REPORT AND ACCOUNTS

1ST Quarter 2016

GROUP CAIXA ECONÓMICA MONTEPIO GERAL

Pursuant to Article 10 of the CMVM Regulations No. 5/2008

(Unaudited financial information under IFRS as implemented by the European Union)

This report is the English version of the document "Relatório e Contas do 1º trimestre de 2016" published by Caixa Económica Montepio Geral in the Portuguese Securities and Market Commission (CMVM) website. Should there be any doubts or contradictions between the documents, the aforementioned Portuguese version prevails.

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KEY INDICATORS

KEY INDICATORS	Mar-15	Dec-15	Mar-16	YoY Chg.
ACTIVITY AND RESULTS (thousand euros)				
Net Assets	22,214,586	21,145,216	21,447,252	-3.5%
Gross Loans to Customers	16,585,370	15,944,015	15,773,678	-4.9%
Customers' Deposits	14,362,513	12,969,431	12,452,529	-13.3%
Net Income	9,760	-243,407	-19,760	<-100%
SOLVENCY				
Common Equity Tier 1 ratio (CRD IV/ CRR, phasing-in)	8.6%	8.8%	10.4%	1.9 p.p.
Tier 1 ratio (CRD IV / CRR, phasing-in)	8.6%	8.8%	10.4%	1.9 p.p.
Total Capital ratio (CRD IV / CRR, phasing-in)	8.7%	9.7%	11.1%	2.4 p.p.
Risk-Weighted Assets (thousand euros)	15,410,513	13,962,350	13,880,049	-9.9%
LEVERAGE RATIOS				
Net Loans to Customers / Customer Deposits (a)	105.8%	113.1%	116.6%	10.8 p.p.
Net Loans to Customers / Total On-Balance sheet Customers' resources (b)	92.5%	97.7%	101.9%	9.4 p.p.
CREDIT RISK AND COVERAGE BY IMPAIRMENTS				
Cost of Credit Risk	1.6%	1.6%	0.7%	-0.9 p.p.
Ratio of Loans and Interest Overdue by more than 90 days	6.5%	7.7%	8.7%	2.3 p.p.
Non-Performing Loans Ratio (a)	7.9%	9.5%	10.7%	2.8 p.p.
Net Non-Performing Loans Ratio (a)	-0.7%	1.6%	2.8%	3.5 p.p.
Coverage of Loans and Interest Overdue by more than 90 days	132.5%	104.0%	93.1%	-39.5 p.p.
Credit-at-Risk Ratio (a)	12.8%	14.3%	15.3%	2.6 p.p.
Net Credit-at-Risk Ratio (a)	4.6%	6.8%	7.9%	3.3 p.p.
Credit-at-Risk Coverage Ratio	66.9%	56.1%	52.8%	-14.1 p.p.
Credit-at-Risk Coverage Ratio factoring in associated real estate collateral	133.0%	126.9%	123.0%	-10.0 p.p.
Restructured Loans as a % of Total Loans (c)	11.1%	9.6%	9.5%	-1.5 p.p.
Restructured Loans not included in Credit-at-Risk as a % of Total Loans (c)	7.0%	4.0%	3.7%	-3.3 p.p.
PROFITABILITY AND EFFICIENCY				
Net Operating Income / Average Net Assets (a)	3.3%	2.1%	1.7%	-1.6 p.p.
Earnings before Taxes and Non-controlling Interests / Average Net Assets (a)	0.4%	-1.2%	-0.5%	-0.9 p.p.
Earnings before Taxes and Non-Controlling Interests / Average Equity (a)	5.6%	-18.8%	-7.4%	-12.9 p.p.
Operating Expenses / Net Banking Income (cost-to-income) (a)	44.9%	78.9%	97.6%	52.7 p.p.
Cost to Income, excluding results from finantial operations and costs with the operational reorganisation programme	84.0%	113.5%	89.0%	5.1 p.p.
Personnel Expenses / Net Operating Income (a)	27.7%	44.8%	64.5%	36.8 p.p.
EMPLOYEES AND DISTRIBUTION NETWORK (Number)				
Employees				
Group total	4,430	4,404	4,330	-100
CEMG	3,906	3,871	3,793	-113
Branches				
Domestic - CEMG	436	421	383	-53
International	29	30	30	1
Finibanco Angola (d)	20	21	21	1
Banco Terra (Mozambique)	9	9	9	0
Rep. Offices - CEMG	6	6	6	0

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

MACROECONOMIC ENVIRONMENT

In 2014 the **Portuguese economy** returned to growth (+0.9%) and in 2015 accelerated to 1.5%, having registered a quarter-on-quarter GDP growth of 0.1% in the 1st quarter of 2016. For 2016, a GDP growth of 1.5% is expected, underpinned once again by the growth of domestic demand. After a **budget deficit** of 7.2% of GDP in 2014 (which, excluding the Novo Banco factor, would have been about 4.5%), the fiscal adjustment process continued in 2015, having reached a deficit of 4.4% of GDP (excluding the capitalisation of Banif, INE estimated a deficit of 3.03%). In the 1st quarter of 2016, the general government balance registered a deficit of 823.9 million euros, having deteriorated by 107.9 million euros relative to the same period of the previous year. The primary balance (excluding the effect of interest rates), however, posted an increase in its surplus to 1,058.0 million euros. The **unemployment rate** fell from 13.9% in 2014 to 12.4% in 2015, having increased in the 1st quarter of 2016 from 12.2% to 12.4% (but reflecting only seasonality), with a further reduction expected in 2016 (to 11.4%). **Inflation** (year-on-year rate of change in the HICP) came to 0.5% in 2015, after -0.2% in 2014, and is expected to accelerate to +0.7% in 2016. At a **global level**, the IMF has consecutively outlined less optimistic global economic growth prospects. In its 12 April forecasts, it revised world economic growth downwards for 2016 and 2017, to 3.2% and 3.5%, respectively (in January, +3.4% and +3.6%). In the 1st half of the quarter, **financial market** sentiment registered an unfavourable performance, due to: i) the performance of the emerging economies, China, Russia and Brazil; ii) increased geopolitical risk in the Middle and Far East; iii) the effects of the consecutive falls in the price of oil. In the 2nd half of the quarter, the sentiment was supported by: i) reinforced monetary stimuli by the ECB, through a further reduction of the key interest rates and the broadening of the extended debt securities purchase programme; ii) review of the FED, from four to two,, of the number of expected rate increases for this year; iii) availability of the Bank of Japan for new stimuli after having cut, in January, towards negative territory, the interest rate paid to banks for excess reserves; iv) support provided by the Chinese authorities to economic activity; v) recovery of the price of oil, with a favourable impact on oil-sector companies and oil-exporting economies. In the latter part of the quarter, market sentiment was particularly penalised by the new wave of terrorism that ravaged Europe. **Stock market indices** showed mainly negative performance, with falls in Asia and in the majority of European indices (Eurostoxx lost 8.0% and PSI-20 declined 5.5%), mixed performance in the USA (decline of 2.8% in the Nasdaq, but increases of 0.8% and 1.5% in the S&P 500 and Dow Jones) and gains in Latin America. The **spreads of the public debt of the peripheral countries of the Euro Zone** deteriorated, but the **spreads of the corporate credit market** registered, essentially, a declining performance. Two-year and 10-year **German and US yields** fell, while **10-year Portuguese yields** increased from 2.516%, at the end of 2015, to 2.943% at the end of the 1st quarter of 2016, having, on 11 February, touched 4.107% (maximum since March 2014), well above the historical minimum of 1.560% in mid-March of 2015. **Euribor** rates fell across all maturities, renewing historical lows and also becoming negative at 12-months, whereas US dollar Libor rates increased. In the**foreign exchange market**, the euro appreciated relative to the dollar and the pound but depreciated in relation to the yen, with the nominal effective exchange rate of the euro having increased by 2.5%.

