015.

The Bank of Portugal has issued a positive/favorable opinion on the compliance of the information report and the proposed amendment to CEMG's by-laws, authorizing, as proposed, the transformation of this bank into a public limited company, under the terms and for the purposes of Article 6 (4.b) of the Decree-Law No. 190/2015.

At the meeting held on 4 April 2017, the General Meeting of Caixa Económica Montepio Geral approved: i) the Caixa Económica Montepio Geral by-laws, Caixa Económica Bancária, S.A .; ii) the Information Report presented by the Executive Board of Directors; iii) the transformation of Caixa Económica Montepio Geral, which was a bank with a foundational nature, into an anonymous commercial company, reaffirming the decision already taken at the General Meeting of 13 December 2016, all without prejudice to the necessary Ratification by the General Meeting of Montepio Geral - Associação Mutualista; and iv) the company resulting from the transformation will be governed by the by-laws already approved at that session.

The above mentioned resolutions adopted by the General Meeting of CEMG need to be ratified by resolution of the General Meeting of Montepio Geral - Associação Mutualista in accordance with Article 6 (4.g) of the Decree-Law No. 190/2015, Articles 32 and 33 of the CEMG's by-laws and Article 25 (g) of the Montepio Geral - Associação Mutualista's by-laws.

58 Subsequent events

After the balance sheet date and before Individual Financial Statements were authorized for issuance, there were no significant transactions and / or events that are relevant to be disclosed.

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 2016, 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.

THE CHARTERED 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

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 37
2	Description of strategies and objectives (including those specifically related to the undertaking of securitisation operations and operations with structured products);	MR, Strategy, page 34
3	Description of the importance of the activities developed and their contribution to the business (including in quantitative terms);	MR, Business Areas, page 37 FSNO, Indicators of the balance sheet and income statement by operating segment, page 222
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 37 Financial Analysis, page 54 Risk Management, page 77 FSNO, Financial assets and liabilities held for trading, page 150, Financial assets available for sale, page 154, Hedging derivatives page 161, Investments held to maturity, page 162
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**	**DOCUMENT, CHAPTER AND PAGE**
6	Description of the nature and extent of risks incurred in relation to the activities developed and instruments used;	MR, Risk Management, page 77 FSNO, Risk Management, page 231
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 77 FSNO, Risk Management, page 231 CGR, VIII Internal Control and Risk Management, page 546

Caption: MR - Management Report; FSNO - Financial Statements, Explanatory Notes and Opinions on the Accounts; CGR - Corporate Governance Report

III.	IMPACT OF THE PERIOD OF FINANCIAL TURBULENCE ON NET INCOME	DOCUMENT, CHAPTER AND PAGE
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 54
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 54 FSNO, Earnings from assets and liabilities at fair value through profit or loss, page128, Net gains from financial assets available for sale, page 129
10	Description of the reasons and factors responsible for the impact incurred;	MR, Financial Analysis, page 54, Macroeconomic Environment, page 28
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 54 FSNO, Financial Statements, page 98
12	Breakdown of write-downs between realised and unrealised amounts;	MR, Financial Analysis, page 54 FSNO, Financial assets and liabilities held for trading, page 150, Financial assets available for sale, page 154, Investments held to maturity, page 162
13	Description of the influence of the financial turbulence on the entity's share price;	MR, Participation Fund, page 92
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 77 FSNO, Risk Management, 231
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 54 FSNO, Fair Value, page 198 Risk Management, page 231

IV.	LEVELS AND TYPES OF EXPOSURE AFFECTED BY THE PERIOD OF TURBULENCE	DOCUMENT, CHAPTER AND PAGE
16	Nominal amount (or amortised cost) and fair values of outstanding exposures;	FSNO, Financial assets and liabilities held for trading, page 150, Financial assets available for sale, page 154, Investments held to maturity, page 162 Risk Management, page 231
17	Information on mitigation of credit risk (i.e. through credit default swaps) and the respective effect on existing exposure;	MR, Risk Management, page 77 FSNO, Risk Management, page 231
18	DDetailed 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 77 FSNO, Loans and advances to customers, page 142, Financial assets and liabilities held for trading, page 150, Financial assets available for sale, page 154, Investments held to maturity, page 162. Indicators of the balance sheet and income statement by operating segment, page 222, Risk Management, page 231
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 54 FSNO, Financial assets and liabilities held for trading, page 150, Financial assets available for sale, page 154, Investments held to maturity, page 162
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.	POLÍTICAS CONTABILÍSTICAS E MÉTODOS DE VALORIZAÇÃO	DOCUMENT, CHAPTER AND PAGE
22	Classification of the transactions and structured products for accounting purposes and the related accounting treatment;	FSNO, Accounting policies, page 104
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 104, Securitisation of assets, page 218
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 104
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 77 FSNO, Risk Management, page 231
VI.	OTHER RELEVANT ASPECTS IN DISCLOSURES	DOCUMENT, CHAPTER AND PAGE
26	Description of the disclosure policies and principles used in the reporting of disclosures and in financial reporting.	CGR, VIII Internal Control and Risk Management, page 546

Alternative performance measures

On 5 October 2015, the European Securities and Markets Authority published a set of guidelines - ESMA/2015/1415 - addressing the disclosure of information by entities, other than States, whose securities are admitted to trading on a regulated market and to which is required the disclosure of information as set out by the Transparency Directive 2004/109/EC of the European Parliament and of the Council.

The aforementioned guidelines aim to promote transparency and clarify the relevance of the indicators disclosed by those entities to measure their performance - Alternative Performance Measures (APM) - contributing to improve comparability, credibility and understanding of the APM.

This chapter serves the purpose of complying with the ESMA guidelines on APM related to the 2016 financial reporting, with references to the various chapters of this Report.

Caption: FS - Financial Statements. *2015 restated in accordance with IFRS5 guidelines related to the accounts of Finibanco Angola and BTM.

Balance Sheet and Extrapatrimonials

SECURITIES PORTFOLIO (PAGE 59, 61)

Definition	Sum of the items "Financial assets held for trading", "Financial assets available for sale" and "Held to maturity investments".
Relevance	Assess the relative weight of this item from an assets' structure perspective.
Components and calculus	Page 96, 150, 154, 162
Definition	(Thousands of Euro)

	2015*	2016
(a) Finantial assets held for trading	51 093	78 168
(b) Finantial assets available for sale	3 064 474	2 399 504
(c) Helt to maturity investments	26 181	1 126 125
(d) Securities portfolio (a+b+c)	3 141 748	3 603 797
(e) Total assets	21 145 216	21 345 909
% of Securities portfolio (d/e)	14,9%	16,9%

OTHER INVESTMENTS (PAGE 59)

Definition	Total assets excluding "Loans to customers", "Financial assets held for trading", "Financial assets available for sale" and "Held to maturity investments".
Relevance	Assess the relative weight of this item compared to Loans to customers and Securities portfolio from an assets' structure perspective.
Reference to FS	Page 96, 142, 150, 154 162
Components and calculus	(Thousands of Euro)

	2015*	2016
(a) Total asstes	21 145 216	21 345 909
(b) Net loans to customers	14 357 017	13 861 034
(c) Finantial assets held for trading	51 093	78 168
(d) Finantial assets available for sale	3 064 474	2 399 504
(e) Helt to maturity investments	26 181	1 126 125
(f) Other investments (a-b-c-d-e)	**3 646 451**	**3 881 078**
% of Other investments (f/a)	**17,2%**	**18,2%**

ISSUED DEBT (PAGE 63, 64)

Definition	Sum of the balance sheet items "Debt securities issued" and "Other subordinated debt".
Relevance	Assess the relative weight of this item from a funding structure perspective.
Reference to FS	Page 96, 182, 188
Components and calculus	(Thousands of Euro)

	2015*	2016
(a) Debt securities issued	2 354 202	1 920 035
(b) Other subordinated debt	332 992	251 028
(c) Issued debt (a+b)	**2 687 194**	**2 171 063**
(d) Total liabilities and equity	**21 145 216**	**21 345 909**
% of issued debt (c/d)	**12,7%**	**10,2%**

COMPLEMENTARY RESOURCES (PAGE 63)

Definition	Total liabilities excluding "Customers' resources", "Debt securities issued" and "Other subordinated debt".
Relevance	Assess the relative weight of this item compared to Customers' resources and Issued debt from a funding structure perspective.
Reference to FS	Page 96, 181, 182, 188
Components and calculus	(Thousands of Euro)

	2015*	2016
(a) Total liabilities	19 801 070	19 889 411
(b) Deposits from customers	12 540 112	12 467 819
(c) Debt securities issued	2 354 202	1 920 035
(d) Other subordinated debt	332 992	251 028
(e) Complementary resources (a-b-c-d)	**4 573 764**	**5 250 529**
(f) Total equity	1 344 146	1 456 498
(g) Total liabilities and equity (a+f)	21 145 215	21 345 909
% of complementary resources (e/g)	**21,6%**	**24,6%**

OFF-BALANCE SHEET RESOURCES (PAGE 64)			
Definition	Assets under management by the Groups' subsidiaries being a constituent part of Total customers' resources.		
Relevance	Contribute to the analysis of the evolution of total customers' resources.		
Reference to FS	Page 211		
Components and calculus			(Thousands of Euro)
		2015*	2016
	(a) Securities investment fund	219 207	177 402
	(b) Real estate investment fund	333 773	294 436
	(c) Pensions fund	196 786	205 839
	(d) Bancassurance	60 178	45 415
	Off- balance sheet resources (a+b+c+d)	809 944	723 092

Income Statement

COMMERCIAL NET INTEREST INCOME (PAGE 66)			
Definition	Results arising from interest received on loans granted to customers and interest paid on customers' resources.		
Relevance	Assess the evolution of the banking activity of financial intermediation between granting loans and deposit--taking.		
Reference to FS	Page 126		
Components and calculus			(Thousands of Euro)
		2015*	2016
	(a) Interests received from loans to customers	437 336	394 449
	(b) Interests paid on customers deposits	212 285	131 147
	Comercial net interest income (a-b)	225 051	263 302

COMPARABLE OPERATING COSTS (PAGE 66, 71)			
Definition	Sum of staff costs, general and administrative expenses and depreciation and amortisations, deducted by the impacts with the process of re-dimensioning of the operating structure and Collective Company Agreement outcome.		
Relevance	Assess the evolution of the operating costs underlying the banking activity, deducted by specific measures such as the process of re-dimensioning the operating structure and the revision of the Collective Company Agreement.		
Reference to FS	Page 95, 133, 135, 137		
Components and calculus			(Thousands of Euro)
		2015*	2016
	(a) Staff costs	191 355	165 505
	(b) General and administrative expenses	114 939	94 024
	(c) Depreciation and amortisation	23 702	24 270
	(d) Costs related to the staff reduction programme	-	35 225
	(e) Revision of the Collective Labor Agreement	-	47 321
	Operating costs, excluding costs related to the staff reduction programme and CLA revision (a+b+c-d+e)	**329 996**	**295 895**

RESULTS FROM THE COMMERCIAL ACTIVITY (PAGE 66)			
Definition	Sum of the commercial net interest income and Net fees and commissions, subtracted by the operating costs excluding specific measures such as the process of re-dimensioning the operating structure and Collective Company Agreement revision.		
Relevance	Assess the evolution of the core banking activity, excluding specific measures such as the process of re-dimensioning the operating structure and the Collective Company Agreement revision.		
Reference to FS	Page 95, 126, 127		
Components and calculus			(Thousands of Euro)
		2015*	2016
	(a) Comercial net interest income	225 051	263 302
	(b) Net fees and comissions	96 071	101 489
	(c) Operating costs, excluding costs related to the staff reduction programme and revision of the Collective Labor Agreement	329 996	295 895
	Results from the commercial activity (a+b-c)	**(8 874)**	**68 896**

Ratios

CTD RATIO: NET LOANS TO CUSTOMERS / ON-BALANCE SHEET CUSTOMERS' RESOURCES (PAGE 10, 11, 56)			
Definition	Percentage of net loans to customers funded by the total amount of on-balance sheet resources from customers.		
Relevance	Asses the leverage degree of the banking activity through the relationship between funds raised with customers and loans granted to customers.		
Reference to FS	Page 96, 142, 181, 182		
Components and calculus			(Thousands of Euro)
		2015*	2016
	(a) Loans to customers (net)	14 357 017	13 861 034
	(b) Customers' deposits	12 540 112	12 467 819
	(c) Debt securities issued	2 354 202	1 920 035
	Loans to customers (net)/On-balance sheet customers' resources (a/(b+c))	**96,4%**	**96,3%**

EFFICIENCY RATIO: COST TO INCOME, WITHOUT SPECIFIC IMPACTS (PAGE 10, 71)			
Definition	Operating efficiency ratio measured by the portion of the total operating income that is absorbed by operating costs, excluding results from financial operations, costs related to the process of re-dimensioning of the operating structure and the Collective Company Agreement revision, given the greater volatility of the first and the specificity of the latter.		
Relevance	Assess the evolution of operating efficiency underlying the banking activity, removing the volatility effect of results from financial operations and the specific impact of costs related to the process of re-dimensioning of the operating structure and the Collective Company Agreement revision.		
Reference to FS	Page 95, 128, 129, 129, 133		
Components and calculus			(Thousands of Euro)
		2015*	2016
	(a) Total operating income	403 587	371 522
	(b) Results from financial operations (i + ii + iii)	102 659	36 987
	(i) Net gain/(losses) from financial assets and liabilities trough profit or loss	(14 161)	(18 194)
	(ii) Net gain/(losses) from avalable for sale financial assets	114 451	53 736
	(iii) Net gain/(losses) from foreign exchange differences	2 369	1 445
	(c) Operating costs	329 996	283 799
	(d) Costsrelated related to the staff reduction programme	-	35 225
	(e) Revision of the Collective Labor Agreement (CLA)	-	47 321
	Cost to Income, without specific impacts ((c-d+e)/(a-b))	**109,7%**	**88,4%**

COST OF CREDIT RISK (PAGE 10, 11, 73)

Definition	Ratio that measures the cost recognized in the period, recorded as loan impairments in the income statement, to cover the risk of default of loans granted to customers.		
Relevance	Assess the quality of the loan portfolio given the cost borne with the risk of loan default.		
Reference to FS	Page 137, 142		
Components and calculus			(Thousands of Euro)
		2015*	2016
	(a) Loan impairments (annualized[1])	241 704	182 479
	(b) Average gross loans to customers[2]	15 912 409	15 318 362
	Cost of credit risck (a/b)	**1,5%**	**1,2%**

1) Annualized values considering the total number of days elapsed and total days of the year.
2) Average balance for the period. (2015: 365 days/2016: 366 days)

RATIO OF LOANS AND INTEREST OVERDUE BY MORE THAN 90 DAYS (PAGE 10, 82)

Definition	Quality ratio of the loan portfolio that measures the proportion of loans and interest overdue by more than 90 days in relation to the total loan portfolio.		
Relevance	Assess the loan quality evolution.		
Reference to FS	Page 142		
Components and calculus			(Thousands of Euro)
		2015*	2016
	(a) Loans and interests overdue by more than 90 days	1 218 086	1 371 620
	(b) Loans to customers (gross)	15 611 385	15 040 651
	Ratio of loans and interests overdue by more than 90 days (a/b)	**7,8%**	**9,1%**

COVERAGE OF LOANS AND INTEREST OVERDUE BY MORE THAN 90 DAYS (PAGE 10, 82)

Definition	Ratio that measures the proportion of impairment for loans in the balance sheet in relation to the total amount of loans and interest overdue by more than 90 days.		
Relevance	Assess the institution's ability to absorb potential losses arising from loans and interest overdue by more than 90 days.		
Reference to FS	Page 142		
Components and calculus			(Thousands of Euro)
		2015*	2016
	(a) Impairment for loans (Balance sheet)	1 254 368	1 179 617
	(b) Loans and interests overdue by more than 90 days	1 218 086	1 371 620
	Coverage of loans and interests overdue by more than 90 days (a/b)	**103,0%**	**86,0%**

CREDIT AT RISK COVERAGE RATIO (PAGE 10, 60, 82, 83)

Definition	Ratio that measures the proportion of impairment for loans in the balance sheet in relation to the total amount of credit at risk.		
Relevance	Assess the institution's ability to absorb potential losses arising from credit at risk.		
Reference to FS	Page 142		
Components and calculus			(Thousands of Euro)
		2015*	2016
	(a) Impairment for loans (Balance sheet)	1 254 368	1 179 617
	(b) Credit at risck	2 272 106	2 287 575
	Credit at risck coverage ratio (a/b)	**55,2%**	**51,6%**

CREDIT AT RISK COVERAGE RATIO, FACTORING-IN RELATED REAL ESTATE COLLATERAL (PAGE 10, 11, 60, 82, 83)

Definition	Ratio that measures the proportion between the sum of impairment for loans in the balance sheet and real estate collateral related to contracts with credit at risk, in relation to the total amount of credit at risk.		
Relevance	Assess the institution's ability to absorb potential losses arising from credit at risk, given the impairment for loans in the balance sheet and real estate collateral related to contracts with credit at risk.		
Reference to FS	Page 142		
Components and calculus			(Thousands of Euro)
		2015*	2016
	(a) Impairment for loans (Balance sheet)	1 254 368	1 179 617
	(b) Real estatre collateral related to contract with credit at risk	1 615 806	1 566 349
	(c) Credit at risk	2 272 106	2 287 575
	Credit at risk coverage ratio, factoring-in real estate collateral(a+b)/c)	**126,4%**	**120,0%**

Activity report and statement of the general and supervisory board

1 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 (hereinafter also referred to as Institution), without prejudice to the duties 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 this Board.

Duties

The Supervisory Board is, among others, responsible for performing 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;
- Assuring that the Executive Board of Directors establishes and maintains an adequate and effective internal control, particularly in the areas of reporting of financial and operating risks, compliance with the law, regulations and internal policies, operating 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.

Com Composition of the General and Supervisory Board and meetings in 2016

Following the election of the Board of Directors of Montepio Geral Associação Mutualista, Doutor Fernando Lopes Ribeiro Mendes and Dr. Virgílio Manuel Boavista Lima resigned as members of the General and Supervisory Board, taking effect from 6 January 2016, with the General and Supervisory Board henceforth being composed of 9 members:

- Álvaro João Duarte Pinto Correia, Chairman
- 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

In compliance with the provisions in number 3 of article 20 of the Articles of Association of Caixa Económica Montepio Geral, the General and Supervisory Board held meetings on at least a monthly basis in addition to any other required to comply with its obligations.

During 2016, the General and Supervisory Board held nineteen meetings with the following attendance:

Members	Attendance (physical) / Total
Álvaro João Duarte Pinto Correia	19/19
António Fernando Menezes Rodrigues	19/19
José António Arez Romão	18/19
Vítor Manuel do Carmo Martins	19/19
Francisco José Fonseca da Silva	19/19
Acácio Jaime Liberado Mota Piloto	19/19
Luís Eduardo Henriques Guimarães	17/19
Rui Pedro Brás de Matos Heitor	19/19
Eugénio Óscar Garcia Rosa	19/19

Under the terms of number 5 of article 20 of the Articles of Association of Caixa Económica Montepio Geral, the members of the Executive Board of Directors of Caixa Económica Montepio Geral attended various meetings to present and discuss relevant matters.

At these meetings, the Head of the Audit Department, the Head of the Risk Department, the Head of the Compliance Department, the Head of the Risk Department, the Head of the Credit Analysis Department, the Head of the Strategic Planning, Control and Accounting Department, the External Auditor and the Statutory Auditor participated on a regular basis and by invitation of the General and Supervisory Board.

2 Activities undertaken in 2016

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 duties attributed to this Board.

The main activities developed during 2016 are presented as follows:

Increase of Institutional Capital

Pursuant to number 4 of article 7 of the Articles of Association of Caixa Económica Montepio Geral, the General and Supervisory Board, after analysis of the proposal submitted by the Executive Board of Directors of Caixa Económica Montepio Geral at the working session of 7 March 2016, issued a favourable opinion on the increase of institutional capital up to the value of 300 million euros, based on the agreement of all the Board members.

Decisions considered strategic due to their value, risk or special characteristics

Pursuant to number 2 of article 432 of the Commercial Companies Code (Código das Sociedades Comerciais) and under the terms of subparagraph a) of number 4 of article 20 of the Articles of Association of Caixa Económica Montepio Geral, although the General and Supervisory Board is not vested with management powers concerning the Institution's activity, the Executive Board of Directors must receive its prior consent for operations that are considered strategic due to their value, risk or special characteristics.

Thus, the Executive Board of Directors submitted to the General and Supervisory Board, at its session of 16 March, a proposal for the purchase of assets from Montepio Geral Associação Mutualista. This proposal received a favourable opinion, based on the agreement of all the members of this Board.

Also during 2016, the Executive Board of Directors submitted to the General and Supervisory Board, at its session of 28 December, a proposal for the sale of housing divisions of Caixa Económica Montepio Geral to Bolsimo - Gestão de Ativos, S.A. This proposal received a favourable opinion under the proposed terms, based on the agreement of all the members of this Board.

Transformation of Caixa Económica Montepio Geral into a Public Limited Company

Under the legislative alteration of the framework of Savings Banks - Decree-Law number 190/2015 of 10 September, more specifically number 2 of article 6, Banco de Portugal deemed that Caixa Económica Montepio Geral meets the criteria for its transformation into a Public Limited Company, considering all the assumptions of complexity and risk inherent to its activity, an issue that has merited special attention and follow-up by the General and Supervisory Board.

Regulation for Communication of Irregularities

The General and Supervisory Board, pursuant to subparagraph j) of article 441 of the Commercial Companies Code, is responsible for "receiving communications of irregularities submitted by shareholders, company employees or others".

With the amendments to the legal Framework of Credit Institutions and Financial Companies (RGICSF), more specifically article 116-AA, the Regulation of Communication of Irregularities was drawn up, which defines the system for the reception, treatment and filing of reports on irregularities have allegedly occurred in the context of the activity of Caixa Económica Montepio Geral and the subsidiaries of the Caixa Económica Montepio Geral Group, where the General and Supervisory Board is entrusted with keeping a record of all the communications of irregularities covered by the scope of application of this Regulation and taking the necessary measures for their treatment.

This Regulation was approved by the Executive Board of Directors on 22 March 2016, submitted at the session of the General and Supervisory Board on 12 April 2016 and unanimously approved. The Regulation was subsequently sent to Banco de Portugal, as foreseen in number 8 of article 116-AA of the RGICSF, and approved by the regulator.

Issue of an Opinion on the Management Report and Financial Statements

The General and Supervisory Board appraised the Management Report and Financial Statements relative to 31 December 2015 which included the Individual and Consolidated Financial Statements. In its work, the General and Supervisory Board considered the opinion issued by the Statutory Auditor and by the Financial Affairs Committee on the topic indicated above and issued a favourable opinion to the approval by the General Meeting of Caixa Económica Montepio Geral.

The specific work meeting to analyse the report indicated above was attended by the Chairman of the Executive Board of Directors of Caixa Económica Montepio Geral, the member of this Board who is responsible for the financial area, the External Auditor and the Statutory Auditor, for the presentation of the results and provision of any clarifications requested by the members of this Board.

Appraisal of the Financial Information

In 2016, the General and Supervisory Board continued its regular monitoring of the financial information of Caixa Económica Montepio Geral, especially the process of preparation and disclosure of the quarterly reports, the respective financial statements and all the information made available to the supervisory entities, the market, customers and associates of Montepio Geral Associação Mutualista.

Particular attention was paid to the relevant issues identified by the External Auditor in the presentation of the limited review of the financial information relative to the third quarter of 2016, on which the General and Supervisory Board promoted the taking of a series of measures by the Executive Board of Directors of Caixa Económica Montepio Geral, considered necessary for the full contextualisation of the observed facts.

In its work, 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, the CEO and the CFO of Caixa Económica Montepio Geral.

Relations with the External Auditor and Statutory Auditor

The External Auditor and the Statutory Auditor attended six of the nineteen meetings held by the General and Supervisory Board. However, the activity undertaken by the External Auditor and Statutory Auditor was more 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.

Services other than audit services provided by the Statutory Auditor or by any member of the network

The provision of services other than audit services, and with the entry into force of Law 140/2015 of 7 September, on 1 January 2016, when they are rendered by the Statutory Auditor who conducts the legal review of the accounts, or by any member of that network, now require the prior approval of the General and Supervisory Board, as to the independence of the auditor.

During 2016, ten services other than audit services were presented, requested by the organic areas of Caixa Económica Montepio Geral and provided by KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.; by KPMG Advisory - Consultores de Gestão, S.A. and by KPMG II - Consultores de Negócios, S.A.

In its analysis, the General and Supervisory Board considered that the assumptions of independence of the Statutory Auditor were complied with in all the presented operations, having issued a favourable opinion on them.

Appraisal of the Risk, Compliance and Audit Functions

Within the scope of its competencies and responsibilities relative to the operating procedures of Caixa Económica Montepio Geral and Group subsidiaries, the General and Supervisory Board took into consideration the guidelines defined in Banco de Portugal Notice number 5/2008 and the EBA Guidelines on Internal Governance (GL44), of 27 September 2011, and used, as the main source of information, the annual Activity Plans of the Compliance Function and the Audit Function, and the annual Reports of the functions indicated above drawn up by the respective areas.

In addition, supplementary information and clarifications were collected through presentations made in plenary sessions by the Heads of those departments.

Appraisal of the Internal Control System

Following on from the work undertaken in 2015, 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 appraisal was mainly based on the information prepared by the Internal Control function.

As foreseen in its meetings plan for 2016, the General and Supervisory Board carried out various actions relative to the monitoring and assessment of the operation and adequacy of the internal control systems, namely of the weaknesses identified by the Internal and External Audit, by the Compliance Department and by Banco de Portugal, and the measures taken for their mitigation.

Regarding compliance with the duties of reporting to the supervisors and considering the work undertaken by the Financial Affairs Committee, the General and Supervisory Board issued opinions on:

- The adequacy and efficacy of the Internal Control System of Caixa Económica Montepio Geral and Group subsidiaries, in compliance with the provisions in Banco de Portugal Notice number 55/2008;
- The adequacy and efficacy of the Internal Control System, specifically concerning the Prevention of Money Laundering and Financing of Terrorism, of Caixa Económica Montepio Geral, as provided for in Banco de Portugal Notice number 99/2012.

The General and Supervisory Board considers that the Executive Board of Directors of Caixa Económica Montepio Geral has continued to give increasing and additional importance to the development and improvement of the internal control and risk management system of Caixa Económica Montepio Geral and companies included in its consolidation perimeter, namely the subsidiaries abroad.

Appraisal of Prudential and Other Reports

Throughout 2016, and at various meetings, the General and Supervisory Board analysed some of the reporting obligations to the supervisor, among which the following stand out due to their significance:

- Recovery Plan;
- Funding and Capital Plan;
- ICAAP - Internal Capital Adequacy Assessment Process.

Appraisal of operations involving credit granted to owners of qualifying holdings

In compliance with applicable legal rules, the General and Supervisory Board verified the framework for credit operations undertaken within the scope defined in article 109 of the Legal Framework for Credit Institutions and Financial Companies (RGICF).

In its analysis, the General and Supervisory Board verified whether all the presented operations were within the limits defined in the aforesaid article, having issued a favourable opinion on them.

Monitoring of the Activity of the Executive Board of Directors

During 2016, the General and Supervisory Board counted with the presence of the members of the Executive Board of Directors of Caixa Económica Montepio Geral, at various meetings, for the presentation of the implementation of the Strategic Plan concerning extremely relevant issues such as:

- Management of the financial holdings;
- Divestment of non-strategic assets;
- Resizing of staff numbers based on the "Programme of optimisation of the branch network" and the "Programme of active retirement and termination by mutual agreement";
- ARISE Project, a partnership between Norfund, FMO, Rabobank and Montepio to support growth in Africa.

During the year, the General and Supervisory Board also followed the activity of the Executive Board of Directors by reading and examining the minutes of the meetings of this Board.

Reorganisation of the Credit Recovery Structure

During 2016, the General and Supervisory Board paid special attention to the process of reorganisation of the Credit Recovery structure in progress at Caixa Económica Montepio Geral, conducting the regular monitoring and respective assessment of the actions that had already been completed and the actions still underway and/or to be finalised. This issue was also followed by the Financial Affairs Committee, and was considered by the members of the General and Supervisory Board as one of the critical points for the improvement of the Institution's results.

Project of Application for the adoption of the Internal Ratings Based Approach (IRB)

During 2016, various presentations were made to the General and Supervisory Board concerning the work developed under the Application of Caixa Económica Montepio Geral for the adoption of the Internal Ratings Based Approach (IRB), which essentially consists of strengthening and improving the risk management processes, namely the risk models used in credit analysis and the processes of recovery of overdue credit, with direct impact on the stakeholders' external recognition of the work developed on this matter.

This process has been progressively developed in various stages, and is aimed at the implementation of methodologies, processes and systems that are accepted and certified by the supervision entities pursuant to the Basel II and III regulatory requirements and beginning of the European banking supervision. When finalised, this process shall be submitted to the approval of Banco de Portugal accompanied by the opinion of the General and Supervisory Board.

Appraisal of the Guidelines and the Action Plan and Budget for 2017

The General and Supervisory Board appraised the Action Plan and Budget for 2017, and the opinion issued by the Financial Affairs Committee on this programme, and issued the favourable opinion that it should be approval by the General Meeting of Caixa Económica Montepio Geral.

3 Conclusion

After completing its fourth report, the General and Supervisory Board continues to emphasise the fruitful relations established with the Executive Board of Directors, the Departments belonging to the organic structure of Caixa Económica Montepio Geral, the External Auditor and the Statutory Auditor.

The General and Supervisory Board also highlights the appropriateness and timeliness of all the written and oral information provided by the aforesaid entities, which is an indispensable support to the exercise of the duties and responsibilities inherent to the activity of the General and Supervisory Board.

Lisbon, 28 March 2017

Eng.° Álvaro João Duarte Pinto Correia

Dr. António Fernando Menezes Rodrigues

Dr. José António Arez Romão

Dr. Vítor Manuel do Carmo Martins

Dr. Francisco José Fonseca da Silva

Dr. Acácio Jaime Liberado Mota Piloto

Dr. Luís Eduardo Henriques Guimarães

Dr. Rui Pedro Brás de Matos Heitor

Doutor Eugénio Óscar Garcia Rosa

ANNEX 1 - DELIBERATIONS, OPINIONS AND RECOMMENDATIONS

26 JANUARY

Alteration of the composition of the General and Supervisory Board)

Presentation of the member Dr. Rui Pedro Brás de Matos Heitor, representative of the Workers for the General and Supervisory Board elected on 27 October 2015, in replacement of the member Dr. Luísa Xavier, at the end of the term of office.

Following the election of the Board of Directors of Montepio Geral Associação Mutualista, Doutor Fernando Lopes Ribeiro Mendes and Dr. Virgílio Manuel Boavista Lima resigned as members of the General and Supervisory Board, taking effect from 6 January 2016.

29 FEBRUARY

Appraisal of the Internal Audit Plan for 2016

Approved unanimously.

Appraisal of the Activity and Training Plan of the Compliance Function for 2016

Approved unanimously.

Review of the Internal Regulation of the General and Supervisory Board

Approved unanimously.

07 MARCH

Appraisal of the proposal submitted by the Executive Board of Directors of Caixa Económica Montepio Geral (CEMG) to increase institutional capital up to the value of 300 million euros

Approved unanimously.

16 MARCH

Appraisal of the proposal submitted by CEMG's Executive Board of Directors for the purchase of assets from Montepio Geral Associação Mutualista

Aprovado por unanimidade.

22 MARCH

Activity Report of the General and Supervisory Board, which includes the Activity reports of the Financial Affairs Committee and the Strategic Affairs Committee for 2015

Approved unanimously.

12 APRIL

Appraisal of the Regulation for Communication of Irregularities

Approved unanimously.

20 APRIL (CONTINUATION OF THE MEETING OF 12 APRIL)

Opinion on the Management Report and all the individual and consolidated financial statements, relative to the financial year ended on 31 December 2015

The General and Supervisory Board issued the favourable opinion that this report should be approved, as well as the Executive Board of Directors' proposal to transfer the negative net income, recorded in the individual activity relative to the financial year of 2015, of the value of -376,043 thousand euros, to Retained Earnings. This opinion was approved unanimously.

12 MAY

Proposal of service other than audit services to be provided by KPMG II - Consultores de Negócios S.A. in the context of the Prevention of Money Laundering and Financing of Terrorism

Approved with one vote against cast by the member Doutor Eugénio Rosa.

30 MAY

Analysis by the General and Supervisory Board of the Interim Financial Statements (consolidated) relative to 31 March 2016

In view of the data and information provided, the General and Supervisory Board gave its consent to the Interim Financial Statements (consolidated) relative to the first quarter of 2016 (unaudited), submitted by CEMG's Executive Board of Directors.

Proposal of service other than audit services to be provided by KPMG Advisory - Consultores de Gestão, S.A. and KPMG & Associados SROC, S.A. in the context of the IRB Application Project

Approved with the abstention of the member Doutor Eugénio Rosa.

28 JUNE

Opinion of the General and Supervisory Board on the adequacy and efficacy of the Internal Control System, on a consolidated basis, of the Caixa Económica Montepio Geral Group

The General and Supervisory Board deemed that the analysed control procedures, incorporated in the internal control system as a whole (including the risk management system, the information system and the monitoring of the internal control system), operated effectively and adequately, in all materially relevant aspects, and that the internal control system was coherent in terms of the entities comprising the Group's consolidation perimeter.

Approved unanimously.

Opinion of the General and Supervisory Board on the adequacy and efficacy of the Internal Control System, on a individual basis, of Caixa Económica Montepio Geral Group

As a result of the work carried out, which was planned and implemented with the objective of obtaining a moderate degree of certainty, we are of the opinion that the analysed control procedures, incorporated in the internal control system as a whole (including the risk management system, and the monitoring of the internal control system), operate effectively and adequately, in all materially relevant aspects. Approved unanimously.

Opinion of the General and Supervisory Board on the adequacy and efficacy of the Internal Control System of the International Financial Branch of the Cayman Islands of Caixa Económica Montepio Geral

As a result of the work carried out, which was planned and implemented with the objective of obtaining a moderate degree of certainty, we are of the opinion that the analysed control procedures, incorporated in the internal control system as a whole (including the risk management system, the information system and the monitoring of the internal control system), operated effectively and adequately, in all materially relevant aspects. Approved unanimously.

Opinion of the General and Supervisory Board in the context of the Reporting Process of the Internal Control System for the Prevention of Money Laundering and Financing of Terrorism

The internal control system implemented and maintained by CEMG specifically in the context of the prevention of money laundering and financing of terrorism in June 2016, is, for the materially relevant aspects (two not materially relevant flaws were identified), appropriate in view of the legal and regulatory rules in force, namely in view of the requirements established in Banco de Portugal Notice number 5/2013 and taking into account the actual activity developed by CEMG during the period under review.

Appointment of Coordinator for the Financial Affairs Committee

Following the resignation of the member Dr. Virgílio Lima, who also performed the duty of coordinator of the Financial Affairs Committee, the member Dr. Luís Guimarães was appointed to take up this duty. Approved unanimously.

26 JULY

EIssue of Recommendation by the General and Supervisory Board to the Executive Board of Directors in the context of a credit operation of a Group Company analysed under article 109 of the RGICSF
Approved unanimously.

Issue of Recommendation by the General and Supervisory Board to the Executive Board of Directors in the context of the work prepared by the Internal Audit Department regarding "Collateral associated to loans to customers"
Approved unanimously.

17 AUGUST

Proposal of service other than audit services to be provided by KPMG Advisory - Consultores de Gestão S.A. in the context of the Installation and Licensing of KHelix Software
Approved with the abstention of the member Doutor Eugénio Rosa.

Proposal of service other than audit services to be provided by KPMG & Associados, SROC, S.A. in the context of the annual examination of the rigour of the data defined for the participants of the Eurosystem TLTRO
Approved with one vote against cast by the member Doutor Eugénio Rosa.

30 AUGUST

Analysis by the General and Supervisory Board of the Interim Financial Statements (consolidated) relative to 30 June 2016
In view of the data and information provided, the General and Supervisory Board gave its consent to the Interim Financial Statements (consolidated) relative to the first semester of 2016, submitted by CEMG's Executive Board of Directors

27 SEPTEMBER

Proposal of service other than audit services to be provided by KPMG & Associados, SROC, S.A. in the context of the issue of the Report on Impairment of the Credit Portfolio for reporting to Banco de Portugal
Approved with one vote against cast by the member Doutor Eugénio Rosa.

Proposal of service other than audit services to be provided by KPMG Advisory - Consultores de Gestão, S.A. in the context of the support to the technical documentation to be issued for the IRB Application Project
Approved unanimously.

Proposal of service other than audit services to be provided by KPMG Advisory - Consultores de Gestão, S.A. in the context of assessment and proposal of initiatives of improvement in the IT, Governance and Business Intelligence areas
Approved with one vote against cast by the member Doutor Eugénio Rosa.

Appraisal of the Financial Affairs Committee's Recommendation relative to the provision of services other than audit services by the Statutory Auditor/Audit Firm
Approved unanimously.

25 OCTOBER

Proposal of service other than audit services to be provided by KPMG Advisory - Consultores de Gestão, S.A. and KPMG & Associados SROC, S.A. in the context of the IRB Application Project
Approved unanimously.

Proposal of service other than audit services to be provided by KPMG Advisory - Consultores de Gestão S.A. to study the impact of the application of IFRS 9
Approved with one vote against cast by the member Doutor Eugénio Rosa.

Proposal of service other than audit services to be provided by KPMG & Associados, SROC, S.A. in the context of the annual review of the credit pool underlying the issue of CEMG's mortgage bonds
Approved unanimously.

29 NOVEMBER

Analysis by the General and Supervisory Board of the Interim Financial Statements (consolidated) relative to 30 September 2016
Particular attention was paid to the relevant issues identified by the External Auditor in the presentation of the limited review on the financial information for the third quarter of 2016, on which the General and Supervisory Board held a series of steps with the Executive Board of Directors of Caixa Económica Montepio General, considered necessary for the full framing of the facts observed.

06 DECEMBER

Opinion of the General and Supervisory Board on the Action Programme and Budget for 2017 of CEMG
After the favourable opinion of the Financial Affairs Committee, the General and Supervisory Board issued a favourable opinion on the Action Programme and Budget for 2017 and, under the terms of subparagraph d) of article 16 of CEMG's Articles of Association, recommended that it should be approved by the General Meeting.

This session was attended by 8 of the 9 members, and the opinion was approved unanimously.

28 DECEMBER

Appraisal of the proposal submitted by CEMG's Executive Board of Directors for sale of housing divisions of CEMG to Bolsimo - Gestão de Ativos, S.A.
Approved unanimously.

ANNEX 2 – ACTIVITY REPORT OF THE FINANCIAL AFFAIRS COMMITTEE OF 2016

1 Introduction

O âmbito de atuação da Comissão para as Matérias Financeiras, doravante The scope of activity of the Financial Affairs Committee, hereinafter also referred to as Committee, is defined in its Internal Regulation, which fully complies with the duties defined under the legal, statutory and regulatory rules applicable to this Committee.

The Committee is entrusted with performing the duties established in number 2 of article 444 of the Commercial Companies Code (Código das Sociedades Comerciais) combined with the duties attributed by the General and Supervisory Board, being responsible for monitoring and supervising the following on a permanent basis:

a) The efficacy of the internal control, internal audit and risk management system;

b) The accounting policies;

c) Monitoring the activity and independence of the external auditors.

Annually:

a) Appraisal of the annual reports and accounts on an individual and consolidated basis and issuing a draft opinion for submission to the General and Supervisory Board;

b) Appraisal of the reports concerning Internal Control, Compliance and Internal Audit, Risk, Legal Certification of the Accounts, and issuing a draft opinion for submission to the General and Supervisory Board.