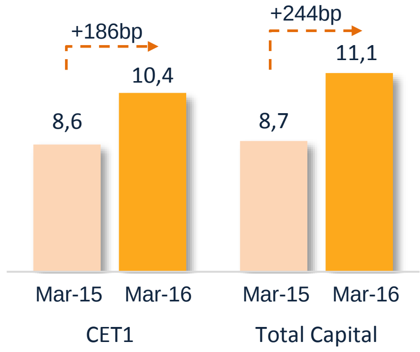
CAPITAL

At the end of the 1st quarter of 2016, the capital of Caixa Económica Montepio Geral (CEMG) amounted to 2,170 million euros, as a result of an increase in institutional capital of 270 million euros, undertaken by Montepio Geral – Associação Mutualista (MGAM). As at 31 March 2016, the Capital of CEMG is broken down into 1,770 million euros of institutional capital, belonging to Montepio Geral - Associação Mutualista, and 400 million euros of Units representing the Participation Fund of CEMG, admitted and traded on the Euronext Lisbon Stock Exchange and an integral part, since 21 March, of the PSI 20 basket.

During the 1st quarter of 2016, 31.5 million euros of units of the Participation Fund of CEMG were sold to MGAM, which were held by Montepio Investimento, S.A. and which contributed to the reinforcement of the Bank's own funds. This reinforcement combined with the reduction of 1,530.5 million euros of Risk-Weighted Assets (-9.9%), resulting from the management of the allocation of risk in the credit portfolio and in the debt securities portfolio was reflected in a strengthening of solvency.

The prudential indicators of solvency are based on legislation known as Basel III, whose application is being gradually introduced – process referred to as Phasing-in – and will be concluded until 2018 - Full Implementation. Within this scope, the regulatory minimum ratios are: 7% for CET 8.5% for Tier 1 and 10.5% for Total Capital. In March 2016, from a phasing-in perspective, the Common Equity Tier 1 capital ratio of CEMG stood at 10.4%, while the Total Capital ratio reached 11,1%, which represented a year-on-year increase of +186 bps and +244 bps, respectively.

Capital ratios (phasing-in) (%)



CAPITAL AND CAPITAL REQUIREMENTS

(thousand euros)

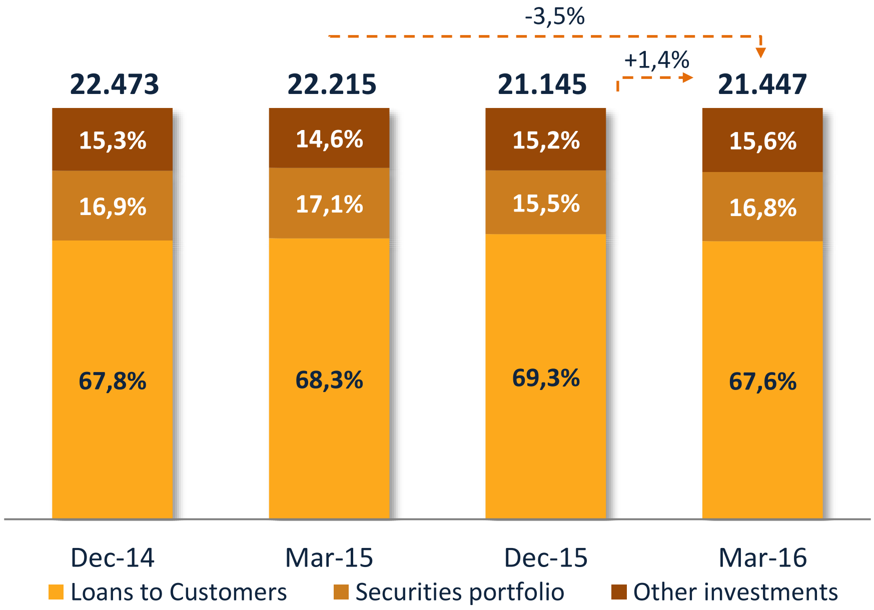
	Mar-15	Dec-15	Mar-16(1)	YoY Chg. Amount	YoY Chg. %
Total Capital	**1.340.192**	**1.360.224**	**1.546.663**	**206.471**	**15,4**
Elegible instruments to CET I	1.695.984	1.890.019	2.166.761	470.777	27,8
Reserves and Net Income	-265.826	-561.214	-620.633	-354.807	<-100
Regulatory deductions	110.098	97.897	97.823	-12.275	-11,1
Common Equity Tier I Capital	**1.320.060**	**1.230.908**	**1.448.305**	**128.245**	**9,7**
Other equity instruments	4.964	-	-	-	-
Tier I deductions	4.964	-	-	-	-
Tier I Capital	**1.320.060**	**1.230.908**	**1.448.305**	**128.245**	**9,7**
Tier II capital	27.121	137.483	106.376	79.255	>100
Other deductions	6.989	8.167	8.019	1.030	14,7
Minimum Own Funds Requirements	**1.232.841**	**1.116.988**	**1.110.404**	**-122.437**	**-9,9**
Risk-Weighted assets and equivalents	**15.410.513**	**13.962.350**	**13.880.049**	**-1.530.464**	**-9,9**
CRD IV/ CRR Prudential Ratios - Phasing-in					
Common Equity Tier I	8,6%	8,8%	10,4%	+186 bp	
Tier I	8,6%	8,8%	10,4%	+186 bp	
Total Capital	8,7%	9,7%	11,1%	+244 bp	
CRD IV/ CRR Prudential Ratios - Full Implementation					
Common Equity Tier I	7,3%	6,7%	8,7%	+145 bp	
Tier I	7,3%	6,7%	8,7%	+146 bp	
Total Capital	7,5%	7,7%	9,5%	+205 bp	
Leverage ratio - Phasing-in	5,8%	5,7%	6,7%	+91 bp	
Leverage ratio - Full Implementation	4,9%	4,4%	5,6%	+71 bp	