Composition of the Committee and attendance of the meetings of 2016

Following the resignation of the Coordinator of the Committee, Dr. Virgílio Manuel Boavista Lima, taking effect from 6 January 2016, this Committee was composed of the following two members up to 28 June:

- Vítor Manuel do Carmo Martins
- Eugénio Óscar Garcia Rosa

The Committee, in line with the provisions defined in its Regulation, held an ordinary meeting at least once a month, as well as any others required for its compliance with its obligations. Up to 28 June 2016, 9 sessions were held.

The participation in the Committee's meetings was as follows:

Membros	Presenças (físicas) / Total
Vítor Manuel do Carmo Martins	9/9
Eugénio Óscar Garcia Rosa	9/9

A new Coordinator for the Committee was appointed at the session of the General and Supervisory Board on 28 June 2016, with the Committee henceforth having the following composition:

- Luís Eduardo Henriques Guimarães, as coordinator
- Vítor Manuel do Carmo Martins
- Eugénio Óscar Garcia Rosa

Up to the end of December 2016, this composition held 8 meetings, with the following participation:

Membros	Presenças (físicas) / Total
Luís Eduardo Henriques Guimarães	8/8
Vítor Manuel do Carmo Martins	8/8
Eugénio Óscar Garcia Rosa	8/8

2 summary of the activities undertaken in 2016

The Financial Affairs Committee, created within the General and Supervisory Board, carried out its activity in coordination with the General and Supervisory Board, the Executive Board of Directors and the different departments of the organic structure of Caixa Económica Montepio Geral (CEMG) that are most relevant to the areas of Internal Control.

The Committee received the Director of Caixa Económica Montepio Geral, Dr. João Neves, to provide information in relation to the closing of accounts of 2015.

During 2016, the Committee, at eight of its meetings and at its request, was attended by the Heads of the Credit Analysis Department (DAC), the Compliance Department (DCOMP), the Strategic Planning, Control and Accounting Department (DPECC), the Internal Audit Department (DAI) and the Risk Department (DRI).

During 2016, the External Auditor (KPMG) attended 7 of the Committee's meetings.

During 2016, the members of the Financial Affairs Committee participated, at the invitation of the Executive Board of Directors, in some of the meetings of the Supporting Committees of the Executive Board of Directors, namely the Asset and Liabilities Committee (ALCO), the Internal Control Committee, the Real Estate Risk Committee and the Risk Committee. The participation of the Financial Affairs Committee in the Committees referred to above, particularly in the Assets and Liabilities Committee (ALCO) and the Internal Control Committee promotes, without prejudice to the action and separation between the executive bodies and the supervisory body, a better monitoring and greater detail of the matters that this Committee has been entrusted to monitor.

Appraisal of the Activity Plan and Training Plan of the Compliance Function for 2016

The Committee analysed both the Activity Plan and the Training Plan of the Compliance Function in 2016, and issued a favourable opinion on them, stating that they are in line with the requirements for the regular activity of this Department.

Appraisal of the Internal Audit Plan for 2016

The Committee analysed the Internal Audit Plan drawn up for 2016 and issued a favourable opinion, noting that a periodic report should be provided with further details on the measures taken and their outcome.

Appraisal of the Management Report and Accounts for 2015

The Committee analysed CEMG's Management Report and Accounts relative to 2015, which includes the Consolidated and Individual Financial Statements, explanatory notes and respective annexes, documents provided by the Executive Board of Directors of CEMG.

The Committee met with the Chief Financial Officer (CFO) and with KPMG as Statutory Auditor and External Auditor, for additional clarifications as deemed necessary, pursuant to the duties attributed to this Committee, for the issue of a draft opinion on the Management Report and Accounts of 2015.

Thus, and as a result of the work conducted, this Committee considered that the financial information analysed and certified by KPMG, as the Statutory Auditor and External Auditor, was prepared in conformity with the applicable accounting rules, and gave its favourable opinion on the Accounts of 2015, as well as the proposed appropriation of Net Income, approved unanimously, which was submitted at the meeting of the General and Supervisory Board on 20 April 2016.

Monitoring of the Activity of the External Auditor and Statutory Auditor

In this context, the Committee held work meetings with KPMG as the External Auditor in order to monitor the activity developed, having received information from KPMG on the quarterly work and presentation of the most relevant matters that require closer monitoring.

The provision of services other than audit services, and with the entry into force of Law 140/2015 of 7 September, on 1 January 2016, when they are rendered by the Statutory Auditor who conducts the legally required audit services, or by any member of that network, now require the prior approval of the General and Supervisory Board, as to the independence of the auditor.

The Committee issued a recommendation, presented at the session of the General and Supervisory Board on 27 September 2016, aimed at clarifying the circuit and information that should accompany each request of a specific service to be provided by the External Auditor, or by any member of that network, so as to enable a fully informed analysis and decision as to the independence of the auditor.

Appraisal of the Financial Information

The Committee analysed the financial statements and trial balance sheets, on an individual and consolidated basis, and monitored the compliance with the accounting policies and practices and the reliability of the financial information, together with the appraisal of the conclusions of the work carried out during the year by the External Auditor and Statutory Auditor.

In its monitoring, the Committee paid special attention to the process of preparation and disclosure of the accounts, analysed the conclusions of the Desktop Review of the financial statements of the first and third quarters and of the Limited Review of the interim financial statements of the first semester, carried out by the External Auditor and Statutory Auditor.

Particular attention was paid to the relevant topics identified by the External Auditor in the presentation of the limited review of the financial information relative to the third quarter of 2016, due to dealing with issues relative to best practices of internal control and sensitive to the basis of presentation of the financial statements (BADF), namely the principle of the consistency of presentation and materiality, which assumes that an entity should change the presentation of its financial statements if this gives rise to more reliable and relevant information. In this regard, the General and Supervisory Board was informed that it should analyse and take a position, as soon as possible, so that the necessary measures could start to be taken for the full contextualisation of the observed facts.

Appraisal of the Efficacy of the Internal Control and Risk Management System (Risk, Compliance and Audit Functions)

In complying with this duty relative to the appraisal of the efficacy of the internal control and risk management system (Risk, Compliance and Audit Functions), the Committee considered the guidelines defined in Banco de Portugal Notice number 5/2008 in its appraisal of CEMG's operating procedures.

The main source of information of this analysis were the reports issued by the Risk, Compliance and Audit areas, supplemented by the information and clarifications presented by the External Auditor and Statutory Auditor.

The Committee recommended, to the General and Supervisory Board, the unanimously approved opinions, which are presented in the annex.

The Committee issued a recommendation which it presented at the session of the General and Supervisory Board on 27 September 2016 relative to DAI Report number 092/15 of 5 April 2016, on the auditing of the processes that support the "Montepio Factoring and Montepio Confirming" products.

The Committee, under its monitoring of the internal audit function, issued an opinion on the review of the "Organic Status of the Internal Audit Department" and review of the "Regulation of the Internal Audit Function", both approved unanimously.

Credit

The Committee held a meeting with the Head of the Strategic Planning, Control and Accounting Department (DPECC), Dr. António Figueiredo Lopes, aimed, among other issues, at the collection and analysis of information on the evolution of the portfolio of credit and credit at risk (variation in the year, portfolio value, segmentation, age structure, levels of recovery and loans written off from the assets).

Reorganisation of the Credit Recovery Structure

The Committee made a thorough examination of the reorganisation of the credit recovery structure in progress and respective assessment of the actions that have already been completed and the actions still underway/to be completed, and considers that the provided management information is still insufficient to assess the effective value of "Credit Recovery", an area of the highest relevance at CEMG.

Appraisal of the Action Programme and Budget for 2017

The Committee issued a favourable opinion on CEMG's Action Plan and Budget for 2017, approved unanimously, which was sent to the General and Supervisory Board.

Review of the Internal Regulation of the Committee

The Committee considered that it was necessary to review the Internal Regulation, and prepared the corresponding proposed alteration which was sent to the Chairman of the General and Supervisory Board, to be submitted at a plenary meeting for discussion and deliberation.

3 Conclusion

Concerning the work carried out in 2016, the Financial Affairs Committee expresses its appreciation and gratitude to the Executive Board of Directors, to the various governing bodies, to the External Auditor and to the organic units of Caixa Económica Montepio Geral, for the collaboration which enabled monitoring the Institution within the scope of its duties, in order to comply with the legal rules issued by the regulators and supervisors.

It also considers that the work carried out and the opinions/recommendations issued (approved unanimously by its members) during 2016 demonstrate that the Committee performed its duties with high standards of professional diligence, impartiality, care and loyalty, and that the information and means provided for the analysis and decision-making of this body were appropriate and sufficient.

Lisbon, 24 March 2017

Luís Eduardo Henriques Guimarães

Vítor Manuel do Carmo Martins

Eugénio Óscar Garcia Rosa

ANNEX - APPRAISAL OF THE EFFICACY OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

(RISK, COMPLIANCE AND AUDIT FUNCTIONS)

Opinions

Opinion of the General and Supervisory Board on the adequacy and efficacy of the Internal Control System, on a consolidated basis, of the Caixa Económica Montepio Geral Group.

The General and Supervisory Board deemed that the analysed control procedures, incorporated in the internal control system as a whole (including the risk management system, the information system and the monitoring of the internal control system), operated effectively and adequately, in all materially relevant aspects, and that the internal control system was coherent in terms of the entities comprising the Group's consolidation perimeter.

Opinion of the General and Supervisory Board on the adequacy and efficacy of the Internal Control System, on an individual basis, of Caixa Económica Montepio Geral Group

As a result of the work carried out, which was planned and implemented with the objective of obtaining a moderate degree of certainty, we are of the opinion that the analysed control procedures, incorporated in the internal control system as a whole (including the risk management system, and the monitoring of the internal control system), operate effectively and adequately, in all materially relevant aspects.

Opinion of the General and Supervisory Board on the adequacy and efficacy of the Internal Control System of the International Financial Branch of the Cayman Islands of Caixa Económica Montepio Geral

As a result of the work carried out, which was planned and implemented with the objective of obtaining a moderate degree of certainty, we are of the opinion that the analysed control procedures, incorporated in the internal control system as a whole (including the risk management system, the information system and the monitoring of the internal control system), operated effectively and adequately, in all materially relevant aspects.

Approved unanimously.

Opinion of the General and Supervisory Board in the context of the Reporting Process of the Internal Control System for the Prevention of Money Laundering and Financing of Terrorism

The internal control system implemented and maintained by CEMG specifically in the context of the prevention of money laundering and financing of terrorism in June 2016, is, for the materially relevant aspects (two not materially relevant flaws were identified), appropriate in view of the legal and regulatory rules in force, namely in view of the requirements established in Banco de Portugal Notice number 5/2013 and taking into account the actual activity developed by CEMG during the period under review.

Approved unanimously.

The Financial Affairs Committee considers that the Executive Board of Directors of Caixa Económica Montepio Geral has continued to give increasing and additional importance to the development and improvement of the internal control system, concerning both strategic and operating aspects, in line with the guidelines issued by the Supervision Entities.

STATEMENT OF THE GENERAL AND SUPERVISORY BOARD - 2016

Opinion of the Supervisory Board

Management Report and Individual and Consolidated Accounts relative to 2016

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 2016, 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 the: i) Balance Sheet; ii) Income Statement; iii) Cash Flow; iv) Changes in Equity and Comprehensive Net Income for the financial year of 2016 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 2016, both issued without reservations or emphases, dated 28 April 2017.

2. Concerning 2016, we highlight the following indicators, on a consolidated basis, which illustrate the way that the year progressed:

a. Net income was negative by 84.5 million euros, compared with the negative net income of 242.2 million euros in the previous year;

b. An increase of net interest income of 57.2 million euros in relation to 2015, corresponding to a relative increase of 29%;

c. A reduction of operating costs of 46.2 million euros in relation to the previous year, corresponding to a decrease of 14%;

d. Impairments and provisions for the year fell in relation to the previous year by 82.3 million euros, representing a decrease of 23.9%;

e. Total assets stood at 21,345.9 million euros, representing an increase of 0.9% in relation to the previous year. However, special note should be made of the net reduction of loans to customers of 5.5% and the financial assets held to maturity decreased by 21.8% against an expressive increase of financial assets held to maturity, which reached 1,126.2 million euros;

f. Net liabilities stood at 19,889.4 million euros, representing an increase of 0.4% in relation to the previous year;

g. The cost of credit risk stood at 1.2%, while in the previous year this figure had reached 1.5%.

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 compliance with the applicable accounting rules, enables an adequate understanding of the net worth of CEMG and its subsidiaries included in the consolidation as at 31 December 2016, 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 2016.

5. During 2016, the institutional capital was increased by 270 million euros, in order to maintain the prudential ratios in accordance with the regulatory framework and requirements of the supervisor.

6. In view of the above, the General and Supervisory Board gives its consent to the approval by the General Meeting of Caixa Económica Montepio Geral, of:

a) The management report and individual and consolidated financial statements relative to the financial year ended on 31 December 2016;

b) The Executive Board of Directors' proposal to transfer the negative net income relative to the financial year of 2016, of the value of -243,767 thousand euros on an individual basis, to Retained Earnings.

Lisbon, 28 April 2017

The Chairman of the General and Supervisory Board

Álvaro João Pinto Correia

Auditors' report to the consolidated financial statements

KPMG

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
Edifício Monumental - Av. Praia da Vitória, 71 - A, 8º
1069-006 Lisboa - Portugal
+351 210 110 000 | www.kpmg.pt

STATUTORY AUDITOR'S REPORT AND AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of **Caixa Económica Montepio Geral** (the Group), which comprise the consolidated statement of financial position as at 31 December 2016 showing a total of 21,345,909 thousand euros and total equity attributable to equity and participation fund holders of 1,433,297 thousand euros, including a net loss attributable to equity and participation fund holders of 86,484 thousand euros, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements that include a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Caixa Económica Montepio Geral** as at 31 December 2016 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described under "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics for Professional Accountants of the Portuguese Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment losses of loans portfolio

As at 31 December 2016, impairment losses to cover the credit risk of the loans portfolio and provisions for guarantees and commitments assumed amount to 1,179,617 thousands of euros and 13,857 thousands of euros, as referred to in notes 22 and 38, respectively.

The Risk	Our Response
The Group regularly assess the existence of objective evidence of impairment in its credit portfolio, following, as referred to in note 1.c), two methods: (i) individual assessment and (ii) collective assessment. The individual assessment is performed based on the assessment of existing impairment losses on a case-by-case perspective and considering the total exposure of a specific client. The loans for which no objective evidence of impairment has been identified are grouped together based on similar risk characteristics with the purpose of determining, impairment losses on a collective basis. Impairment losses on a collective assessment are determined considering: (i) historical experience of losses in portfolios with similar risk, (ii) knowledge of the current economic and credit conditions and its influence on historical losses, and (iii) estimated period between the loss occurrence and its identification. The process to determine whether impairment loss includes numerous estimates and judgments performed by the Group. This process takes into consideration assumptions such as, 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.	As part of our audit, we performed the following procedures, among others: ▪ Evaluation of design and implementation of the key controls defined by the Group related to the identification and measurement of the impairment losses. Test for a sample of key controls of its effectiveness; ▪ For a sample of selected individually assessed loans, analysis of the exposures, evaluating the assumptions used to determine and measure impairment, including (i) the valuation of the collaterals if applicable and (ii) the estimate of the recovery in case of non-performing; ▪ For credits subject to collective impairment assessment, we tested, with the support of our specialists, the underlying models, including the approval and validation processes. Additionally, we tested the adequacy and accuracy of the main assumptions used in the model; ▪ Review the disclosures made by Group, in accordance with the applicable accounting framework.

KPMG

Impairment losses of loans portfolio (continued)

The Risk	Our Response
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 the Group.	

Recoverability of deferred tax assets

As at 31 December, 2016, deferred tax assets amount to 521,716 thousands of euros, as referred to in note 32 to the consolidated financial statements.

The Risk	Our Response
Deferred taxes are calculated in accordance with the liability method based on the balance sheet (i) on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and (ii) on the tax losses carried forward to be used in future periods, using the tax rates approved or substantially approved at the balance sheet date and that are expected to be applied when the temporary differences are reversed, in accordance with the accounting policy detailed in note 1.w) to the consolidated financial statements. 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 tax losses carried forward). This area involves a significant judgment performed by the Executive Board of Directors of the Group. The Group assessed the recoverability of the deferred tax assets based on the Funding and Capital Plan for the period of 2017 to 2019 reported to Bank of Portugal and assuming an increase in the net income before taxes for the period between 2019 and 2024.	As part of our audit, we performed the following procedures, among others: ▪ Analysis of design and implementation of the key controls defined by the Group associated with the determination and measurement of deferred tax assets; ▪ Involvement of our tax specialists in the analysis of the reasonableness of current tax estimate and deferred taxes; ▪ Analysis and confirmation of the nature of the main temporary differences underlying the recognition of deferred tax assets and its recoverability under the legal timeframe applicable; ▪ Analysis of the reasonableness of the projections of taxable income prepared by the Executive Board of Directors that support the analysis of the recoverability of deferred tax assets and the underlying assumptions; and, ▪ Review the disclosures made by Group, in accordance with the applicable accounting framework.

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Recoverability of deferred tax assets (continued)

The Risk	Our Response
As referred to in note 1.aa) significant interpretations and estimates are required in determining the global amount of income taxes. Different interpretations and estimates would result in a different level of current and deferred income taxes, recognised by the Group with the consequent impact on the net income and equity.	

Measurement of non-current assets held for sale and of investment properties

As at 31 December, 2016, non-current assets held for sale net of impairment amount to 760,204 thousands of euros and investment properties amount to 607,968 thousands of euros, as referred to in notes 28 and 29 to the consolidated financial statements, respectively.

The Risk	Our Response
Non-current assets are classified as held for sale when there is an intention to sell the referred assets and when the referred assets are available for immediate sale and its sale is highly probable. In accordance with the accounting policy referred to in note 1.j) to the financial statements, non-current assets held for sale are measured at the lower of their cost and fair value less costs to sell. Investment properties are measured at fair value as referred in note 1.q). The fair value is based on market value being the expected selling price estimated through periodic valuations performed by independent experts registered with the Securities and Exchange Commission (CMVM). This area involves a significant judgment performed by the Executive Board of Directors of the Group.	As part of our audit, we performed the following procedures, among others: ▪ Analysis of design and implementation of the key controls defined by the Group associated with the non-current assets held for sale measurement process; ▪ Verification for a selected sample, of the reasonableness of the measurement to non-current assets held for sale based on the valuations performed including assumptions used by independent experts, and related impairment recognised; ▪ In relation to the investment properties, verification and analysis of the auditors reports of the financial statements of the real estate investment funds with reference to 31 December, 2016;

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Measurement of non-current assets held for sale and of investment properties (continued)

The Risk	Our Response
The use of alternative methodologies and different assumptions and estimates could result in different valuations and different level of impairment losses with a consequent impact in the income statement and equity of the Group.	▪ For a selected sample, confirmation of the ownership of non-current assets held for sale; ▪ Review the disclosures made by Group, in accordance with the applicable accounting framework.

Measurement of employee benefits liabilities

As at 31 December, 2016, employee benefits liabilities, including pensions and health benefits, amount to 712,018 thousands of euros, as referred to in note 51 to the consolidated financial statements.

The Risk	Our Response
The Group attributed benefits to its employees namely, retirement pensions, health benefits and death subsidy, in accordance with the collective labor agreement applicable to the Entity, as referred in note 1.v) to the consolidated financial statements. The present value of the liabilities related to the benefits referred above, is determined based on assumptions and estimates, including the use of actuarial projections and other factors, such as discount rate, growth rate of pensions and wages, mortality table, expected return on investments covering the liabilities, among other. The use of different assumptions and estimates could significantly impact the determination of the present value of the past service liabilities recognized by the Group.	As part of our audit, we performed the following procedures, among others: ▪ Analysis of design and implementation of the key controls defined by the Group associated with the process of determination of the main assumptions used in the determination of past service liabilities; ▪ Analysis of the benefits plan attributed to employees, including changes arising from the new collective labor agreement signed at the end of 2016 and the respective accounting impact; ▪ Analysis of the reasonableness of the actuarial assumptions used in the determination of the present value of the liabilities; ▪ Review of attributed benefits recognised on the consolidated financial statements taking into consideration the requirements established in IAS 19 – Employee benefits;

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Measurement of employee benefits liabilities (continued)

The Risk	Our Response
	▪ Read the actuarial valuation performed by the responsible actuary and discussion of the main actuarial assumptions used in the determination of the present value of past service liabilities; ▪ Review the disclosures made by Group, in accordance with the applicable accounting framework.