(1) Pursuant to the 2016 phasing-in rules.

BALANCE SHEET

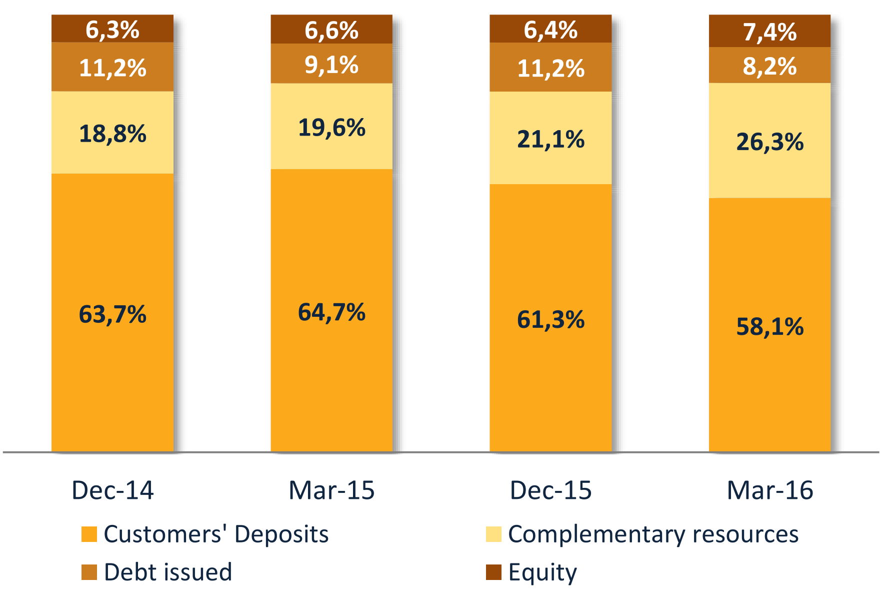
Net assets reached 21,447.3 million euros on 31 March 2016, having decreased by 3.5% relative to the same period of the previous year (+1.4%, since 31 December 2015), as a result of the decrease of the credit portfolio arising from the continuing slow recovery of the portuguese economy, more stringent criteria in terms of risk analysis and loan granting, and also as a result of the decrease in the portfolio of securities held.

NET ASSETS STRUCTURE (million euros)



At the end of the 1st quarter of 2016, total liabilities stood at 19,866.0 million euros, compared with 20,744.6 million euros (-4.2%) at the end of the 1st quarter of 2015, resulting from the reduction of liabilities represented by securities and customer deposits, which continue to be the main source of financing of the activity representing 58.1%.

LIABILITIES AND EQUITY STRUCTURE



LOANS TO CUSTOMERS

Gross loans to customers reached a total of 15,773.7 million euros, reflecting a decrease of 4.9% relative to the same period of the previous year and of 1.1% relative to 31 December 2015, mainly due to the performance of domestic activity (-4.4%) as a result of a still fragile economic recovery and a more stringent policy in terms of repricing and risk management in the granting of credit. It should be noted that domestic activity represents 98% of the total gross credit portfolio.

The performance of the credit portfolio continued to reflect the ongoing contraction of mortgage loans (-4.7%) and the reduction of the companies segment (-5.8%), with emphasis on the decrease in the construction segment (-27.9%). As such, as at 31 March 2016, loans to companies (excluding construction) marginally increased their weight in the total credit portfolio to 41.7% (+57 bps, since March 15), while mortgage loans maintained their representativeness with 46.9% (relative to 46.8%, in March 2015) and construction loans continued to reduce their weight in the total portfolio, having reached 3.2% relative to 4.2% in the same period of the previous year.

LOANS TO CUSTOMERS

(thousand euros)

	Mar-15	Dec-15	Mar-16	YoY Chg.	
				Amount	%
Individuals	**9.080.920**	**8.790.208**	**8.705.579**	**-375.341**	**-4,1**
Housing	7.757.811	7.488.079	7.394.314	-363.497	-4,7
Consumption and other purposes	1.323.109	1.302.129	1.311.265	-11.844	-0,9
Companies	**7.504.450**	**7.153.807**	**7.068.099**	**-436.351**	**-5,8**
Construction	689.854	521.213	497.674	-192.180	-27,9
Other purposes	6.814.596	6.632.594	6.570.425	-244.171	-3,6
Total Loans (gross)	**16.585.370**	**15.944.015**	**15.773.678**	**-811.692**	**-4,9**
Distributed by:					
Domestic activity	16.207.775	15.611.547	15.489.397	-718.378	-4,4
International activity	377.595	332.468	284.281	-93.314	-24,7

The fragile recovery of economic activity, accompanied by the reduction observed in total loans to customers, constrained the performance of the main indicators of credit risk, with the ratio of credit at risk remaining high (15.3%). This indicator was also penalised by the evolution of the Top20 of credit at risk. Notwithstanding, excluding this group that is being closely monitored, credit at risk decreased by 55 million euros relative to 31 March 2015. The credit-at-risk coverage ratio by impairments increased to 52.8%, rising to 123.0% if one factors in associated real estate collateral.