Resolution fund

As at 31 December, 2016, as referred to in note 60, the Group holds a loan granted to the Resolution Fund ("RF") in the amount of 74,730 thousands of euros (including accrued interest). During the year the Group, in accordance with the applicable rules, performed contributions to the RF in the amount of 3,005 thousands of euros.

The Risk	Our Response
In 2013 and within the scope of the changes in legislation as a result of the Decree-law nr 24/2013, the Resolution Fund was created ("RF"). As a result of the resolution measures approved on 3 August 2014 and 19 December 2015 in relation to Banco Espírito Santo, S.A. ('BES') and Banco Internacional do Funchal, S.A. ('BANIF'), respectively, the RF become the sole shareholder of the capital of the Entities that resulted from the referred measures (Novo Banco, S.A. and Oitante, S.A.). In order to perform the capital contributions to assume other obligations and contingent liabilities, the RF contracted loans granted by the Portuguese State and by a syndicate of credit institutions (including the Entity) (i) in the amount of 3,900,000 euros and 700,000 euros respectively to Novo Banco, S.A. and (ii) 489,000 euros to Oitante, S.A.	As part of our audit, we performed the following procedures, among others: ▪ Analysis of the contract conditions of the loan agreements and respective amendments established between the RF and the Portuguese State and the bank syndicate; ▪ Review of the accounting framework applicable to the RF contributions; ▪ Analysis of the information received from the Group related to the business plan of the RF that supports the capability of the RF to accomplished the obligations associated with the loans obtained; ▪ Review the disclosures made by Group, in accordance with the applicable accounting framework.

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Resolution fund (continued)

The Risk	Our Response
The loans obtained within the scope of BES resolution were initially contracted with a maturity in 4 August 2016 extended to December 2017. The loan obtained within the scope of BANIF resolution was initially contracted with a maturity up to 2020. However, since the end of 2016, negotiations were being held in order to increase the maturity of the referred loans taking into consideration the capacity of the RF to liquidate the obligations considering the available cash flow. On 21 March, 2017 the renegotiation of the loans granted by the Portuguese Estate and by the bank syndicate was concluded, determining a new maturity date in December 2046 and updated conditions. The main objective of this change was to requiring that the RF would be able to meet its commitments based on the annual contributions to be performed by its participants and reducing the risk of requiring extraordinary contributions. In accordance with the new contracts RF obligations to the Portuguese State and to the bank syndicate will be treat *pari passu*. Notwithstanding the change in the maturity of the loans to mitigate the risk of extraordinary contributions, it should be taken into consideration that the RF has limited sources of income, being those restricted to the periodic contributions from participants and the contribution to the banking sector, which are the same that are used to fulfill any other obligation that the RF may assume.	

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Resolution fund (continued)

The Risk	Our Response
As a result, for the purposes of the preparation of the financial statements as of 31 December, 2016, it was considered that no additional extraordinary contributions will be requested to CEMG, apart from those that results from the ordinary contributions accounted for in accordance with the applicable framework (IFRIC 21).	

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for:

- the preparation of consolidated financial statements that give a true and fair view of the consolidated financial position, the consolidated financial performance and the consolidated cash flows of the Group, in accordance with the International Financial Reporting Standards, as adopted by the European Union;
- the preparation of the consolidated management report, including the corporate governance report, in accordance with the applicable legal and regulatory requirements;
- the implementation and maintenance of an appropriate internal control system to enable the preparation of the consolidated financial statements that are free from material misstatement whether due to fraud or error;
- the adoption of accounting policies and criteria adequate to the circumstances; and
- the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, the matters that may cast significant doubt on the going concern of the operations.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor´s Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue a report comprising our opinion. Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit and we also:

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- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion
- communicate with those charged with governance, including the oversight body, among other matters, the scope and planned timing of the audit, and significant audit findings including any significant deficiency in the internal control identified during our audit;
- from the matters communicated with those charged with governance, including the oversight body, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter; and
- we state to the oversight body, that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification of the consistency of the information included in the consolidated management report with the consolidated financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of the article 451, of the Portuguese Companies Code.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the consolidated management report

In compliance with article 451, nr. 3, e) of the Portuguese Companies Code, we are of the opinion that the consolidated management report has been prepared in accordance with the applicable legal and regulatory requirements, the information contained therein is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment of the Group, we have not identified material inaccuracies.

About the corporate governance report

In compliance with article 451, nr. 4, of the Portuguese Companies Code, we are of the opinion that the corporate governance report includes the elements required by the Entity pursuant to article 245 – A of the Securities Code, and no material inaccuracies have been identified in the information disclosed therein, complying with the provisions of paragraphs c), d) , f), h), i) and m) of that article.

On the additional elements provided for in article nr. 10 of Regulation (EU) nr. 537/2014

In compliance with Article nr. 10 of Regulation (EU) nr. 537/2014 of the European Parliament and of the Council of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed auditors of the Group for the first time at the general meeting held on September 2002. We were appointed at the general meeting on 30 December 2015 for the current term from 2015 to 2018.
- The Executive Board of Directors confirmed to us that it is not aware of the occurrence of any fraud or suspected material fraud in the financial statements. In the planning and execution of our audit under ISA we have maintained professional skepticism and designed audit procedures to respond to the possibility of material misstatement of financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the financial statements due to fraud.
- We confirm that the audit opinion we issue is consistent with the additional report we prepared and delivered to the Group's oversight body on the 28 April 2017.
- We declare that we have not provided any prohibited services pursuant to article nr. 77, nr. 8 of the Statute of the Statutory Auditors Institute and that we have maintained our independence from the Group during the performance of the audit.

28 April 2017

SIGNED ON THE ORIGINAL

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
represented by
Ana Cristina Soares Valente Dourado (ROC nr. 1011)

Auditors' report to the individual financial statements

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
Edifício Monumental - Av. Praia da Vitória, 71 - A, 8º
1069-006 Lisboa - Portugal
+351 210 110 000 | www.kpmg.pt

STATUTORY AUDITOR'S REPORT AND AUDITOR'S 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.)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of **Caixa Económica Montepio Geral** (the Entity), which comprise the statement of financial position as at 31 December 2016 showing a total of 21,041,667 thousand euros and total equity of 1,389,862 thousand euros, including a net loss of 243,767 thousand euros, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the accompanying notes to the financial statements that include a summary of the significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Caixa Económica Montepio Geral** as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described under "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics for Professional Accountants of the Portuguese Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment losses of loans portfolio

As at 31 December 2016, impairment losses to cover the credit risk of the loans portfolio and provisions for guarantees and commitments assumed amount to 1,151,260 thousands of euros and 13,851 thousands of euros, as referred to in notes 21 and 36, respectively.

The Risk	Our Response
The Entity regularly assess the existence of objective evidence of impairment in its credit portfolio, following, as referred to in note 1.b), two methods: (i) individual assessment and (ii) collective assessment. The individual assessment is performed based on the assessment of existing impairment losses on a case-by-case perspective and considering the total exposure of a specific client. The loans for which no objective evidence of impairment has been identified are grouped together based on similar risk characteristics with the purpose of determining impairment losses on a collective basis. Impairment losses on a collective assessment are determined considering: (i) historical experience of losses in portfolios with similar risk, (ii) knowledge of the current economic and credit conditions and its influence on historical losses, and (iii) estimated period between the loss occurrence and its identification. The process to determine whether impairment loss includes numerous estimates and judgments performed by the Entity. This process takes into consideration assumptions such as, 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.	As part of our audit, we performed the following procedures, among others: ▪ Evaluation of design and implementation of the key controls defined by the Entity related to the identification and measurement of the impairment losses. Test for a sample of key controls of its effectiveness; ▪ For a sample of selected individually assessed loans, analysis of the exposures, evaluating the assumptions used to determine and measure impairment, including (i) the valuation of the collaterals if applicable and (ii) the estimate of the recovery in case of non-performing; ▪ For credits subject to collective impairment assessment, we tested, with the support of our specialists, the underlying models, including the approval and validation processes. Additionally, we tested the adequacy and accuracy of the main assumptions used in the model; ▪ Review the disclosures made by Entity, in accordance with the applicable accounting framework.

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Impairment losses of loans portfolio (continued)

The Risk	Our Response
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 the Entity.	

Recoverability of deferred tax assets

As at 31 December, 2016, deferred tax assets amount to 513,808 thousands of euros, as referred to in note 30 to the financial statements.

The Risk	Our Response
Deferred taxes are calculated in accordance with the liability method based on the balance sheet (i) on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and (ii) on the tax losses carried forward to be used in future periods, using the tax rates approved or substantially approved at the balance sheet date and that are expected to be applied when the temporary differences are reversed, in accordance with the accounting policy detailed in note 1.v) to the financial statements. 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 tax losses carried forward). This area involves a significant judgment performed by the Executive Board of Directors of the Entity. The Entity assessed the recoverability of the deferred tax assets based on the Funding and Capital Plan for the period of 2017 to 2019 reported to Bank of Portugal and assuming an increase in the net income before taxes for the period between 2019 and 2024.	As part of our audit, we performed the following procedures, among others: ▪ Analysis of design and implementation of the key controls defined by the Entity associated with the determination and measurement of deferred tax assets; ▪ Involvement of our tax specialists in the analysis of the reasonableness of current tax estimate and deferred taxes; ▪ Analysis and confirmation of the nature of the main temporary differences underlying the recognition of deferred tax assets and its recoverability under the legal timeframe applicable; ▪ Analysis of the reasonableness of the projections of taxable income prepared by the Executive Board of Directors that support the analysis of the recoverability of deferred tax assets and the underlying assumptions; and, ▪ Review the disclosures made by Entity, in accordance with the applicable accounting framework.

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Recoverability of deferred tax assets (continued)

The Risk	Our Response
As referred to in note 1.z) interpretations and estimates are required in determining the global amount of income taxes. Different interpretations and estimates would result in a different level of current and deferred income taxes, recognised by the Entity with the consequent impact on the net income and equity.	

Measurement of non-current assets held for sale and real estate held through real estate investment funds

As at 31 December, 2016, non-current assets held for sale net of impairment amount to 723,742 thousands of euros and real estate held through participation units of real estate investment funds accounted for as available for sale financial instruments amount to 800,151 thousands of euros, as referred to in notes 27 and 23 to the financial statements, respectively.

The Risk	Our Response
Non-current assets are classified as held for sale when there is an intention to sell the referred assets and when the referred assets are available for immediate sale and its sale is highly probable. In accordance with the accounting policy referred to in note 1.j) to the financial statements, non-current assets held for sale are measured at the lower of their cost and fair value less costs to sell. The participation units of the real estate investment funds are measured at fair value as referred in note 1.c). The fair value is based on (i) market value being the expected selling price estimated through periodic valuations performed by independent experts registered with the Securities and Exchange Commission (CMVM), in relation to the non-current assets held for sale, and (ii) net asset value of the funds that includes the valuations performed by experts also registered with CMVM.	As part of our audit, we performed the following procedures, among others: ▪ Analysis of design and implementation of the key controls defined by the Entity associated with the non-current assets held for sale and participation units of the real estate investment funds measurement process; ▪ Verification for a selected sample, of the reasonableness of the measurement to non-current assets held for sale based on the valuations performed including assumptions used by independent experts, and related impairment recognised; ▪ Verification of measurement of the real estate investment funds, including the analysis of the auditors reports of the financial statements of the funds with reference to 31 December, 2016;

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Measurement of non-current assets held for sale and real estate held through real estate investment funds (continued)

The Risk	Our Response
This area involves a significant judgment performed by the Executive Board of Directors of the Entity. The use of alternative methodologies and different assumptions and estimates could result in different valuations and different level of impairment losses with a consequent impact in the income statement and equity of the Entity.	▪ For a selected sample, confirmation of the ownership of non-current assets held for sale and participation units of real estate investment funds; ▪ Review the disclosures made by Entity, in accordance with the applicable accounting framework.

Measurement of employee benefits liabilities

As at 31 December, 2016, employee benefits liabilities, including pensions and health benefits, amount to 703,872 thousands of euros, as referred to in note 47 to the financial statements.

The Risk	Our Response
The Entity attributed benefits to its employees namely, retirement pensions, health benefits and death subsidy, in accordance with the collective labor agreement applicable to the Entity, as referred in note 1.u) to the financial statements. The present value of the liabilities related to the benefits referred above, is determined based on assumptions and estimates, including the use of actuarial projections and other factors, such as discount rate, growth rate of pensions and wages, mortality table, expected return on investments covering the liabilities, among other. The use of different assumptions and estimates could significantly impact the determination of the present value of the past service liabilities recognized by the Entity.	As part of our audit, we performed the following procedures, among others: ▪ Analysis of design and implementation of the key controls defined by the Entity associated with the process of determination of the main assumptions used in the determination of past service liabilities; ▪ Analysis of the benefits plan attributed to employees, including changes arising from the new collective labor agreement signed at the end of 2016 and the respective accounting impact; ▪ Analysis of the reasonableness of the actuarial assumptions used in the determination of the present value of the liabilities; ▪ Review of attributed benefits recognised on the financial statements taking into consideration the requirements established in IAS 19 – Employee benefits;

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Measurement of employee benefits liabilities (continued)

The Risk	Our Response
	▪ Read the actuarial valuation performed by the responsible actuary and discussion of the main actuarial assumptions used in the determination of the present value of past service liabilities; ▪ Review the disclosures made by Entity, in accordance with the applicable accounting framework.

Resolution fund

As at 31 December, 2016, as referred to in note 54, the Entity holds a loan granted to the Resolution Fund ("RF") in the amount of 74,730 thousands of euros (including accrued interest). During the year the Entity, in accordance with the applicable rules, performed contributions to the RF in the amount of 2,907 thousands of euros.

The Risk	Our Response
In 2013 and within the scope of the changes in legislation as a result of the Decree-law nr 24/2013, the Resolution Fund was created ("RF"). As a result of the resolution measures approved on 3 August 2014 and 19 December 2015 in relation to Banco Espírito Santo, S.A. ('BES') and Banco Internacional do Funchal, S.A. ('BANIF'), respectively, the RF become the sole shareholder of the capital of the Entities that resulted from the referred measures (Novo Banco, S.A. and Oitante, S.A.). In order to perform the capital contributions to assume other obligations and contingent liabilities, the RF contracted loans granted by the Portuguese State and by a syndicate of credit institutions (including the Entity) (i) in the amount of 3,900,000 euros and 700,000 euros respectively to Novo Banco, S.A. and (ii) 489,000 euros to Oitante, S.A.	As part of our audit, we performed the following procedures, among others: ▪ Analysis of the contract conditions of the loan agreements and respective amendments established between the RF and the Portuguese State and the bank syndicate; ▪ Review of the accounting framework applicable to the RF contributions; ▪ Analysis of the information received from the Entity related to the business plan of the RF that supports the capability of the RF to accomplished the obligations associated with the loans obtained; ▪ Review the disclosures made by Entity, in accordance with the applicable accounting framework.

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Resolution fund (continued)

The Risk	Our Response
The loans obtained within the scope of BES resolution were initially contracted with a maturity in 4 August 2016 extended to December 2017. The loan obtained within the scope of BANIF resolution was initially contracted with a maturity up to 2020. However, since the end of 2016, negotiations were being held in order to increase the maturity of the referred loans taking into consideration the capacity of the RF to liquidate the obligations considering the available cash flow. On 21 March, 2017 the renegotiation of the loans granted by the Portuguese Estate and by the bank syndicate was concluded, determining a new maturity date in December 2046 and updated conditions. The main objective of this change was to requiring that the RF would be able to meet its commitments based on the annual contributions to be performed by its participants and reducing the risk of requiring extraordinary contributions. In accordance with the new contracts RF obligations to the Portuguese State and to the bank syndicate will be treat *pari passu*. Notwithstanding the change in the maturity of the loans to mitigate the risk of extraordinary contributions, it should be taken into consideration that the RF has limited sources of income, being those restricted to the periodic contributions from participants and the contribution to the banking sector, which are the same that are used to fulfill any other obligation that the RF may assume.	

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Resolution fund (continued)

The Risk	Our Response
As a result, for the purposes of the preparation of the financial statements as of 31 December, 2016, it was considered that no additional extraordinary contributions will be requested to CEMG, apart from those that results from the ordinary contributions accounted for in accordance with the applicable framework (IFRIC 21).	

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the financial position, the financial performance and the cash flows of the Entity, in accordance with the International Financial Reporting Standards, as adopted by the European Union;
- the preparation of the management report, including the corporate governance report, in accordance with the applicable legal and regulatory requirements;
- the implementation and maintenance of an appropriate internal control system to enable the preparation of the financial statements that are free from material misstatement whether due to fraud or error;
- the adoption of accounting policies and criteria adequate to the circumstances; and
- the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, the matters that may cast significant doubt on the going concern of the operations.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor´s Responsibilities for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue a report comprising our opinion. Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit and we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the oversight body, among other matters, the scope and planned timing of the audit, and significant audit findings including any significant deficiency in internal control identified during our audit;
- from the matters communicated with those charged with governance, including the oversight body, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter; and
- we state to the oversight body, that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification of the consistency of the information included in the management report with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of the article 451, of the Portuguese Companies Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the management report

In compliance with article 451, nr. 3, e) of the Portuguese Companies Code, we are of the opinion that the management report has been prepared in accordance with the applicable legal and regulatory requirements, the information contained therein is consistent with the audited financial statements and, taking into account the knowledge and assessment of the Entity, we have not identified material inaccuracies.

KPMG

About the corporate governance report

In compliance with article 451, nr. 4, of the Portuguese Companies Code, we are of the opinion that the corporate governance report includes the elements required by the Entity pursuant to article 245 – A of the Securities Code, and no material inaccuracies have been identified in the information disclosed therein, complying with the provisions of paragraphs c), d) , f), h), i) and m) of that article.

On the additional elements provided for in article nr. 10 of Regulation (EU) nr. 537/2014

In compliance with Article nr. 10 of Regulation (EU) nr. 537/2014 of the European Parliament and of the Council of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- We were appointed auditors of the Entity for the first time at the general meeting held on September 2002. We were appointed at the general meeting on 30 December 2015 for the current term from 2015 to 2018.
- The Executive Board of Directors confirmed to us that it is not aware of the occurrence of any fraud or suspected material fraud in the financial statements. In the planning and execution of our audit under ISA we have maintained professional skepticism and designed audit procedures to respond to the possibility of material misstatement of financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the financial statements due to fraud.
- We confirm that the audit opinion we issue is consistent with the additional report we prepared and delivered to the Entity's oversight body on the 28 April 2017.
- We declare that we have not provided any prohibited services pursuant to article nr. 77, nr. 8 of the Statute of the Statutory Auditors Institute and that we have maintained our independence from the Entity during the performance of the audit.

28 April 2017

SIGNED ON THE ORIGINAL

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
represented by
Ana Cristina Soares Valente Dourado (ROC nr. 1011)

Montepio

Part III

Corporate Government Report

Introductory Part

1 Introduction

Article 245-A of the Securities Market Code, entitled «annual information on corporate governance», imposes that issuers of shares listed for trading on regulated markets disclose information referred to therein on corporate governance structure and practices.

The application to Caixa Económica Montepio Geral (CEMG) of the aforementioned article 245-A and of the Regulation implementing this article is based on a double analogy, which imposes the subjection of this entity to a legal framework designed for corporate type institutions where listed shares are deemed equivalent to the participation units of CEMG's participation fund.

The questionnaire used to assess compliance with these obligations was designed pursuant to an orthodox model of corporate organisation, so there are questions whose reply required adaptation to the nature of CEMG and the units it has issued.