CREDIT RISK INDICATORS

(%)

	Mar-15	Dec-15	Mar-16	YoY Chg.
Ratios				
Loans and Interest Overdue by more than 90 days	6,5	7,7	8,7	2,3 p.p.
Non-performing loans (a)	7,9	9,5	10,7	2,8 p.p.
Net non-performing loans (a)	-0,7	1,6	2,8	3,5 p.p.
Credit-at-Risk (a)	12,8	14,3	15,3	2,6 p.p.
Net Credit-at-Risk (a)	4,6	6,8	7,9	3,3 p.p.
Restructured loans (b)	11,1	9,6	9,5	-1,5 p.p.
Restructured loans not included in Credit-at-Risk (b)	7,0	4,0	3,7	-3,3 p.p.
Coverage by Impairments				
Loans and Interest Overdue by more than 90 days	132,5	104,0	93,1	-39,5 p.p.
Credit-at-Risk	66,9	56,1	52,8	-14,1 p.p.
Credit-at-Risk factoring in associated real estate collateral	133,0	126,9	123,0	-10,0 p.p.

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

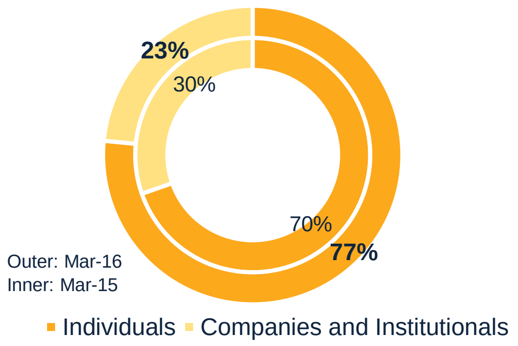
(b) In accordance with Banco de Portugal Instruction No. 32/2013.

CUSTOMERS' RESOURCES

Total customers' resources reached 14,601.8 million euros, which includes 13,817.2 milion euros of balance sheet funds, of which 90.1% refer to customer deposits.

The portfolio of customer deposits, which came to 12,452.5 million euros, is mainly concentrated on individual customers, which in spite of having decreased by 4.7% since 31 March 2015, represent 77% of total deposits.

Customers' Deposits structure



CEMG continued to endorse a rigorous policy of repricing of deposits which, combined with an historically low interest rate environment, was reflected in a reduction of 8.0%, relative to the end of 2015, in the corporate and institutional segments, which are more price-sensitive, thus penalising the evolution of customer deposits.

CUSTOMERS' RESOURCES

(thousand euros)

	Mar-15	Dec-15	Mar-16	YoY Chg.	
				Amount	%
Deposits from Individuals	10.003.521	9.794.095	9.530.236	-473.285	-4,7
Deposits from Companies and Institutiona	4.358.992	3.175.336	2.922.293	-1.436.699	-33,0
Total Deposits	**14.362.513**	**12.969.431**	**12.452.529**	**-1.909.984**	**-13,3**
Sight Deposits	2.848.601	2.831.931	3.102.363	253.762	8,9
Term Deposits	11.513.912	10.137.500	9.350.166	-2.163.746	-18,8
Securities placed with Customers	2.026.264	1.621.339	1.364.702	-661.562	-32,6
Total On-Balance sheet resources	**16.388.777**	**14.590.770**	**13.817.231**	**-2.571.546**	**-15,7**
Off-Balance sheet resources	1.008.292	809.944	784.599	-223.693	-22,2
Total Customers' resources	**17.397.069**	**15.400.714**	**14.601.830**	**-2.795.239**	**-16,1**

From the viewpoint of the active management of funding needs, in the 1st quarter of 2016, securities placed with customers came to 1,364.7 million euros, relative to 2,026 million euros in the same period of the previous year, as a result of the maturities of debt securities that occurred and substitutions by less costly market operations.

Off-balance sheet customer funds reached 784.6 million euros, which compares with 1,008.3 million euros as at 31 March 2015, mainly due to the year-on-year decrease in mutual funds, namely treasury funds and capitalisation insurance.

LIQUIDITY

As at 31 March 2016, the ratio between net loans to Customers and the total on-balance sheet Customers' resources came to 101,9%, while there was a reduction of the exposure to financial markets, with the liquidity coverage ratio (LCR) located in 104.9 % higher than the regulatory minimum of 70%.

Medium and long term debt that is maturing comes to 1,994.9 million euros, of which 662.2 million euros, equivalent to 33.4%, refer to resources obtained from institutions in wholesale international debt markets and the other 66.6% of proceeds refers to resources obtained through the retail network, the majority of which through private offers.

At the end of the 1st quarter of 2016, the use of Eurosystem resources came to 2,922.6 million euros, of this amount, 1,726.0 million euros resulted from Targeted Longer Term Refinancing Operations (TLTRO), with the value of the unencumbered collateral eligible assets for refinancing with the European Central Bank (ECB) set at 1,106.0 million euros.

RESULTS

Net income for the 1st quarter of 2016 came to -19.8 million euros, which compares with 9.8 million euros in the same period of the previous year. Two key factors contributed to this result:

- Impact, in terms of operating costs, of the process to rationalise the operating structure, within the scope of the strategic plan in force, and whose objective is to reorganise the resources allocated to business activity and the need to adapt the Institution to the challenges raised by the economy, the market and new behavioural trends. In the 1st quarter of 2016, costs incurred with the rationalisation process came to 9.2 million euros. The favourable impact from this process is expected to reach 39.9 million euros until the end of 2016.
- Decrease in the contribution of the results related to the Portuguese public debt portfolio which reached 7.3 million euros in the 1st quarter of 2016, compared with 78.4 million euros recorded in the same period of 2015.

SUMMARIZED INCOME STATEMENT

(thousand euros)

	Mar-15	Mar-16	Chg.	
			Amount	%
Net interest income	**62.610**	**60.632**	**-1.978**	**-3,2**
Net interest income, excluding the contribution of the Portuguese sovereign debt portfolio	*53.540*	*56.233*	*2.693*	*5,0*
Commercial Net interest income	*59.328*	*66.580*	*7.252*	*12,2*
Net interest income from securities and other	*3.282*	*-5.948*	*-9.230*	*<-100*
Net commissions of services to Customers	24.601	22.570	-2.031	-8,3
Commercial Net banking income (Commercial NII + Commissions)	***83.929***	***89.150***	***5.221***	***6,2***
Income from equity instruments	1	14	13	>100
Results from financial operations	85.125	1.553	-83.572	-98,2
o/w Sale of Portuguese sovereign debt	*69.368*	*2.855*	*-66.513*	*-95,9*
Other net operating income	10.651	6.561	-4.090	-38,4
Banking income	**182.988**	**91.330**	**-91.658**	**-50,1**
Personnel costs	50.744	58.911	8.167	16,1
o/w Costs with the operational reorganisation programme	-	*9.178*	-	-
General administrative overheads	24.475	24.116	-359	-1,5
Amortization	6.959	6.082	-877	-12,6
Operating expenses	**82.178**	**89.109**	**6.931**	**8,4**
Operating expenses, excluding costs with the operational reorganisation programme	*82.178*	*79.931*	*-2.247*	*-2,7*
Gross operating income	**100.810**	**2.221**	**-98.589**	**-97,8**
Net provisions and impairments	81.359	29.000	-52.359	-64,4
Earnings before associated and joint ventures (equity method)	297	-102	-399	<-100
Earnins before Tax and Non-controlling interests	**19.748**	**-26.881**	**-46.629**	**<-100**
Tax and Non-controlling interests	-9.988	7.121	17.109	>100
Net Income	**9.760**	**-19.760**	**-29.520**	**<-100**

NET INTEREST INCOME

Net interest income came to 60.6 million euros, which compares with 62.6 million euros registered in the 1st quarter of 2015. This performance was due to the lower volume of the credit portolio and the context of Euribor rates at historically low levels, as well as the decrease in the contribution of the Portuguese public debt securities portfolio, which came to 4.4 million euros relative to 9.1 million euros in the same period of the previous year. Therefore, excluding the contribution of these securities, net interest income would have registered a year-on-year increase of 5.0%.

NET INTEREST INCOME

(thousand euros)

	Mar-15	Mar-16	Chg.	
			Amount	%
Financial assets				
Loans to Customers	127.730	111.100	-16.630	-13,0
Securities portfolio	38.476	12.481	-25.995	-67,6
Derivative instruments	23.213	19.278	-3.935	-17,0
Other investments	1.296	669	-627	-48,3
Sub-total	**190.715**	**143.528**	**-47.187**	**-24,7**
Financial liabilities				
Customers' resources	68.402	44.520	-23.882	-34,9
Debt securities issued	21.197	14.733	-6.464	-30,5
Derivative instruments	23.555	18.342	-5.213	-22,1
Other liabilites	14.951	5.301	-9.650	-64,5
Sub-total	**128.105**	**82.896**	**-45.209**	**-35,3**
Net interest income	**62.610**	**60.632**	**-1.978**	**-3,2**
Commercial Net interest income	*59.328*	*66.580*	*7.252*	*12,2*
Net interest income from securities and other	*3.282*	*-5.948*	*-9.230*	*<-100*
Net interest income, excluding the contribution of the Portuguese sovereign debt portfolio	*53.540*	*56.233*	*2.693*	*5,0*

OTHER OPERATING INCOME

Net commissions from services provided to customers reached 22.6 million euros, relative to 24.6 million euros recorded in the 1st quarter of 2015, representing a slight decrease of 2.0 million euros (-8.3%).

Net trading income came to 1.6 million euros, compared with 85.1 million euros in the same period of the previous year, which included 69.4 million euros related to the results of the divestment of Portuguese public debt securities, relative to 2.9 million euros registered in the 1st quarter of 2016.

RESULTS FROM FINANCIAL OPERATIONS

(thousand euros)

	Mar-15	Mar-16	Chg. Amount	Chg. %
Results from financial assets and liabilities at fair value through profit or loss	13.232	-16.459	-29.691	<-100
Results from financial assets available-for-sale	71.978	10.106	-61.872	-86,0
Results from currency revaluation	-85	7.906	7.991	>100
Results from financial operations	**85.125**	**1.553**	**-83.572**	**-98,2**
Results from the sale of Portuguese sovereign debt	*69.368*	*2.855*	*-66.513*	*-95,9*

As a result, the contribution of the Portuguese public debt portfolio in the 1st quarter of 2015 conditioned the evolution of net operating revenues in the first three months of 2016, which came to 91.3 million euros relative to 183.0 million euros in the same period of the previous year.

On the other hand, it is important to point out the 6.2% year-on-year growth of Commercial Net Operating Revenues during the first three months of 2016, underpinned by the positive performance of commercial net interest income.[1]

OPERATING EXPENSES

Consolidated operating costs, excluding costs incurred with the process to rationalise the operating structure, came to 79.9 million euros, representing a year-on-year decrease of 2.7%, which was influenced by the 2.3% decrease in domestic activity and 6.9% decrease in international activity, arising from the foreign exchange effect. In addition to the impact of these costs, there was an increase in Personnel Expenses (16.1%), while General Administrative Costs decreased by 1.5% relative to the same period of the previous year.

OPERATING EXPENSES

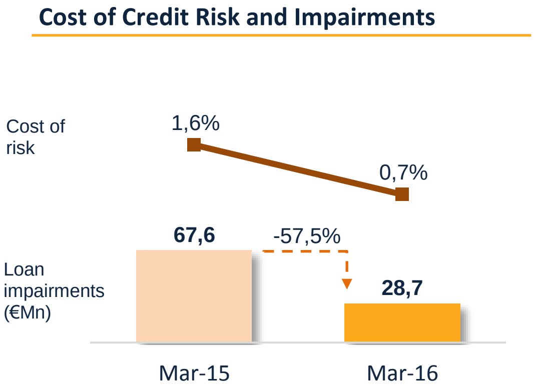
(thousand euros)

	Mar-15	Mar-16	Chg. Amount	Chg. %
Personnel expenses	50.744	58.911	8.167	16,1
General administrative overheads	24.475	24.116	-359	-1,5
Functioning expenses	**75.219**	**83.027**	**7.808**	**10,4**
Amortization	6.959	6.082	-877	-12,6
Operating expenses	**82.178**	**89.109**	**6.931**	**8,4**
Domestic activity	75.500	82.977	7.477	9,9
Excluding costs with the operational reorganisation programme	*75.500*	*73.799*	*-1.701*	*-2,3*
International activity	6.678	6.132	-546	-8,2
Operating expenses, excluding costs with the operational reorganisation programme	***82.178***	***79.931***	***-2.247***	***-2,7***
Efficiency ratios				
Cost to Income (Operating Expenses / Net Banking Income) (a)	44,9%	97,6%		
Cost to Income, excluding res. from financial operations and costs with the operational reorganisation programme	84,0%	89,0%		

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

[1] Commercial net interest income (credit + deposits) and Customer commissions.