2 Statutory framework of the CEMG Group

Nature of Caixa Económica Montepio Geral

"Savings banks[2]" are equivalent to banks and, as such, can develop all legally permitted activities, being incorporated in the form of public limited liability companies. CEMG is a savings bank that is currently in process of transformation into a public limited company, with its draft articles of association having been approved on 22 November 2016, at an Extraordinary General Meeting. Under the terms and for the purposes established in Decree-Law 190/2015, of 10 September, Banco de Portugal issued a favourable opinion on the conformity of the Informative Report and Draft Articles of Association of CEMG towards the transformation of this savings bank into a public limited liability company, as proposed by the respective Executive Board of Directors, and authorised the amendments to the aforesaid Draft Memorandum of Association, derived from this transformation, under article 34 of the Legal Framework of Credit Institutions and Financial Companies. Therefore, at the Extraordinary General Meeting held on 4 April 2017, CEMG decided to approve the Informative Report and Draft Articles of Association of CEMG, under the precise terms that received Banco de Portugal's agreement, with the consequent approval of the transformation of CEMG into a public limited liability company. It was also decided that CEMG's Executive Board of Directors should conduct all the necessary acts for the enforcement of this transformation, without prejudice to the competencies conferred to Montepio Geral - Associação Mutualista. The collaboration of Montepio Geral - Associação Mutualista shall be required for the expedite completion of the ratification of the decision to transform CEMG into a public limited liability company, under the terms and for the purposes of article 6, number 4, subparagraph g) of Decree-Law 190/2015, of 10 September.

During 2016, Montepio Geral - Associação Mutualista (MGAM) continued to be the sole shareholder of CEMG's institutional capital, and was therefore represented at CEMG's general meeting composed of the members of the General Board of this Association, who 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 the collective institutional interest of the mutual association, therefore being trustees of a collective interest.

In view of the above, during 2016, the foundational nature continued to be the pillar of CEMG's corporate governance model. This corporate framework of CEMG shall only be altered: (i) with the effective transformation of the company into a public limited liability company, after finalisation of the procedural terms defined in number 4 of article 6 of the Legal System for Savings Banks and in article 36 of CEMG's articles of association; and (ii) as derived from the amendment of the articles of association under the provisions in number 1 of article 34 of the Legal Framework of Credit Institutions and Financial Companies[3]. It should also be noted that the decisions taken at the Extraordinary General Meeting of 4 April 2017, as to CEMG's transformation into a public limited liability company, shall only take effect after its commercial registration. CEMG's share capital shall be entirely represented by ordinary shares.

Participation fund

The features of CEMG's participation fund are established in article 8 of the Articles of Association, and embody the principles of a contract of association in participation[4], 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 them, iv) possibility of the associate being a legal person. The issue of the participation fund enabled creating a source of inflow of capital available for third parties, alongside the institutional capital, but from which MGAM was also not excluded. It should be noted that CEMG's capital could only be funded by contributions from MGAM, founder of CEMG, and by incorporation of CEMG's own reserves.

[2] Decree-Law 190/2015, of 10 September

[3] Decree-Law 298/92, of 31 December
[4] Decree-Law 231/81, of 28 July

In opening CEMG's capital to contributions from the general public, some limitations were established to the holding of securities by third parties, namely with the definition of a maximum subscription limit of 10% of total participation units per holder, with the exception of Private Social Solidarity Institutions, for which the established limit was 30%.

Holders of participation units representing CEMG's Participation Fund are attributed a series of economic rights, namely: i) the right to receive an annual remuneration when, conditional to the existence of sufficient net income, the General Meeting so decides under proposal of the Executive Board of Directors; ii) the right to reimbursement of the participation units, in the case of CEMG's dissolution, being eligible to receive some of the final balance of the settlement with MGAM, after the remaining creditors have been paid up, including those who hold other subordinate credit which are entitled to a proportional part of this balance corresponding to the value of the institutional capital, while the participation unit holders are entitled to the remaining part, divided among them in proportion to the participation units held; iii) the right to have their participation in the Participation Fund being increased, so as not to dilute the equity participation of each holder in the event of any future increases of institutional capital, whether by entry of new capital or by incorporation of CEMG's reserves.

Following the process underway of transformation into a public limited liability company, decided at the Extraordinary General Meeting held on 4 April 2017, CEMG's capital shall be entirely represented by ordinary shares, after commercial registration of the new Articles of Association.

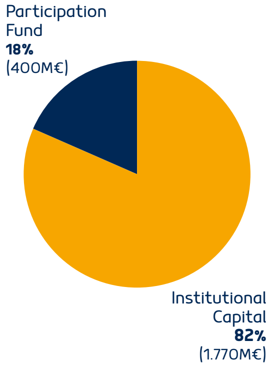
PART I
Information on Shareholder Structure, Organization and Corporate Governance

A ▸ Shareholder structure

1. CAPITAL STRUCTURE

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 (Article 245-A, number 1, subparagraph a))
CEMG's capital is divided between Institutional Capital, of the value of 1,770,000,000 euros, as at 31 December 2016, fully paid-up by and allocated to Montepio Geral - Associação Mutualista, and the Participation Fund, of the value of 400,000,000 euros, represented by 400,000,000 Participation Units, with a nominal value of 1 euro each, which are listed for trading on Lisbon Euronext (ISIN Code: PTCMHUIM0015).

CEMG Capital



Pursuant to article 6 of CEMG's Articles of Association, the institutional capital and the Participation Fund are capital items and funds of CEMG. However, as detailed in the introduction (point 2. Statutory Framework of the CEMG Group), the Participation Units do not entitle their holders to any voting rights.

Restrictions on the transferability of shares, such as clauses of consent for divestment or limits to the holding of shares (article 245-A, number 1, subparagraph 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 been listed for trading on a regulated market (NYSE Euronext Lisbon) since 17 December 2014. This complex financial instrument is an (atypical) equity security, for the purposes of article 1, subparagraph g), of the Securities Code (Cód. CVM).

Transfers of Participation Units, between accounts integrated in the Central Securities Depository (CVM), are undertaken in conformity with the procedures for this purpose in force at Interbolsa. The initial and subsequent records entered in individual registration accounts are based on the written request from the transferor or through documents sufficient to prove the fact to be registered.

When the applicant of the transfer record does not deliver any written document and this is not required to validate or to prove the transfer, the Financial Intermediary affiliated to Interbolsa, responsible for the registration, should provide a written note to justify the registration.

Number of treasury shares, percentage of corresponding share capital and percentage of voting rights to which the treasury shares would correspond (article 245-A, number 1, subparagraph a))
As at 31 December 2016, CEMG held, through the subsidiary Montepio Investimento S.A., a total of 80,918 Participation Units of CEMG's Participation Fund, corresponding to 0.02 % this Fund.

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).

Significant agreements of which the company is a party and which enter into force, are altered or cease in the event of a change of control of the company following a public take-over bid, as well as the respective effects, unless, due to their nature, their disclosure would be seriously harm the company, unless the company is specifically obliged to disclose this information due to other legal requirements (article 245-A, number 1, subparagraph j))
Montepio Geral Associação Mutualista is the only entity holding CEMG's institutional capital.

Consequently, and as explained in the introduction of this Report (point 2. Statutory Framework of the CEMG Group), such agreements are not permitted under the CEMG Group's Statutory Framework.

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
Montepio Geral Associação Mutualista is the only entity holding CEMG's institutional capital.

Consequently, and as explained in the introduction of this Report (point 2. Statutory Framework of the CEMG Group), the existence of such defensive measures is not permitted under the CEMG Group's Statutory Framework.

Shareholders' agreements that are known to the company and might lead to restrictions on matters of the transfer of securities or voting rights (article 245-A, number 1, subparagraph g))
There are no shareholder agreements which CEMG is aware of.

2. EQUITY STAKES AND BONDS HELD

Identification of natural or legal persons which, directly or indirectly, own qualifying holdings (article 245-A, number 1, subparagraphs c) and d), and article 16), detailing the percentage of capital and votes attributed and the source and causes of imputation
CEMG's institutional capital is characterised as a capital endowment fund regarding which only Montepio Geral - Associação Mutualista has economic interests, as explained in the introduction (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 Participation Units representing the Participation Fund of CEMG, it became subject to a specific legal framework and is now identified as a "publicly traded company".

In this context, the list of holders of qualifying holdings, relative to the participation units (PUs) representing the Participation Fund of CEMG, with reference to 31 December 2016, is as follows:

Ownership	PUs	% of total amount of issued PUs
Montepio Geral Associação Mutualista	284.113.190	71,03

Note: Positions holding Participation Units representing more than 2% of CEMG's Participation Fund registered at the Central Securities Depository (CVM).

It is important to point out that the Participation Units do not entitle their holders to any voting rights, as established in article 8 of the Articles of Association of CEMG and explained in the introductory part (point 2. Statutory Framework of the CEMG Group).

Information on the number of shares and bonds held by members of the management and supervisory bodies

Held on 31 December 2016	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
Vítor Manuel do Carmo Martins	4.563
António Fernando Menezes Rodrigues	4.563
Rui Pedro Brás de Matos Heitor	500

Special powers of the management body with regard to resolutions on share capital increases (article 245-A, number 1, subparagraph i), indicating, with respect to these powers, the date on which they were attributed, period until which this competence may be exercised, maximum quantitative limit of the share capital increase, amount already issued under the attribution of powers and method of accomplishment of the attributed powers

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.

Information on any significant business relationships between the holders of qualified holdings and the company

The credit granted to holders of qualifying holdings is monitored under article 109 of the Legal Framework of Credit Institutions and Financial Companies (RGICSF).

As at 31 December 2016, the credit granted to holders of qualifying, via funding to the Group Montepio Geral - Associação Mutualista, stood at 42 million euros and the balance relative to "Other payables" stood at 37 million euros.

B Governing bodies and commissions

1. GENERAL MEETING

Composition of the Board of the General Meeting

Details and position of the members of the Board of the General Meeting and respective term of office

The composition of the General Meeting for the term of office which ends on 31 December 2018 is as follows:

Board of the General Meeting	
Chairman	Manuel Duarte Cardoso Martins
First Secretary	Cassiano Cunha Calvão

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 Secretary and respective services.

Exercising the right to vote

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 (article 245-A, number 1, subparagraph f)

Pursuant to article 6 of CEMG's Articles of Association, 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 participation units of the Participation Fund of CEMG, "The Participation 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 aforesaid 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.

Indication of the maximum percentage voting rights that may be exercised by a single shareholder or by shareholders engaged in any of the relations listed in number 1 of article 20

Montepio Geral Associação Mutualista is the only entity holding CEMG's institutional capital.

Consequently, and as explained in the introduction of this Report (point 2. Statutory Framework of the CEMG Group), the existence of further shareholders is not permitted under the CEMG Group's Statutory Framework.

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
Pursuant to article 15, number 2 of CEMG's Articles of Association, decisions adopted at extraordinary meetings which imply increased costs or decreased revenues or that refer to the reform or amendment of the Articles of Association, merger, demerger, dissolution and incorporation of or in Caixa Económica, or that authorise it to make demands to the members of the corporate bodies, are only valid if approved by two thirds of the votes of those present and their enforcement depends on ratification by the General Meeting of Montepio Geral. The same applies in relation to the transformation pursuant to article 33 which operates via article 32.

2. MANAGEMENT AND SUPERVISION

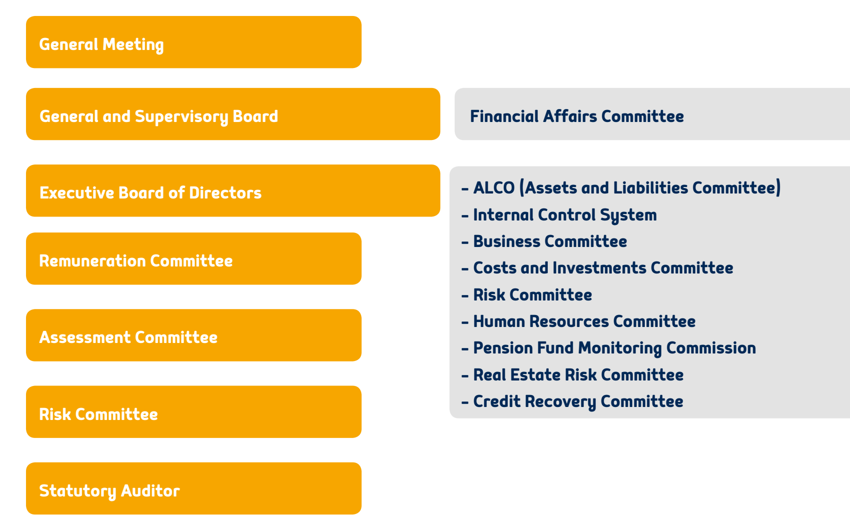
Composition

Details of the corporate governance model adopted
The CEMG Group is composed of the following companies, which have a group and/or controlling relationship with CEMG:

CEMG's governance model, being a two-tier model, is composed of 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.

CEMG's governance model may be presented schematically as follows:



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
The General Meeting held on 30 April 2015, continued on 27 May 2015, approved the partial amendment of CEMG's articles of association, 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, number 8.

One of the key changes 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 CEMG's General Meeting, i.e. all the members of the General and Supervisory Board are no longer appointed ex-officio.

The Executive Board of Directors and the General and Supervisory Board were elected on 5 August 2015 for the term of office that ends on 31 December 2018.

Pursuant to the Articles of Association, the Executive Board of Directors functions as a body, being able to deliberate provided the majority of its members are present. The decisions of the Executive Board of Directors are taken by the majority of the votes of the members present, with the Chairman having the 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 Executive Board of Directors can be altered by a qualifying 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 Legal Framework of Credit Institutions and Financial Companies (RGICSF), are subject to prior assessment by Banco de Portugal, must declare, in the application for membership, that they will terminate any positions considered incompatible with the performance of their duties.

The members of the General and Supervisory Board are elected at CEMG's General Meeting, which also appoints the Chairman.

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 full 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 members of the General and Supervisory Board and Executive Board of Directors with the statutory duration of the term of office, date of first appointment and term of office end date:

Name	Position	Date of first appointment	Term of office end date
Álvaro João Duarte Pinto Correia	Chairman	2015-10-01	2018-12-31
António Fernando Menezes Rodrigues	Member	2015-10-01	2018-12-31
José António Arez Romão	Member	2015-10-01	2018-12-31
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 Henriques Guimarães	Member	2015-10-01	2018-12-31
Rui Pedro Brás de Matos Heitor	Member	2015-10-01	2018-12-31
Eugénio Óscar Garcia Rosa	Member	2015-10-01	2018-12-31

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:

Name	Position	Date of first appointment	Term of office end date
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

Distinction between executive and non-executive members of the Board of Directors and, for 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 CEMG's Executive Board of Directors are executive members, none of whom are independent.

The independent members of the General and Supervisory Board 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

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.

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 qualifying holdings that are greater than 2% of the voting rights
The existence of family, professional or business relationships with shareholders with qualifying holdings greater than 2% of the voting rights is not permitted under the CEMG Group's statutory framework, due to the foundational nature of the institutional capital, as specified in the introductory part of this report (point 2. Statutory Framework of the CEMG Group).

There are no regular and significant family, professional or business relations between members of the General and Supervisory Board and Executive Board of Directors with shareholders holding qualifying stakes in the Participation Fund, identified in point 7.

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 is responsible for:

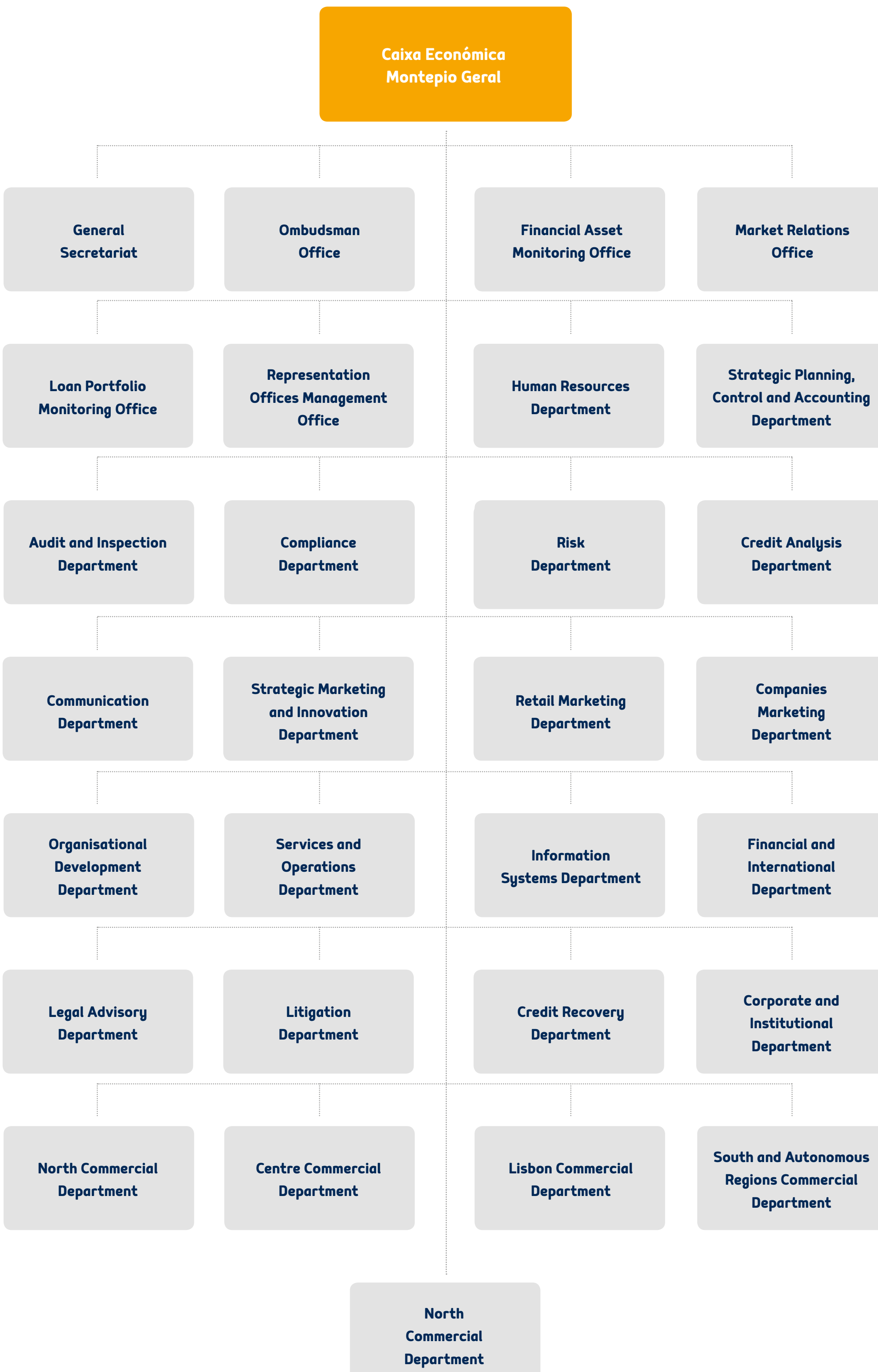
- a) Performing an advisory role and ensuring the continuous assessment of the Institution;
- b) Analysing the financial reporting documents and the minutes of the meetings of the Executive Board of Directors;
- c) Supervising the risk and financial reporting policies;
- d) Monitoring the financial performance 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 any non-compliance with the legal rules, Articles of Association and established policies.

The Chairman of the General and Supervisory Board 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 decisions.

The Executive Board of Directors is the body responsible for CEMG's management, in particular for:

- 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 the annual budget;
- Deciding on the increase of institutional share capital and on the issue of securities representing units of the participation fund, within the statutorily permitted limits;
- Deciding on the opening and closing of branches and of any other form of representation;
- Deciding on the acquisition, disposals 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 Executive Board of Directors, 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 Executive Board of Directors. Whenever necessary, adjustments are made to the organic structure, with the adaptations and improvements deemed essential. CEMG's organic structure is presented below:



The responsibilities of the organic units of CEMG and of subsidiary companies, where the members of the Executive Board of Directors of CEMG exercise supervision or perform duties as members of the respective management bodies, are distributed as follows:

José Morgado (Alternate Member: João Neves)
- Human Resources Department;
- Communication Department;
- Audit and Inspection Department;
- Compliance Department;
- Strategic Marketing and Innovation Department;
- Ombudsman Office;
- General Secretariat.