PROVISIONS AND IMPAIRMENTS



The prudent policy used in the assessment of the risk levels of the asset portfolio was reflected in a significant reduction of provisions and impairments of 52.4 million euros (-64.4%), in relation to the same period of the previous year. This performance was mainly attributable to the 57.5% reduction in credit impairments to 28.7 million euros, reflecting the stringent policy of analysis of risk in credit granting. This prudent action led to a substantial reduction of the cost of credit risk from 1.6%, in the 1st quarter of 2015, to 0.7%, in the first 3 months of 2016, corresponding to an improvement in expected losses due to credit impairments.

Regarding impairments constituted for securities, there was a reduction of 73.8% to 0.9 million euros, while in impairments for other assets a reversal of 0.6 million euros was registered.

PROVISIONS AND IMPAIRMENTS

(thousand euros)

	Mar-15	Mar-16	Chg. Amount	Chg. %
Loans' net impairments	67.597	28.706	-38.891	-57,5
Securities' net impairments	3.389	887	-2.502	-73,8
Other assets' net provisions and impairments	10.373	-593	-10.966	<-100
Total net provisions and impairments	**81.359**	**29.000**	**-52.359**	**-64,4**

INTERNATIONAL ACTIVITY

The international activity of the CEMG Group is exercised by the entities Banco MG Cabo Verde, Soc. Unipessoal, S.A., Finibanco Angola, S.A. and, since December 2014, also by Banco Terra, S.A. in Mozambique.
Customer deposits of Banco MG Cabo Verde ('MGCV') amounted to a total of 312.5 million euros at the end of the 1st quarter of 2016 (526.3 million euros in March 2015), representing a year-on-year reduction of 213.8 million euros. MGCV's net income for the 1st quarter of 2016 came to 186.8 thousand euros, which compares with the negative result of 15.9 million euros on 31 March 2015, sustained by the growth of net interest income which came to 305.0 thousand euros (+86.8 thousand euros, year-on-year) and from the gains arising from currency revaluation which reached 13.1 thousand euros (+62.5 thousand euros, year-on-year), as well as from the reduction of 36.2% in operating costs (-35.0 thousand euros year-on-year).

As at 31 March 2016, at Finibanco Angola, S.A. ('FNB-A'), customer deposits stood at 363.1 million euros, relative to 530.8 million euros recorded in the same period of the preceding year, while loans to customers reached 225.0 million euros, relative to 321.1 million euros in March 2015. Net operating revenues of the 1st Quarter of 2016 reached 14.6 million euros, relative to 10.1 million euros in the same period of the previous year (+44.2%), this performance was mainly influenced by the gains arising from currency revaluation of 6.4 million euros, relative to 0.9 million euros in the 1st Quarter of 2015.

Since the end of March 2015, the geographic coverage of the distribution network in Angola has been strengthened with the opening of a new branch in Luanda, reaching a total of 21 business units (branches and business centres). At the end of March 2015, the total number of staff reached 201 employees, corresponding to an increase of 7.5%, year-on-year.

Not taking into account the exchange rate effect, the FNB-A's operating expenses decreased by 5.2%, amounting to a total of 4.3 million euros, with the cost-to-income efficiency ratio standing at 29.3% (44.5% as at 31 March 2015).

Nos primeiros três meses de 2016, registou-se um aumento das imparidades da carteira de crédito do FNB-A, face ao período homólogo, de 2,1 milhões de euros, atingindo 5,2 milhões de euros. O resultado líquido apurado no 1º trimestre de 2016 foi de 3,9 milhões de euros, face aos 1,8 milhões de euros registados no 1º trimestre de 2015.

At the end of the first 3 months of 2016, there was a reinforcement of the impairments of FNB-A's credit portfolio, relative to the same period of the previous year, of 2.1 million euros, reaching 5.2 million euros. Net income for the 1st Quarter of 2016 reached 1.9 million euros, compared to the 1.8 million euros registered at the end of the 1st quarter of 2015.

At the end of the 1st quarter of 2016, Banco Terra Moçambique, S.A. showed a total equity of 26.5 million euros and net assets of 58.3 million euros, which was influenced by the value of loans to customers of 35.8 million euros (+4.2 million euros or +13.2%, relative to March 2015). Regarding customers' deposits, Banco Terra recorded a decrease of 5.5 million euros (-19.5%), compared to the same period of the previous year, with the total balance standing at 28.2 million euros as at 31 March 2015.

Net income at the end of the 1st quarter of 2016, attributable to the CEMG Group, stood at -67.5 thousand euros, influenced above all by the weight of the operating structure and the embryonic stage at which the institution finds itself.

RATING

At the end of the 1st quarter of 2016, the ratings assigned to CEMG remained at the same level as at 31 December 2015, as shown in the table below:

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

However, the rating of the Covered Bonds issued by CEMG was, on 14 January, revised upwards by Fitch Ratings from 'BB+' to 'BBB-', following the communiqué made by Banco de Portugal, on 29 December 2015, in which the institutions - which includes CEMG - of a systemic importance at a domestic level were identified. On 11 March 2016, Fitch Ratings and DBRS Ratings Limited reiterated the rating assigned to the class A note of the credit securitisation operation originated by CEMG "Pelican SME no. *2*", of 'A+(sf)' and 'A(low)(sf)', respectively. Fitch highlights the robustness of the performance of the portfolio and the positive selection of the credits that make up the securitised portfolio. In turn, DBRS emphasises the timely payment of the interest and capital to class A.