Subsidiary companies:
- Finibanco Angola, SA;
- BTM - Banco Terra, SA.

João Neves (Alternate Member: João Lopes Raimundo)
- Financial and International Department;
- Strategic Planning, Control and Accounting Department;
- Market Relations Office.

Subsidiary companies:
- Banco MG Cabo Verde, Soc. Unipessoal, SA;
- Montepio Holding SGPS, SA.

Luís Almeida (Alternate Member: João Lopes Raimundo)
- North Commercial Department;
- Centre Commercial Department;
- Lisbon Commercial Department;
- South and Autonomous Regions Commercial Department;
- Retail Marketing Department;
- Representation Offices Management Office;
- Loan Portfolio Monitoring Office.

Subsidiary companies:
- Montepio Crédito, Instituição Financeira de Crédito, SA.

João Lopes Raimundo (Alternate Member: Luís Almeida)
- Corporate and Institutional Department;
- Social Economy and Public Sector Department;
- Companies Marketing Department;
- Credit Recovery Department;
- Financial Asset Monitoring Office.

Subsidiary companies:
- Montepio Investimento, SA.

Fernando Santo (Alternate Member: 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 Member: Fernando Santo)
- Services and Operations Department;
- Information Systems Department;
- Organisational Development Department.

Luís Jesus (Alternate Member: João Neves)
- Risk Department;
- Credit Analysis Department.

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 its chairman, these members should be independent from the members of the Executive Board of Directors of CEMG and, in general, from matters on which they deliberate, and should include at least one member with knowledge and experience in matters of remuneration policy. The Remuneration Committee is responsible for performing the duties defined by Law, in compliance with the remuneration policy approved at the General Meeting.

The Assessment Committee is composed of three members elected at the General Meeting, which also appoints the Chairman. These members should be independent and competent to perform the duties in question. The Assessment Committee is responsible for performing the duties 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 position at the General Meeting, which also appoints the Chairman. The Risk Committee is responsible for performing the duties defined by Law.

Operation

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 regard 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.

The Institution's website **www.montepio.pt** provides general information on CEMG, including the operating regulations of the Executive Board of Directors, the General and Supervisory Board and the Financial Affairs Committee.

Number of meetings held and the attendance report for each member of the General and Supervisory Board and the Executive Board of Directors
CEMG's Articles of Association establish that the General and Supervisory Board 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 2016, the General and Supervisory Board held nineteen meetings with the following attendance:

Members	Physical Attendance/ Total
Álvaro João Duarte Pinto Correia	19/19
António Fernando Menezes Rodrigues	19/19
José António Arez Romão	18/19
Vítor Manuel do Carmo Martins	19/19
Francisco José Fonseca da Silva	19/19
Acácio Jaime Liberado Mota Piloto	19/19
Luís Eduardo Henriques Guimarães	17/19
Rui Pedro Brás de Matos Heitor	19/19
Eugénio Óscar Garcia Rosa	19/19

During 2016, the Executive Board of Directors held 110 meetings with the following attendance:

Members	Physical Attendance/ Total
José Manuel Félix Morgado	89/110
João Carlos Martins da Cunha Neves	90/110
Luís Gabriel Moreira Maia Almeida	102/110
Fernando Ferreira Santo	97/110
João Belard da Fonseca Lopes Raimundo	101/110
Jorge Manuel Viana de Azevedo Pinto Bravo	97/110
Luís Miguel Resende de Jesus	104/110

Details of the bodies which are competent to carry out the performance assessment of the executive directors

Without prejudice to the powers of the General and Supervisory Board, the body that is competent to assess the performance of the executive directors is the Assessment Committee, which was elected at the General Meeting of Caixa Económica Montepio Geral on 5 August 2015.

Predefined 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 Institution's overall strategy approved by the General Meeting.

The predefined 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 are then implemented by the Remuneration Committee elected by that same body. This internal selection and evaluation policy was approved at the General Meeting of 2015[5], in compliance with the:

- a) Legal Framework of Credit Institutions and Financial Companies;
- b) Commercial Companies Code, approved by Decree-Law 262/86, of 2 September, as amended;
- c) Guidelines of the European Banking Authority (EBA) GL44, of 27 September 2011, on the internal governance of the institutions, 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 duties;
- d) Legal System for Savings Banks, approved by Decree-Law 190/2015, of 10 September.

The predefined criteria for the assessment of the performance of the executive directors are presented in point 69 and Annex II. This statement on the remuneration policy for the management and supervisory bodies describes the applicable remunerative status.

The availability of each member of the General and Supervisory Board and Executive Board of Directors, 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 boards throughout the financial year

The positions held by the Executive Board of Directors in subsidiary companies are detailed in Annex I of this Report.

[5] Session of 30 April 2015

Committees within the management or supervisory body and managing directors

Details of the committees created within the General and Supervisory Board and the Executive Board of Directors

The General and Supervisory Board, within the scope of its competencies, appointed the Financial Affairs Committee from among its members.

Within the Executive Board of Directors, with a view to supporting this body in the strategic management process of the Institution, nine Committees have been created:

COMMITTEE	Coordinator[6]	Members/Organic Units
Alco (Assets and Liabilities Committee)	João Neves	Executive Board of Directors; Strategic Planning, Control and Accounting Department (Secretary); Risk Department; Financial and International Department; Audit and Inspection Department (observer); Compliance Department.
Internal Control	José Morgado	Executive Board of Directors; Audit and Inspection Department (Secretary); Strategic Planning, Control and Accounting Department; Risk Department; Compliance Department; Organisational Development Department; Information Systems Department; Other non-permanent members[7].
Business	Luís Almeida	Executive Board of Directors; Retail Marketing Department (Secretary); Companies Marketing Department; Information Systems Department; Strategic Planning, Control and Accounting Department; Organisational Development Department; Risk Department; Legal Advisory Department; Compliance Department. Other non-permanent members[8].
Costs and Investments	Jorge Bravo	Executive Board of Directors; Strategic Planning, Control and Accounting Department (Secretary); Organisational Development Department; Other non-permanent members.
Risk	Luís Jesus	Executive Board of Directors; Risk Department (Secretary); Strategic Planning, Control and Accounting Department; Compliance Department; Audit and Compliance Department (observer); Other non-permanent members[9].

[6] Member of the Executive Board of Directors with the respective area of responsibility.
[7] Representatives of the entities of the consolidation perimeter covered by the Internal Control System, according to the agenda of those meetings.
[8] Various Organic Units will, on a case by case basis, be called to each Committee according to the agenda that is defined.
[9] Commercial Directors and Financial and International Department, Credit Analysis Department and Credit Recovery Department

COMMITTEE	Coordinator	Members/Organic Units
Human Resources	▸ José Morgado	▸ Executive Board of Directors; ▸ Human Resources Department (Secretary); ▸ Legal Advisory Department; ▸ Strategic Planning, Control and Accounting Department.
Monitoring of the Pension Fund	▸ João Neves	▸ Executive Board of Directors; ▸ Strategic Planning, Control and Accounting Department (Secretary); ▸ Human Resources Department; ▸ Risk Department; ▸ Financial and International Department; ▸ Pension Fund Management Company.
Real Estate Risk	▸ Fernando Santo	▸ Executive Board of Directors; ▸ Montepio Gestão de Activos Imobiliários (Secretary); ▸ Strategic Planning, Control and Accounting Department; ▸ Risk Department; ▸ Montepio Valor; ▸ Credit Recovery Department.
Credit Recovery Committee	▸ João Lopes Raimundo	▸ Executive Board of Directors; ▸ Credit Recovery Department (Secretary); ▸ Credit Analysis Department; ▸ Risk Department; ▸ Other non-permanent members[11]

The Support Committees are coordinated by a member of the Executive Board of Directors (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 operation. 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.

Composition, if applicable, of the Executive Committee and/or details of the board delegates

The existence of an Executive Committee is not permitted under the CEMG Group's statutory framework, as the actual Board of Directors is only composed of executive members.

Indication of the areas of competence of each of the created committees and commissions, and summary of the activities developed during performance of these competencies

Financial Affairs Committee

The Financial Affairs Committee, created within the General and Supervisory Board, is entrusted with performing the duties attributed by this Board in combination with those established in number 2 of article 444 of the Commercial Companies Code, defined in its Regulation, which fully complies with the competencies defined in the legal, statutory and regulatory rules applicable to this Committee.

The mission of the Financial Affairs Committee is to permanently monitor and supervise the efficacy of the internal control systems, compliance, internal audit and risk management, the accounting policies and the monitoring of the activity and independence of the external auditors.

The Financial Affairs Committee exercised its activity in coordination with the General and Supervisory Board, the Executive Board of Directors and the various departments of CEMG's organic structure of greater relevance to the areas of Internal Control and during 2016, at some of its meetings and upon request, which were attended by the managers of the Credit Analysis Department, the Compliance Department, the Strategic Planning, Control and Accounting Department, the Internal Audit Department, the Risk Department and the External Auditor (KPMG).

During 2016 the members of the Financial Affairs Committee participated, at invitation of the Executive Board of Directors, in some of the meetings of its Supporting Committees, namely the Assets and Liabilities Committee (ALCO), the Internal Control Committee and the Real Estate Risk Committee, enabling, without prejudice to the separation between the executive bodies and the supervisory bodies, a better monitoring and greater detail of the matters that this Committee has been entrusted to monitor.

ALCO (Assets and Liabilities Committee)

ALCO is responsible for monitoring the overall management of CEMG's liquidity and capital position, through the monitoring of the risks inherent to the activity developed, including the control of CEMG's risk profile, certifying that it includes all relevant risks, and for assessing the risk management strategy and policies expressed in the strategic measures defined by the business model in the approved budget action programme and in the Funding & Capital Plan. This committee is also responsible for detecting or predicting situations of risk that compromise or might compromise the defined risk strategy, and for the continuous analysis of actual and prospective results, with a view to identifying opportunities to optimise the balance sheet structure, liquidity, asset quality and profitability, as well as promoting ongoing debate on strategies and policies to assess the capital and level of risks to which CEMG is or might be exposed.

The assessment of the Recovery Plan aimed at responding in unforeseen situations in terms of liquidity and capital positions, as well as the communication plan, warning levels and recovery measures considered, control of the Plan to Reduce Exposure to Real Estate Risk regarding the degree of achievement of the real estate inflow and outflow goals, are also included in the duties attributed to this committee. This committee held eleven meetings in 2016.

[11] Commercial Directors and Financial and International Department, Credit Analysis Department and Credit Recovery Department

Internal Control System
The duties of this committee include formulating proposals or issuing recommendations to the Executive Board of Directors with a view to optimisation of the internal control system and the implementation of corrective measures or improvement in accordance with the defined schedule.

During 2016, this committee mainly focused on monitoring the implementation of the corrective or improvement measures identified by the internal control functions or third parties. This committee now has a quarterly periodicity.

Business Committee
The Business Committee defined duties include the appraisal and definition of the features of new products and services, as well as those being sold by CEMG, focused on adjusting the risk policy in force to the applicable regulatory framework. During 2016, this committee held one presential session.

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, together with the heads of all the bodies, defined a plan of cost-cutting and investment measures based on a budgeting exercise, where this committee ensures the monthly monitoring of this plan, as well as the optimisation of the contracts to acquire goods and services considered relevant, submitting proposals to the Executive Board of Directors that promote convergence with the budget goals.

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 fifty-six meetings in 2016.

Risk Committee
The risk committee 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 2016, this committee held two presential 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 operating areas. This monitoring body under the Executive Board of Directors has not yet started its activity, and is expected to do so in the beginning of the second quarter of 2017.

Pension Fund Monitoring Committee
The Pension Fund Monitoring Committee is responsible for monitoring the management of the pension fund of Caixa Económica Montepio Geral through careful analysis of the evolution of markets, the composition of the portfolio and respective current and prospective performance, aimed at the identification or prediction of material risks, as well as promoting the review of the fund's investment policy centred on the definition of perspectives and strategies aimed at achieving risk-adjusted returns.

The Pension Fund Monitoring Committee 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 Committee held 1 meeting in 2016.

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, this committee monitors and analyses compliance with the guideline measures of the strategy of the real estate business, 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 CEMG's Executive Board of Directors, with a view to promoting an optimised management of the real estate risk in line with the defined general objectives.

The Real Estate Risk Committee, set up in September 2015, has a quarterly periodicity and involves presential meetings. Four quarterly meetings were held in 2016, where the closing of 2015 and the degree of attainment of the objectives were analysed. The objectives for 2016 and the strategy to achieve them were also presented and discussed. The corresponding quarterly monitoring of the degree of their attainment was also carried out, supplemented with the recommendation of appropriate corrective actions.

Credit Recovery Committee

The Credit Recovery Committee is currently composed of members of the Executive Board of Directors, by the Credit Recovery Department and by the Credit Analysis Department.

The duties of this committee are to monitoring the efficiency and efficacy of the performance of the credit recovery process, recovery methodologies and strategies, systems supporting the activity and the evolution of recovery performance indicators through KPIs.

This committee was constituted during 2016, with five meetings having been held during 2016. These meetings were used for the consecutive analysis of the evolution of credit in default in pre-litigation and litigation situations, discussion of the legal and economic aspects of more complex cases, follow-up of the constitution and organisation of resources of the Credit Recovery Department; following the dissolution of Montepio Recuperação de Crédito - ACE, appraisal of various exceptional initiatives for recovery of overdue credit stock, reflection on the supporting information technology platform, and for relations with external entities which provide support to the different processes.

3. SUPERVISION

Composition

Details of the supervisory body corresponding to the adopted model

Pursuant 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.

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 full 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 number 17

Regarding the composition of the General and Supervisory Board, see Part II - Management and Supervision, point 17.

At the beginning of the term of office in course, the General and Supervisory Board unanimously decided to extinguish the Strategic Affairs Committee, whose competencies were similar to those attributed to the Financial Affairs Committee - subparagraphs a) to d) of article 2 of the operating regulation - and to the Risk Committee - subparagraphs e) and f) of the same article.

The Financial Affairs Committee is composed of a minimum of three and a maximum of five members, appointed by the General and Supervisory Board. 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).

Following the resignation of Dr. Virgílio Manuel Boavista Lima[12], Coordinator of the Financial Affairs Committee, this committee was left with only its members until the appointment of a new coordinator at the session of the General and Supervisory Board on 28 June 2016, after which its composition became the following:

Composition of the financial affairs committee	
Coordinator	Luís Eduardo Henriques Guimarães[13]
	Vítor Manuel do Carmo Martins
Members	Eugénio Óscar Garcia Rosa

Identification of the members of the General and Supervisory Board or the Financial Affairs Committee who are considered to be independent under the terms of article 414, number 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 number 18

Some of the members are independent, as presented in point 18.

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 number 21

The qualifications and curricula of the members of the General and Supervisory Board are presented in Annex I of this Report.

Operation

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 number 22

The Internal Regulation of the General and Supervisory Board and the Financial Affairs Committee is available for consultation on the Institution's website:

(www.montepio.pt/SitePublico/pt_PT/institucional/grupo/caixa-economica/modelo-governacao.page?altcode=CEMGIVO5)

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 number 23

During 2016, the General and Supervisory Board held nineteen meetings and the respective attendance is detailed in point 23 of this Report.

The Financial Affairs Committee held seventeen meetings, attended by all of its members.

[12] Elected at the session of the General Meeting and Supervisory Board of 28 June 2016.
[13] Taking effect from 6 January 2016.

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 number 26

This information is available in Annex I of this Report.

Competence and duties

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 provision of services other than audit services, and with the entry into force of Law 140/2015 of 7 September, on 1 January 2016, when they are rendered by the Statutory Auditor who conducts the legal review of the accounts, or by any member of that network, now require the approval of the General and Supervisory Board, under the proposal of the Financial Affairs Committee, as to the independence of the auditor.

CEMG's Executive Board of Directors is responsible for negotiating the fees and contracting the services to be carried out.

Other duties of the supervisory bodies and the Financial Affairs Committee

The General and Supervisory Board can also issue a prior opinion, when requested by the Executive Board of Directors, on any matter deemed convenient and urgent. The Financial Affairs Committee is available to the General and Supervisory Board and whenever deemed suitable[14], the General and Supervisory Board may, on the initiative of its Chairman, organise working groups for the analysis and supervision of specific matters.

The General and Supervisory Board is the supervisory body that controls and ensures the effectiveness of the internal audit function, of the action plans and respective budgets and controls the non-conformities with the legal rules, Articles of Association and established policies, pursuant to article 20, number 4, subparagraphs f) and i) of CEMG's Articles of Association.

The Financial Affairs Committee is responsible, in particular, for 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 General and Supervisory Board accompanied by the corresponding draft opinion.

[14] Number 1 of article 6 of the General and Supervisory Board's Internal Regulation

4. STATUTORY AUDITOR

Identification of the statutory auditor and the partner representing it

The Extraordinary General Meeting held on 30 December 2015, elected KPMG & Associados - Sociedade de Revisores Oficiais de Contas, SA, represented by Ana Cristina Soares Valente Dourado, ROC number 1011 and Fernando Gustavo Duarte Antunes (alternate auditor), ROC number 1233, for the term of office that ends on 31 December 2018.

Indication of the number of years that the statutory auditor consecutively carries out duties with the Institution

KPMG & Associados - SROC, S.A. has conducted the legal certification of accounts since 2002. At every three-year period, the term of office is assessed at CEMG's General Meeting.

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 further detailed in point 47.

5. EXTERNAL AUDITOR

Identification of the external auditor appointed pursuant to article 8 and the partner representing it in performing these duties, as well as the respective registration number at the CMVM

CEMG's Statutory Auditor is KPMG & Associados - Sociedade de Revisores Oficiais de Contas, SA, represented by Ana Cristina Soares Valente Dourado, ROC number 1011 and Fernando Gustavo Duarte Antunes (alternate auditor), ROC number 1233, for the term of office that ends on 31 December 2018.

Indication of the number of years that the external auditor and the partner representing it in performing these duties have performed these duties consecutively for the company and/or group

KPMG & Associados - SROC, S.A. has conducted the legal certification of accounts since 2002. At every three-year period, the term of office is assessed at CEMG's General Meeting.

The statutory auditor, Ana Cristina Soares Valente Dourado, ROC number 1011 and Fernando Gustavo Duarte Antunes (alternate auditor), ROC number 1233, took up office on 30 December 2015 as representatives of KPMG & Associados, SROC, S.A.

Policy and frequency for rotating the external auditor and partner representing it in performing these duties
KPMG & Associados - Sociedade de Revisores Oficiais de Contas, SA provides external audit services to CEMG under service provision contracts since 2002. KPMG's provision of services, regulated by general conditions, pursuant to a specific contract letter referred to as an "Engagement Letter", has been extended every year.

The representation of the Audit Firm has changed by the regular replacement of the Statutory Auditor, with the last change having taken place on 30 December 2015.

CEMG is implementing the policy of the rotation of the external auditor, taking into account the parameters defined by the New Audit Guideline.

Indication of the body responsible for assessing the external auditor, and frequency of assessment
The General and Supervisory Board is the body of CEMG that analyses and discusses the reports of the external auditors, controls and is responsible for relations with the external audit. Within the General and Supervisory Board it is the Financial Affairs Committee that, under its competencies, monitors the activity of the external auditor at least on a quarterly basis.

Details of work, 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 services provided by KPMG are entirely functionally and hierarchically independent in relation to CEMG, in accordance with the applicable regulatory and professional standards.

The legal review of accounts and other guarantee and reliability services account for approximately 56% of the remuneration attributed to KPMG & Associados, SROC, S.A.

Services other than legal review of accounts, previously approved by the Executive Board of Directors include technical services, namely in the interpretation and review of the procedures required for CEMG's submission of an application for use of the internal ratings based approach for calculation of solvency ratios.

Details of the annual remuneration paid by the company, and/or by legal persons controlled by the company or part of its group, to the auditor and to other natural or legal persons belonging to the same network, with percentage breakdown for the following services *(for the purposes of this information, the concept of "network" is that defined in European Commission Recommendation number C (2002) 1873, of 16 May)*

During 2016, the fees charged by KPMG & Associados - SROC, SA, in relation to the services provided to the CEMG Group, mainly audit services, came to 3,779,621 euros, which are broken down in the table below:

	CEMG		Entities under its control **		Total
	Provided by KPMG & Associados SROC	Provided by other network entities	Provided by KPMG & Associados SROC	Provided by other network entities	
Legal accounts review services	882 000	-	90 750	261 764	1 234 514
Non-audit services required by law	642 300	35 000	107 500	107 542	892 342
Tax support services *	102 699	-	40 066	-	142 765
Non-audit services not required by law	118 000	1 392 000	-	-	1 510 000
Total	1 744 999	1 427 000	238 316	369 306	3 779 621

* Service contracted in 2015 and provided on the financial statements of 2015
** Includes Montepio Recuperação de Crédito, A.C.E., Montepio Holding, S.G.P.S., Montepio Investimento, S.A., Montepio Crédito - Instituição Financeira de Crédito, S.A., Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A. e Finibanco Angola, S.A.

C Internal organisation

6. ARTICLES OF ASSOCIATION

Rules applicable to the amendment of the articles of association of the company (article 245-A, number 1, subparagraph 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 Executive Board of Directors may be sufficient.

CEMG's Articles of Association can only be amended in accordance with the provisions of chapter VIII, article 36 of these 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 completed, CEMG's General Meeting will deliberate on the proposed amendment.

Following the completion of the process, the General Meeting of Montepio Geral Associação Mutualista will ratify the approved amendments.

7. REPORTING OF IRREGULARITIES

Means and policy for reporting irregularities at the company

Caixa Económica Montepio Geral, under the terms of the Legal Framework of Credit Institutions and Financial Companies, implemented the appropriate specific, independent and autonomous means for the reception, treatment and filing of reports on grave irregularities related to its administration, accounting organisation and internal supervision, and serious indications of breach of duties established in the present Legal Framework or in Regulation (EU) number 575/2013, of the European Parliament and Council, of 26 June.

CEMG's employees must inform the supervisory body, the General and Supervisory Board, of any irregular practices they detect or of which they have become aware or have grounds to suspect, in order to prevent or impede irregularities which might cause financial or reputation damages to CEMG.

Under the terms of the regulation in force, which defines the procedures and is available to all the employees, this communication must be made in writing and contain all the elements and information which the Employee possesses and considers necessary for the assessment of the irregularity.

The General and Supervisory Board is responsible for maintaining records of all the communications of irregularities covered by the scope of application of the Regulation on Communication of Irregularities.

8. INTERNAL CONTROL AND RISK MANAGEMENT

People, bodies, committees or commissions responsible for internal audit and/or for the implementation of internal control systems

The Executive Board of Directors is responsible for the implementation and maintenance of an adequate and effective internal control system that guarantees the achievement of the performance, information and compliance objectives.

The General and Supervisory Board assures that the Executive Board of Directors establishes and maintains an adequate and effective internal control, and that it assures 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 General and Supervisory Board accompanied by the corresponding draft opinion.

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 Executive Board of Directors 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 Overall Risk Department, the Business Risk Department and the Risk Modelling Department, according to whether the management of liquidity, market and interest rate risks and solvency levels are involved; the management of credit and operating risks, and the development of risk classification systems to support credit analysis and decision-making.

The Compliance Department covers all the areas, processes and activities of the companies of the CEMG Group in Portugal and monitors the affiliates abroad in the context defined in article 24 of Banco de Portugal Notice 5/2008. Its mission is to contribute to preventing and mitigating "compliance risks", which are embodied in the risk of incurring legal or regulatory penalties, financial or reputation loss as a result of failure in compliance with the application of the laws or regulations.

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 Executive Board of Directors under supervision of the General and Supervisory Board. This model is, at the date of preparation of this report, under analysis and appraisal.

Existence of other operating areas with competence in risk control

The Risk Committee, as a body foreseen in CEMG's articles of associations, independently monitors the control of the institution's risks.

CEMG's Risk Committee initiated its duties in October 2015, having undertaken three sessions during the previous 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 a view to the correct integration of its duties of monitoring and controlling CEMG's risk strategy, namely through access to appropriate information relative to the management and control of the different types of risk to which CEMG's activity is exposed, this committee participated in some of the meetings of the Executive Board of Director's supporting committees, namely 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.

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 counterpart 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.

- **Operating** - 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 reputation risk, legal risk and information systems risk.

Description of the process of 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.

Main elements of the internal control and risk management systems implemented in the Institution regarding the procedure for reporting financial information (article 245-A, number 1, subparagraph m))
The Executive Board of Directors is responsible for annually preparing the report and accounts for the year and the proposed distribution of net income, to be presented to the General and Supervisory Board and, with the opinion of the latter, submitted for appreciation at the General Meeting to be held until 31 May.

The Market Relations Office supports the Executive Board of Directors in fulfilling its financial reporting duties.

The Statutory Auditor is responsible 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).

9. INVESTOR SUPPORT

Department responsible for investor support, composition, duties, information provided and contact information
The mission of the Market Relations Office of CEMG, the body that reports directly to CEMG's Executive Board of Directors, is to ensure compliance with the duties of communication and provision of information to investors, to rating agencies and to the market in general, within the scope of the legal and regulatory obligations applicable to publicly traded companies.

Throughout 2016, in compliance with the duties of provision of information to investors and the market, the Market Relations Office disclosed 89 press releases reporting relevant facts occurred in the CEMG Group.

Under the provision of financial information, the Market Relations Office prepared 96 clarifications for investors, the press, institutions and rating agencies. It also made 58 presentations or by conference call, which were recurrently attended by members of the Executive Board of Directors of CEMG.

The Market Relations Office is composed of four full-time members, with suitable qualifications and experience in financial and regulatory affairs.

All the public information on the CEMG Group may be requested from the Market Relations Office by:

- Telephone (+351 210 002 520),

- Email (investors@montepio.pt) or

- Letter (Rua Castilho n.º 5 - 7º Piso - Sala 56, 1250 - 066 Lisboa).

Representative for market relations
On 17 March 2015, Dr. Artur Jorge Correia Gama was appointed the Representative for Market Relations and for the CMVM, and took up office on 31 December 2016.

Information on the proportion and response time to requests for information entered during the year or outstanding from previous years
Throughout 2016, under the scope of its duties, the Market Relations Office assured a swift response to the requests for information made by holders of the Participation Units of CEMG's Participation Fund, rating agencies and investors in general, which had an average response time of 2 days.

The Market Relations Office also received a small number of internal and external requests for information that had an average response time of less than 1 day.

Under the Complaints Management Policy, the Ombudsman Office, in 2016, replied to 104 complaints related to Financial Instruments and CEMG's Participation Fund, which represented 2.3% of the total volume of complaints received, 1.1% of which were related to CEMG's Participation Fund.

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 Financial Instruments and CEMG's Participation Fund stood at 29.2 business days, and 40.1 business days only considering complaints related to the Participation Fund 13% of the claims falling in these categories were answered in less than 5 business days.

It is also important to note that, with respect to the total number of complaints in 2016, the average response time of the Ombudsman Office stood at 14 business days, with 42% of the complaints having been replied to within 5 business days.

10. INTERNET SITE

Address(es)

Information on the institution is available in both Portuguese and English on CEMG's Internet site, whose address is www.montepio.pt.

Location where information can be found on the corporate name, capacity as a public company, head office and other elements mentioned in article 171 of the Commercial Companies Code

The Participation Units of CEMG's Participation Fund (ISIN PTCMHUIM0015) have been, since 17 December 2013, listed for trading on a regulated market (NYSE Euronext Lisbon), which implied the opening of CEMG's capital to public investment.

CEMG provides essential information to assure suitable knowledge on its activity through the addresses www.montepio.pt\investidores (Portuguese version) and www.montepio.pt\investors (English version).

Location where the articles of association and operating regulations for the bodies and/or committees or commissions

This information may be consulted at the following address: www.montepio.pt/SitePublico/pt_PT/institucional/grupo/sobre/governacao.page?altcode=900GOVERN

Place where information is available on the identity of members of the corporate bodies, market relations representative, investor support office or equivalent, their respective duties and contact information

This information may be consulted at the following address: https://www.montepio.pt/SitePublico/pt_PT/institucional/grupo/caixa-economica/informacao-investidores.page?altcode=CEMGIV06

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 provides essential information to assure suitable knowledge on its activity through the addresses www.montepio.pt\investidores (Portuguese version) and www.montepio.pt\investors (English version).

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/caixa-economica/assembleias.page?altcode=CEMGIV22

The convening notice and information included in the agenda are also disclosed in the area designated as "news".

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/caixa-economica/assembleias.page?altcode=CEMGIV22

D Remunerations

11. POWER TO ESTABLISH

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 the 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.

12. REMUNERATION COMMITTEE

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

Member: Fernando Lopes Ribeiro Mendes[15]

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 nor did this committee choose to do so.

Knowledge and experience of the members of the remuneration committee on matters of remuneration

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.

13. REMUNERATION STRUCTURE

Description of the remuneration policy of the management and supervisory bodies referred to in article 2 of Law 28/2009, of 19 June

The remuneration policy for the management and supervisory boards in force since 2015 was approved by the General Meeting, under proposal of the Remuneration Committee. This committee annually submits the "declaration on the remuneration policy" for approval by the General Meeting.

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 2017", to be submitted to the Ordinary General Meeting, is presented in annex to this report (Annex II).

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:

- A fixed component paid on a monthly basis;
- A variable component which may or may not be attributed.

These two remuneration components are based on objective and transparent criteria, consistent with the Institution's remunerative practice, in keeping with the remuneration structure and chain of responsibilities and compatible with sectoral and national remuneration standards.

In addition to these two remuneration components, remuneration may be attributed in the form of daily allowances paid to the Executive Board of Directors under the same terms that they are payable to the 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.

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 Remuneration Committee, may not exceed 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 multi-annual assessment of the performance of each member.

The Remuneration Committee continued its decision not to attribute any variable remuneration relative to the financial year of 2016.

Deferral of the payment of the variable component of remuneration, mentioning the period of deferral

When the General Meeting decides to attribute a variable remuneration amount to members of the Executive Board of Directors, 70% of that remuneration is

[15] Resignation from the position taking effect from 6 January 2016

deferred for a period of three years as of the date of the decision to attribute said remuneration.

Criteria underlying the attribution of variable remuneration in shares as well as on the holding, by the executive directors, of these shares, on any conclusion of contracts relative to these shares, namely, hedge 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 CEMG's Participation Fund based on its nominal value on the date of the decision to attribute the variable remuneration. No hedge or risk transfer contracts have been concluded.

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 (Participation units of CEMG's Participation Fund), these criteria cannot be included in the statutory framework of the CEMG Group, as explained in the introduction of this Report (point 2. Statutory Framework of the CEMG Group).

Main parameters and grounds of any system of annual bonuses and any other non-cash benefits
No provisions have been made in CEMG's remuneration policy for the existence of prizes, annual bonuses or non-financial benefit schemes.

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 Executive Board of Directors are entitled to a retirement pension, by application, by analogy, of the regime in force for employment contracts.

The retirement conditions of the Directors must be approved at the General Meeting. The members of the Executive Board of Directors who participate in CEMG's pension plan, managed by Futuro, S.A., are attributed a pension that is supplementary to that of the Social Security general scheme.

14. DISCLOSURE OF REMUNERATIONS

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 its different components

The remuneration earned by the members of the Executive Board of Directors, in 2016, was as follows:

	Fixed Remuneration	Variable Remuneration	Total Remuneration
José Manuel Félix Morgado	401 248.47		401 248.47
João Carlos Martins da Cunha Neves	254 248.47		254 248.47
Luís Gabriel Moreira Maia de Almeida	254 248.47		254 248.47
Fernando Ferreira Santo	254 076.90		254 076.90
João José Belard da Fonseca Lopes Raimundo	254 248.47		254 248.47
Jorge Manuel Viana de Azevedo Pinto Bravo	254 248.47		254 248.47
Luís Miguel Resende de Jesus	254 248.47		254 248.47

Amounts paid, for any reason, by other companies in a controlling or group relationship or which are subject to common control
No remuneration is due for the exercise of duties in subsidiary companies, whether paid by these subsidiaries or by CEMG.

The members of the Executive Board of Directs who accumulate positions in entities included in the consolidation perimeter of the CEMG Group, or in which the latter owns a qualifying stake, can earn an amount of not more than 10% of the monthly fixed remuneration.

Remuneration paid in the form of participation in profit and/or payment of premiums and the reasons for the concession of such premiums and/or participation in profit
In 2016, no variable remuneration was attributed.

Compensation paid or owed to former executive directors relative to their termination of office during the financial year
During 2016, no compensation was payable or paid to any former directors.

Indication of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory boards for the purposes of Law 28/2009, of 19 June
Details are provided below of the remuneration earned by CEMG's General and Supervisory Board which was elected in August 2015 and took office on 1 October 2015:

General and Supervisory Board	
Álvaro João Duarte Pinto Correia	304 086.30[16]
António Fernando Menezes Rodrigues	70 000.00
José António Arez Romão	70 000.00
Vítor Manuel do Carmo Martins	70 000.00
Francisco José Fonseca da Silva	70 000.00
Acácio Jaime Liberado Mota Piloto	70 000.00
Luís Eduardo Henriques Guimarães	70 000.00
Rui Pedro Brás de Matos Heitor	70 000.00
Eugénio Óscar Garcia Rosa	70 000.00

[16] Includes retroactive payments the starting of duties on 1 October 2015.

The remuneration earned by the Statutory Auditor is described in points 46 and 47.

Indication of the remuneration of the chairman of the board of the general meeting for the year in question
The Chairman of the Board of the General Meeting earned the total amount of 3,900 euros in 2016.

15. AGREEMENTS WITH REMUNERATION IMPLICATIONS

Contractual limitations established for the compensation payable for dismissal without fair grounds of a director and its relationship with the variable component of the remuneration
Under the terms of the remuneration policy of the members of the Executive Board of Directors, 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.

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 number 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 in the control of the company (article 245-A, number 1, subparagraph 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.

16. PLANS TO ATTRIBUTE SHARES OR STOCK OPTIONS

Identification of the plan and respective beneficiaries
Such plans are not permitted under the statutory framework of the CEMG Group, as specified in the introduction (point 2. Statutory Framework of the CEMG Group) of this Report.

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)
Such plans are not permitted under the statutory framework of the CEMG Group, as specified in the introduction (point 2. Statutory Framework of the CEMG Group) of this Report.

Option rights attributed for the acquisition of shares (stock options) regarding which the company's employees and workers are the beneficiaries
Such plans are not permitted under the statutory framework of the CEMG Group, as specified in the introduction (point 2. Statutory Framework of the CEMG Group) of this Report.

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 (article 58-A, number 1, sub-paragraph e))
Such plans are not permitted under the statutory framework of the CEMG Group, as specified in the introduction (point 2. Statutory Framework of the CEMG Group) of this Report.

E Transactions with related parties

17. CONTROL MECHANISMS AND PROCEDURES

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 considered as related parties, i.e. entities and holders, directly or indirectly, of qualifying stakes or with which they are in a control or group relationship under the terms of article 20 of the Securities Code, are identified in the applications supporting the business, with these records being updated when there are changes.

In addition to the applicable rules established 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 qualifying holdings, supplementing the procedural rules for each type of credit and issue of guarantees. These regulations define the specific procedures for processing the proposals relative to these operations, which includes the issue of an opinion by the supervisory body (General and Supervisory Board) and the approval, by a qualified majority of at least two thirds, by the Executive Board of Directors.

These operations are monitored on a regular basis by the Risk Department, based on the monthly control reports.

Details of transactions that were subject to control in 2015
During 2016, the General and Supervisory Board appraised, under the terms of article 109 of the RGICSF, all the credit concession operations, or review of the limits of exposure, to the entities falling under this scope, and which were subject to control of compliance with the limit, by the Risk Department.

Under article 85 of the RGICSF, there were no economically relevant funding operations during 2016.

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 qualifying holdings or entities which are in any relationship with it, under the terms of article 20 of the Securities Market Code

Transactions between the institution and holders of qualifying stakes or with entities related to them, pursuant to article of the CVM, follow specific procedures which imply the opinion of the General and Supervisory Board as noted 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 of the transactions with the legal and regulatory provisions and with the internal regulations, accompanied by information relative to the integrated exposures and the foreseeable evolution.

18. DATA ON BUSINESS DEALS

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 53 of the notes to the financial statements of 2016 describes the overall amounts of assets, liabilities, net income and non-balance sheet liabilities relative to transactions with related parties, in conformity with IAS 24.

PART II
Assessment of Corporate Governance

1 Identification of the adopted governance code

This Corporate Governance Report mirrors 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's website, and 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 2016.

2 Analysis of compliance with the adopted corporate code

Under the terms of article 245-A, number 1, subparagraph o) the level of compliance with the recommendations of the Corporate Governance Code is presented below:

RECOMMENDATIONS	Adopted	Not applicable	Reference in the Corporate Governance Report
I. VOTING AND CORPORATE CONTROL			
I.1. Companies should encourage their shareholders to participate and vote in the general meetings, in particular by not establishing an excessively high number of shares required to have the right to vote and implementing the indispensable means to the exercise of the right to vote by correspondence and electronically.		✓	Introductory Part (Page 604)
I.2. Companies should not adopt mechanisms that hinder the taking of deliberations by their shareholders, in particular establishing a deliberative quorum higher than that foreseen by law.		✓	Introductory Part (Page 604)
I.3. Companies should not establish mechanisms with the effect of causing a time lag between the right to receive dividends or subscribe new securities and the right to vote of each ordinary share, unless duly justified on the grounds of the long term interests of the shareholders.		✓	Introductory Part (Page 604)
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 Meeting (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 this restriction.		✓	Introductory Part (Page 604)
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.		✓	Introductory Part (Page 604)
II. SUPERVISION, MANAGEMENT AND OVERSIGHT			
II.1. SUPERVISION AND MANAGEMENT			
II.1.1. Within the limits established by the law, and unless due to the small size of the company, the board of directors should delegate the daily management of the company, with the delegated competence being identified in the annual Corporate Governance Report.		✓	Introductory Part (Page 604)
II.1.2. The Board of Directors must ensure that the company acts in accordance with its objectives, and must not delegate its competence, namely, with respect to: 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.	✓		Chapter II. Management and Supervision - point 21 (Page 616)
II.1.3. The Supervisory Board, in addition to the performance of the supervisory duties entrusted to it, should undertake full responsibility in terms of corporate governance, hence statutory provisions of equivalent measures should establish that it is compulsory for this body to issue statements on the Factors and main policies of the company, define the group's business structure and decisions which should be considered strategic due to their amount or risk. This body should also assess compliance with the strategic plan and the implementation of the company's policies.	✓		Chapter II. Management and Supervision - point 21 (Page 616)
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 to: a) Ensure competent and independent assessment of the performance of the executive directors and their own overall performance, as well as that of the various existing committees and commissions; b) Reflect on the adopted governance system, structure and practices, verify its effectiveness and propose to the competent bodies the measures to take with a view to its improvement.	✓		Chapter II. Management and Supervision - point 15 (Page 612) and Point 27 (Page 623)
II.1.5. The Board of Directors or General and Supervisory Board, according to the applicable model, should establish objectives on matters of risk-taking and create systems for their control, with a view to assuring that the risks which are effectively incurred are consistent with these objectives.	✓		Chapter VIII. Internal Control and Risk Management (Page 634)
II.1.6. The Board of Directors should include a sufficient number of non-executive members so as guarantee effective capacity to monitor, supervise and assess the activities of the other members of the management body.		✓	Introductory Part (Page 604)