SIGNIFICANT EVENTS IN THE 1ST QUARTER OF 2016

Participation Fund of CEMG enters PSI20

Since 21 March and following on from the annual review of PSI20, the Units of Participation (UPs) of the Participation Fund of CEMG meet the criteria of excellence required to be listed on this reference index of the Portuguese stock market.

As securities that are equivalent to shares, the UPs now make up the reference basket of companies listed on the Portuguese stock market, which is based on the assessment of criteria of liquidity, free-float and speed of capital turnover in the market.

For the 2nd consecutive year, the Net24 Individuals platform is "Five Stars"

Caixa Económica Montepio Geral - brand commercially known as Montepio – merited once again, in 2016, the recognition of its customers. The Internet Banking - Net24 Individuals- conquered, for the second consecutive year, the Five Stars certification - an award attributed by the users of the service, but also by Portuguese consumers - which evaluates the following factors: Satisfaction, Price-Quality, Intention of Recommendation, Trust in the Brand and Innovation.

SISAB 2016

For the fifth consecutive year, Montepio attended the International Trade Fair for the Food and Beverages Sector (SISAB). As the largest annual convention of leading export companies and entrepreneurs, this event showcased the offer of 600 Portuguese export companies, representing about thirty food, beverage and complementary sectors. The event was visited by buyers from 80 countries, which came into contact with a total offer of 6,000 brands and products.

Montepio International Business, new communication line with Customers

In the 1st quarter of the year a new communication line for the International Business segment was presented at CEMG branches, in the national media and online, as well as at SISAB. Directed at export-driven companies, in a country which knows no borders, the campaign - Montepio International Business – opened doors for companies and entrepreneurs with export ambition and promoted the image of CEMG as a trusted partner, prepared to provide assistance in bridging obstacles and conquering the world.

Membership of the Companies for Equality Forum

At the beginning of 2016, CEMG signed up to the Membership Agreement of the Companies for Equality Forum (IGEN), thereby committing itself to the promotion of gender equality and reconciliation of work and family life, in line with the best practices in terms of the mission, remunerations, career progression, collective recruitment and dialogue processes.

Montepio

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2016 AND 31 DECEMBER 2015

(thousand euros)	Mar-16 Gross Assets	Mar-16 Impairment and Amortization	Mar-16 Net Assets	Dec-15 Net Assets
Cash and deposits at central banks	376.100	-	376.100	424.450
Deposits at other credit institutions	236.549	-	236.549	238.007
Financial assets held for trading	26.925	-	26.925	51.093
Financial assets available for sale	2.860.989	65.511	2.795.478	3.068.501
Investments in credit institutions	140.753	0	140.753	172.044
Loans to customers	15.773.678	1.278.597	14.495.081	14.662.277
Investments held to maturity	781.530	-	781.530	161.540
Hedging derivatives	-	-	-	9
Non-current assets held for sale	864.540	126.581	737.959	754.898
Investment properties	670.673	-	670.673	692.485
Other tangible assets	466.094	184.183	281.911	89.115
Intangible assets	155.184	90.692	64.492	65.862
Inv. in associates and subsidiaries excluded from consolidation	5.196	1.448	3.748	3.908
Current tax assets	27.292	-	27.292	27.861
Deferred tax assets	412.275	-	412.276	403.506
Other assets	426.711	30.225	396.485	329.660
TOTAL ASSETS	**23.224.489**	**1.777.237**	**21.447.252**	**21.145.216**
Resources from central banks			2.922.569	2.277.258
Financial liabilities held for trading			69.295	70.289
Resources from other credit institutions			1.711.899	1.573.131
Resources from customers and other liabilities			12.452.529	12.969.431
Debt securities issued			1.771.741	2.031.165
Financial liabilities associated to transferred assets			321.169	323.037
Hedging derivatives			-	439
Provisions			34.798	16.587
Current tax liabilities			6.232	3.069
Other subordinated liabilities			288.910	333.039
Other liabilities			286.857	203.625
TOTAL LIABILITIES			**19.865.999**	**19.801.070**
Capital			2.170.000	1.900.000
Institutional Capital			1.770.000	1.500.000
Participation Fund			400.000	400.000
Other equity instruments			6.323	8.273
Own securities			-81	-31.581
Revaluation reserves			-10.948	646
Other reserves and retained earnings			-589.925	-318.454
Net income for the period			-19.760	-243.407
Non-controlling interests			25.644	28.669
TOTAL EQUITY			**1.581.253**	**1.344.146**
TOTAL LIABILITIES AND EQUITY			**21.447.252**	**21.145.216**

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)

CONSOLIDATED INCOME STATEMENT AS AT 31 MARCH 2016 AND 2015

(thousand euros)	Mar-16	Mar-15
Interest and similar income	143,528	190,715
Interest and similar expense	82,896	128,105
NET INTEREST INCOME	**60,632**	**62,610**
Income from equity instruments	14	1
Income from services, fees and commissions	30,435	31,910
Expenses from services, fees and commissions	7,865	7,309
Net gains/losses arising from assets and liabilities at fair value through profit or loss	-16,459	13,232
Net gains/losses arising from financial assets available for sale	10,106	71,978
Net gains/losses arising from currency revaluation	7,906	-85
Net gains/losses arising from sale of other assets	-757	6,074
Other operating income	7,318	4,577
NET BANKING INCOME	**91,330**	**182,988**
Personnel expenses	58,911	50,744
General administrative overheads	24,116	24,475
Amortization and depreciation	6,082	6,959
Provisions net of adjustments	-4,078	7,329
Loan impairments (net of reversals and recoveries)	28,706	67,597
Other financial assets impairments (net of reversals and recoveries)	887	3,389
Other non-financial assets impairments (net of reversals and recoveries)	3,485	3,044
Earnings from associates and joint ventures (equity method)	-102	297
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	**-26,881**	**19,748**
Tax		
Current	-1,767	-9,041
Deferred	9,568	-1,016
Non-controlling interests	-680	69
NET INCOME	**-19,760**	**9,760**

THE CHARTERED ACCOUNTANT

(Luís Miguel Lines Andrade)

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Notes to the Consolidated Financial Statements