RECOMMENDATIONS	Adopted	Not applicable	Reference in the Corporate Governance Report
II.1.7. Among the non-executive directors, there should be an adequate proportion of independent directors, taking into consideration the adopted governance model, the size of the company, its shareholder structure and respective 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 employed at a company which has been in a controlling or group relationship in the last three years; b. Having, in the last three years, rendered services or established significant commercial relations with a company which has been in a controlling or group relationship, whether directly as a partner, director or manager of a legal person; c. Having received remuneration paid by a company which has been in a controlling or group relationship, apart from the remuneration arising from the performance of directorship duties; d. Living in non-marital cohabitation or being the spouse, parent or similar in a straight line and until the 3rd degree, inclusively, in the collateral line, of directors or natural persons directly or indirectly holding qualifying stakes; e. Being the holder of a qualifying stake or representative of a shareholder with qualifying stakes.		✓	Introductory Part (Page 604)
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.	✓		Chapter II. Management and Supervision - points 16 to 18 (Page 613)
II.1.9. The chairman of the executive management body or executive committee should send, as applicable, to the Chairman of the Board of Directors, the Chairman of the Supervisory Board, the Chairman of the Audit Committee, the Chairman of the General and Supervisory Board, and the Chairman of the Financial Matters Committee, the call notices and minutes of the respective meetings.	✓		Chapter II. Management and Supervision - point 21 (Page 616)
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.		✓	Introductory Part (Page 604)
II.2. SUPERVISION			
II.2.1. According to the applicable model, the chairman of the Supervisory Board, Audit Committee or Financial Matters Committee should be independent, according to the applicable legal criteria, and possess adequate competence to perform the respective duties.	✓		Chapter II. Management and Supervision - point 29 (Page 624)
II.2.2. The supervisory body should be the main agent for communication with the external auditor and first receiver of the respective reports, being responsible, namely, for proposing the remuneration of the external auditor and ensuring the existence of the appropriate conditions for the provision of the services within the company.	✓		Chapter III. Supervision - point 37 (Page 630)
II.2.3. The supervisory body should assess the external auditor on an annual basis and propose, to the competent body, the external auditor's dismissal or termination of its service contract whenever there are fair grounds for the effect.	✓		Chapter V. External Auditor - point 44 (Page 632)
II.2.4. The supervisory body must evaluate the functioning of the internal control and risk management systems and propose the necessary adjustments.	✓		Chapter VIII. Internal Control and Risk Management - point 50 (Page 634)
II.2.5. The Audit Committee, Supervisory Board and Audit Board should issue statements on the work plans and resources allocated to the internal audit services and to the services which strive to ensure compliance with the regulations applied to the company (compliance services), and should receive the reports produced by these services at least when concerning matters related to the presentation of accounts, the identification or resolution of conflicts of interests and the detection of potential illegalities.	✓		Chapter VII. Communication of Irregularities - point 49 (Page 634)
II.3. ESTABLISHMENT OF REMUNERATIONS			
II.3.1. All the members of the Remuneration Committee or equivalent should be independent from the executive members of the management board and include at least one member with knowledge and experience on matters of remuneration policy.	✓		Chapter XII. Remuneration Committee - point 67 (Page 640)
II.3.2. No legal or natural person who has provided, during the last three years, services to the any structure directly under the management body, the actual management body of the company or who has an current relationship with any consultant of the company or with the company's consultants should be contracted to support the Remuneration Committee. This recommendation is also applicable to any natural or legal person which is related to such persons through a work or service contract.	✓		Chapter XII. Remuneration Committee - point 68 (Page 640)

RECOMMENDATIONS	Adopted	Not applicable	Reference in the Corporate Governance Report
II.3.3 A statement on the remuneration policy of the management and supervisory bodies referred to in article 2 of Law 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
II.3.4. The proposal relative to approval of share attribution plans and/or share acquisition options, or based on share price variations, to members of the governing bodies, should be submitted to the General Meeting. The proposal should contain all the elements necessary for a correct assessment of the plan.		✓	Introductory Part (Page 604)
II.3.5. The proposal relative to approval of any retirement benefit scheme established in favour of the members of the governing bodies should be submitted to the General Meeting. The proposal should contain all the elements necessary for a correct assessment of the system.	✓		Annex II
III.REMUNERATIONS			
III.1. The remuneration of the executive members of the management body should be based on effective performance and discourage excessive risk-taking.	✓		Chapter XIII. Remuneration Committee - point 70 (Page 641)
III.2. The remuneration of the non-executive members of the management body and the remuneration of the members of the supervisory body should not include any component whose value depends on the performance or value of the company.	✓		Chapter XIII. Remuneration Committee - point 70 (Page 641)
III.3. The variable component of remuneration should be reasonable, as a whole, in relation to the fixed component of remuneration, and maximum limits should be established for all components.	✓		Chapter XIII. Remuneration Committee - point 70 (Page 641)
III.4. A significant part of the variable remuneration should be deferred for a period of not less than three years, and the right to its receipt should be dependent on the continuation of the positive performance of the company over this period.	✓		Chapter XIII. Remuneration Committee - point 70 (Page 641)
III.5. The members of the management body should not conclude contracts, either with the company or with third parties, which have the effect of mitigating the risk inherent to the variability of their remuneration established by the company.	✓		Chapter XIV. Remuneration Distribution - point 78 (Page 643)
III.6. Until the end of their term of office, executive directors must keep any company shares which have been acquired through variable remuneration schemes, up to the limit of twice the value of the annual total remuneration, with the exception of shares which need to be sold for the purpose of payment of taxes arising from the earnings of these same shares.	✓		Chapter XIII. Remuneration Structure (page 640)
III.7. When the variable remuneration includes the attribution of options, the beginning of the exercise period must be deferred for a period of time not less than three years.	✓		Introductory Part (Page 604)
III.8. When the dismissal of a director neither arises from serious breach of duties nor inaptitude for normal performance of the respective duties but, even so, is the outcome of inadequate performance, the company should be endowed with the appropriate and necessary legal instruments to ensure that any indemnity or compensation, apart from that legally due, is not payable.	✓		Chapter XV. Agreements with remuneration implications - point 83 and 84 (page 644)
IV.AUDITING			
IV.1. The external auditor should, under his duties, verify the application of the remuneration policies and systems of the governing bodies, the efficacy and operation of the internal control mechanisms and report any failings to the supervisory body of the company.		✓	Introductory Part (Page 604)
IV.2. The company or any entities in a controlling relationship should neither contract from the external auditor, nor from any entities which are in a group relationship with it or are part of the same network, services other than audit services. If there are reasons to contract such services, which should be approved by the supervisory board and explained in its annual Corporate Governance Report, they should not amount to more than 30% of the total value of the services provided to the company.	✓		Chapter V. External Auditor Point 46 (Page 632)
IV.3. Companies should promote the rotation of the auditor at the end of two or three terms of office, according to whether they are of four or three years, respectively. Their maintenance beyond this period should be justified by a specific opinion of the supervisory board which explicitly reflects on the conditions of independence of the auditor and advantages and costs of the auditor's replacement.	✓		Chapter V. External Auditor Point 44 (Page 632)

RECOMMENDATIONS	Adopted	Not applicable	Reference in the Corporate Governance Report
V. CONFLICTS OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES			
V.1. The Company's business with shareholders of qualifying stakes, or with entities which are in any relationship with them, under the terms of article 20 of the Securities Market Code, should be conducted under normal market	✓		Chapter XVII. Control mechanisms and procedures - point 89 (Page 645)
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 number 1 of article 20 of the Securities Code - thus significant relevant business is dependent upon prior opinion of that body.	✓		Chapter XVII. Control mechanisms and procedures - point 89 (Page 645)
VI. INFORMATION			
VI.1. Companies should ensure, through their website, in Portuguese and English, access to information that enables knowledge on their evolution and their current situation in economic, financial and governance terms.	✓		Chapter X. Internet site - point 63. (Page 639)
VI.2. Companies should assure the existence of an investor support office and its permanent contact with the market, so as to answer requests made by investors in due time. Records should be kept of all the requests submitted and their subsequent treatment.	✓		Chapter IX. Investor Support Point 56 (Page 637)

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 2016 by these employees is presented below:

	'16
Director	23
Assistant Manager	2
Deputy Director	3
Technician (Level III)	1
Total Fixed Remuneration	3 188 887.63 €
Total Variable Remuneration	0,00 €
Total Remuneration	3 188 887.63 €
Weight of Variable Remuneration	0,0%

This remuneration policy is applied to CEMG's employees in general and is based on the 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

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 2015-2018)

Álvaro Duarte Pinto Correia

Academic qualifications:

Civil Engineer from Instituto Superior Técnico.

Professional activities performed over the last few years:

Chairman of the Management Board of Banco Totta & Açores (BTA) from June 1977 to February 1985. Director of Caixa Geral de Depósitos from March 1985 to February 2000. Chairman of the Board of Directors of Companhia de Seguros Fidelidade, S.A. From March 1992 to April 2000. Chairman of the Board of the General Meeting of Associação Portuguesa de Seguradores from March 1994 to March 2000. Chairman of the Audit Board of ASF - Autoridade de Supervisão de Seguros e Fundos de Pensões since December 2004. Chairman of the Supervisory Board of Montepio Geral Associação Mutualista from January 2013 to October 2015. Member of the General and Supervisory Board of Caixa Económica Montepio Geral from 6 May 2013 to 1 October 2015. Chairman of the General and Supervisory Board, Chairman of the Assessment Committee and Chairman of the Remuneration since 1 October 2015.

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 Mutualist and Social associativism, was a member of the General Council of Montepio (AM) from 2003 to 2015, and has been Chairman of Leões de Portugal, IPSS since 2012. Chairman of the Supervisory Board of G.E. Capital, SGPS since 2012 and Chairman of the Board of Directors of Realtransfer - Instituição de Pagamento, S.A. since 2013.

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 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:

Director of Seguradora Industrial (Fonsecas & Burnay Group) 1975/1978, Mundial Confiança 1978-1986 and Chief Executive Officer of Lusitania, Companhia de Seguros 1986-2012, cumulatively holding the position of Director of Lusitania Vida, Companhia de Seguros 1997/2012, Moçambique, Companhia de Seguros 2000/2004 and 2009/2013, and Banco de Comércio e Desenvolvimento de Moçambique 2000/2004.

Currently, Chairman of the Board of Directors of Ímpar Companhia Caboverdiana de Seguros, Chief Executive Officer of SIQ-Sociedade Imobiliária da Quinta das Pedreiras, S.A. and EMPCO, Lda.

Member emeritus of Academia de Marinha (Navy Academy) and permanent member of Academia Portuguesa da História (Portuguese History Academy).

Member of the General Council of Montepio Geral Associação Mutualista between 2014 and December 2015, having been elected to the General and Supervisory Board, the Assessment Committee and Remuneration Committee of Caixa Económica Montepio Geral at the Extraordinary General Meeting held on 5 August 2015.

Vítor Manuel do Carmo Martins

Academic qualifications:

Licentiate Degree in Finance from ISCEF - Instituto Superior de Ciências Económicas e Financeiras (1973); Preparatory Course for Chartered Accountants (CROC) (1978); Courses of the Portuguese Association of Chartered Accountants under continuous training (1986 to 2015); Financial Accounting at Arthur Andersen & Co. Madrid (1973); Auditing a Hautes Études Commerciales in Jouy-en-Josas - France (1973); Analysis of Industrial Projects - I.P.E. (1980).

Professional activities performed over the last few years:

Chartered Accountant 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, MBA post-graduation 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:

At Banco Português de Gestão, Chairman of the Executive Committee between 2000 and 2004, having taken office as Deputy Chairman of the Board of Directors between 2004 and 2012. Prior to this period, he was a Director of the listed company SAG, of Banco Invest and various companies in Portugal, Cape Verde and Brazil.

Currently Chairman of the Board of Directors of Food4Kings, S.A. Elected to the General and Supervisory Board of Caixa Económica Montepio Geral at the Extraordinary General Meeting held on 5 August 2015, and subsequently elected to the Risk Committee and Remuneration Committee of Caixa Económica Montepio Geral at the Extraordinary General Meeting held on 6 July 2016.

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 Managing Director, also having held, among others, the following positions: 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. Currently non-executive Director, Member of the Nomination and Remuneration Committee of EDP Renováveis, S.A. and of the Related Parties Committee of EDP Renováveis, S.A. Elected as member to the General and Supervisory Board and Chairman of the Risk Committee of Caixa Económica Montepio Geral at the Extraordinary General Meeting held on 5 August 2015.

Luís Eduardo Henriques Guimarães

Academic qualifications:

Licentiate Degree in Finance from Instituto Superior de Economia (ISCEF) of Universidade Técnica de Lisboa; Post-graduate in Corporate Finance from Universidade de Direito de Lisboa.

Professional activities performed over the last few years:

Performed the duties of Guest Lecturer at Instituto Superior de Economia; Manager Financial Controller (2nd VP) of The Chase Manhattan Bank; Financial Director Sofinloc - Soc. Leasing; Director of Project Finance at Banco CISF; Financial Director of Banco Investimento Imobiliário; Member of the Senior Management of BCPMILLENNIUM - Coordinator of the Corporate Network and Novarede; He is currently member of the Board o Directors of GENERG SGPS. Elected as member to the General and Supervisory Board and Chairman of the Risk Committee of Caixa Económica Montepio Geral 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 on Arbitration at the Faculty of Law of Universidade Nova de Lisboa, on Arbitration Agreement, Arbitration Court, Applicable Law, Arbitration Process, Arbitration Award (2009); Post-graduation on Corporate Governance at CDIP of the Faculty of Law of Universidade de Lisboa.

Professional activities performed over the last few years:

Started his professional career at Montepio in 2005, where he worked as a lawyer in the Credit Recovery Department, Litigation Department of CEMG, manager of the Area of Lawyers of Montepio Recuperação de Crédito - ACE, and since 2016 has been the manager of the Judicial Credit Recovery Department of Caixa Económica Montepio Geral, member of the General and Supervisory Board of Caixa Económica Montepio Geral, for the three-year period 2016-2018, as the representative of CEMG's workers 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 Council 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 Operating Programme and on the Board of Directors of CEDEFOP (E.U.) from 2004 to 2013, having suspended the activity while he was a member of the Portuguese Parliament (2005 to 2008). Member of the Supervisory Board of Montepio Geral Associação Mutualista from 2013 to July 2015. Member of the General and Supervisory Board of Caixa Económica Montepio Geral since 6 May 2013, having been re-elected for the three-year period 2016-2018, at the Extraordinary General Meeting held on 5 August 2015.

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. Post-graduation in Corporate Governance from the Law Faculty of Universidade de Lisboa.

Professional activities performed over the last few years:

Chairman of the Executive Committee between 2007-2015 and Vice-Chairman of the Board of Directors between 2007-2015 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, as at 31 December 2016:

Chairman of the Board of Directors of Montepio Recuperação de Crédito ACE[17]

Chairman of the Board of Directors of Finibanco Angola, S.A.[18]

Chairman of the Board of Directors of Montepio Holding, SGPS, S.A.

João Carlos Martins da Cunha Neves

Academic qualifications:

Licentiate Degree in Economics from Universidade Católica de Lisboa; Master's in Economics Applied to Finance from Universidade Nova de Lisboa; PhD in Economics from the University of York.

[17] Up to its dissolution, decided at the General Meeting of 22 June 2016.
[18] Took up duties on 16 January 2016.

Professional activities performed over the last few years:
Director of Corporate Credit Analysis at Caixa Económica Montepio Geral from 2006 to 2009. PMO - Banca Investment at Caixa Económica Montepio Geral between 2009 and 2010; 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, as at 31 December 2016:
Non-executive member of the Board of Directors of Finibanco Angola, S.A.

Non-executive member of the Board of Directors of Montepio Holding, SGPS, S.A.

Non-executive member of the Board of Directors of Banco Terra, S.A.

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 between 2008 and 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.

Fernando Ferreira Santo
Academic qualifications:
Civil Engineer from Instituto Superior Técnico (1974).

Professional activities performed over the last few years:
Member of the Portuguese Association of Engineers and Specialist in Construction Management; Member of the Board of Directors of Caixa Económica Montepio Geral since 7 August 2015; Director of Montepio Gestão de Ativos Imobiliários since May 2014; Secretary of State for Property and Equipment Administration of the Ministry of Justice between June 2011 and December 2013; Chairman of the Portuguese Association of Engineers between 2004 and 2010 and Chairman of the National Council of Professional Associations during the same period; Post-graduation lecturer on Real Estate Valuation and Management at Instituto Superior de Economia e Gestão since 2001; Chairman of the Assembly of Representatives of the Portuguese Association of Engineers; Chairman of the General Meeting of the Portuguese Association of Real Estate Developers and Investors; Chairman of the Strategic Committee of the Institute for the Promotion and Development of Latin America.

Positions held in subsidiary companies, as at 31 December 2016:
Member of Montepio Gestão de Activos Imobiliários, A.C.E.

Member of Montepio Recuperação de Crédito, A.C.E.

João José 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:
From 2006 to 2011, Member of the Board of Directors of Banco Millennium BCP de Investimento, S.A. and General Manager of Banco Comercial Português, S.A.; Up to 2010, Deputy Chairman of the Board of the General Meeting of Millennium Angola; From 2009 to 2010 was appointed Vice-President and CEO of Millenniumbcp Bank, NA (EUA); From 2009 to 2012, Member of the Board of Directors of CIMPOR-Cimentos de Portugal, SGPS, S.A.; From 2011 to 2014, Head of the Investment Banking Division of Millenniumbcp. Up to August 2015, was Chairman of the Executive Committee and Member of the Board of Directors of BCP Capital - Sociedade de Capital de Risco, S.A., Chairman of the Board of Directors of BCP Holdings (EUA), Inc. and Member of the Board of Directors of OMIP - Operador do Mercado Ibérico (Portugal) SGPS, S.A. He was also a Member of the Investment Boards of Fundo Revitalizar Norte, FCR (managed by Explorer Investments, SCR, S.A.), Fundo Revitalizar Centro, FCR (managed by Oxy Capital, SCR, S.A.) and Fundo Revitalizar Sul, FCR (managed by Capital Criativo, SCR, S.A.). Member of the Executive Board of Directors of Caixa Económica Montepio Geral since 7 August 2015. He also performs duties as Member of the Board of Directors at SIBS, SGPS, S.A. and SIBS FPS - Forward Payment Solutions, S.A. as a representative of CEMG and was Member of the Board of Directors of Montepio Recuperação de Crédito and Montepio Capital de Risco SCR, S.A. until their dissolution in 2016. He is also Member of the Board of Directors of EDP Renováveis, S.A.

Positions held in subsidiary companies, as at 31 December 2016:
Chairman of the Board of Directors of Montepio Capital de Risco, S.C.R., S.A.[19]

Member of the Board of Directors of Montepio Recuperação de Crédito ACE[20]

Member the Board of Directors of Montepio Holding, SGPS, S.A.

Chairman of the Board of Directors of Montepio Investimento, S.A.

[19] Up to its dissolution, decided at the General Meeting of 24 June 2016.
[20] Up to its dissolution, decided at the General Meeting of 22 June 2016.

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 Centre.

Professional activities performed over the last few years:

Partner in Charge of Risk Advisory Services at KPMG Portugal between 1998 and 2005. Deputy-chairman of the Board of Directors of Reditus, Gestão S.A. Between 2009 and 2010. Director of the Tecnidata Group between October 2007 and 2010. Managing Director of Financial Services of Iberia of Logica (currently CGI) between January 2006 and July 2007. Director/manager of Inapa Group companies. 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, as at 31 December 2016:

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. Director 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) from October 2006 to September 2012.

Positions held in subsidiary companies, as at 31 December 2016:

Member of the Board of Directors of Montepio Recuperação de Crédito ACE[21]

[21] Up to its dissolution, decided at the General Meeting of 22 June 2016.

Annex II

STATEMENT ON THE REMUNERATION POLICY OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES OF CEMG FOR 2017

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 CEMG's Articles of Association, on 5 August 2015, with no use being made of external consultants in these matters.

2. CEMG's Articles of Association establish, in article 11, number 1, that Caixa Económica's institutional bodies are: the General Meeting; the General and Supervisory Board; the Executive Board of Directors; the Remuneration Committee; the Assessment Committee, 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) Daily allowances, in the event of travel, paid under conditions identical to those for staff members;

c) The 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 multi-annual 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:

- A retirement pension, attributed in accordance with the Retirement Plans of the Directors of Associação Mutualista, approved by the General Meeting;

- Compensation for any damage derived from work accidents and professional diseases, as per clause 80 of the Work Collective Bargaining Agreement;
- A health insurance policy with coverage similar to that established in clause 117 et seq of the Work Collective Bargaining 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 number 1 of article 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

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