Caixa Económica Montepio Geral

Consolidated Income Statement
for the three months period ended at 31 march 2016 and 2015

(Thousands of Euro)

	Notes	31 march 2016	31 march 2015
Interest and similar income	3	143 528	190 715
Interest and similar expense	3	82 896	128 105
Net interest income	3	60 632	62 610
Dividends from equity instruments	4	14	1
Fee and commission income	5	30 435	31 910
Fee and commission expense	5	(7 865)	(7 309)
Net gains/(losses) arising from financial assets and liabilities at fair value through profit or loss	6	(16 459)	13 232
Net gains/(losses) arising from available-for-sale financial assets	7	10 106	71 978
Net gains/(losses) arising from foreign exchange differences	8	7 906	(85)
Net gains/(losses) arising from sale of other financial assets	9	(757)	6 074
Other operating income/(costs)	10	7 318	4 577
Total operating income		91 330	182 988
Staff costs	11	58 911	50 744
General and administrative expenses	12	24 116	24 475
Depreciation and amortisation	13	6 082	6 959
Total operating costs		89 109	82 178
Loans impairment	14	28 706	67 597
Other financial assets impairment	15	887	3 389
Other assets impairment	16	3 485	3 044
Other provisions	17	(4 078)	7 329
Operating profit		(26 779)	19 451
Share of profit of associates under the equity method	18	(102)	297
Profit before income tax		(26 881)	19 748
Taxes			
Current	32	(1 767)	(9 041)
Deferred	32	9 568	(1 016)
Profit/(loss) after income tax		(19 080)	9 691
Profit/(loss) for the period attributable to			
Institutional Capital and Participation Fund		(19 760)	9 760
Non-controlling interests	50	680	(69)
Consolidated net profit / (loss) for the period		(19 080)	9 691

Caixa Económica Montepio Geral

Consolidated Statement of Financial Position as at 31 march 2016 and 31 december 2015

(Thousands of euro)

	Notes	31 march 2016	31 december 2015
Assets			
Cash and deposits at central banks	19	376 100	424 450
Loans and advances to credit institutions repayable on demand	20	236 549	238 007
Other loans and advances to credit institutions	21	140 753	172 044
Loans and advances to customers	22	14 495 081	14 662 277
Financial assets held for trading	23	26 925	51 093
Financial assets available for sale	24	2 795 478	3 068 501
Hedging derivatives	25	-	9
Held-to-maturity instruments	26	781 530	161 540
Investment in associated companies and others	27	3 748	3 908
Non-current assets held for sale	28	737 959	754 898
Investment properties	29	670 673	692 485
Property and equipment	30	281 911	89 115
Intangible assets	31	64 492	65 862
Current tax assets		27 292	27 861
Deferred tax assets	32	412 276	403 506
Other assets	33	396 485	329 660
Total Assets		21 447 252	21 145 216
Liabilities			
Deposits from central banks	34	2 922 569	2 277 258
Deposits from other financial institutions	35	1 711 899	1 573 131
Deposits from customers	36	12 452 529	12 969 431
Debt securities issued	37	1 771 741	2 031 165
Financial assets relating to transferred assets	38	321 169	323 037
Financial liabilities held for trading	23	69 295	70 289
Hedging derivatives	25	-	439
Provisions	39	34 798	16 587
Current tax liabilities		6 232	3 069
Other subordinated debt	40	288 910	333 039
Other liabilities	41	286 857	203 625
Total Liabilities		19 865 999	19 801 070
Equity			
Institutional capital	42	1 770 000	1 500 000
Participation fund	43	400 000	400 000
Other equity instruments	44	6 323	8 273
Treasury stock	45	(81)	(31 581)
Fair value reserves	47	(10 948)	646
Other reserves and retained earnings	46 and 47	(589 925)	(318 454)
Consolidated net profit/(loss) for the period attributable to holders of institutional capital and participation fund		(19 760)	(243 407)
Total equity attributable to holders of institutional capital and participation fund		1 555 609	1 315 477
Non-controlling interests	49	25 644	28 669
Total Equity		1 581 253	1 344 146
		21 447 252	21 145 216

Caixa Económica Montepio Geral

Consolidated Statement of Cash Flows
for the three month period ended at 31 march 2016 and 2015

(Thousands of euro)

	31 march 2016	31 march 2015
Cash flows arising from operating activities		
Interest income received	132 545	192 744
Commission income received	30 430	31 921
Interest expense paid	(85 712)	(157 433)
Commission expense paid	(7 841)	(6 294)
Payments to employees and suppliers	(90 282)	(92 263)
Recoveries on loans previously written off	1 691	1 035
Other payments and receivables	98 032	(71 124)
Taxes	1 965	(664)
	80 828	(102 078)
(Increase)/decrease in operating assets		
Loans and advances to credit institutions and customers	155 484	358 932
Other assets	(112 352)	(8 156)
	43 132	350 776
(Increase)/decrease in operating liabilities		
Deposits from customers	(516 754)	48 235
Deposits from credit institutions	140 404	102 108
Deposits from central banks	645 000	(150 000)
	268 650	343
	392 610	249 041
Cash flows arising from investing activities		
Dividends received	14	1
(Acquisition)/sale of financial assets held for trading	7 122	(21 018)
(Acquisition)/sale of other financial assets at fair value through profit or loss	-	3 450
(Acquisition)/sale of available for sale financial assets	272 474	38 383
Interest received arising from available-for-sale financial assets	5 109	-
(Acquisition)/sale of hedging derivatives	-	(382)
(Acquisition)/sale of investments held to maturity	(602 034)	(18 916)
(Acquisition)/sale of shares in associated companies	45 158	(16 166)
Deposits owned with the purpose of monetary control	22 119	(109 567)
(Acquisition)/sale of other financial assets	(1 563)	-
Fixed assets and investment properties acquisition	(201 871)	-
Fixed assets and investment properties sale	11 785	4 767
	(441 687)	(119 448)
Cash flows arising from financing activities		
Own securities	49 852	-
Capital increase	270 000	-
Other equity instruments	(210)	-
Participation fund repurchase	-	(2 578)
Proceeds from issuance of bonds and subordinated debt	(1 868)	131 682
Reimbursement of bonds and subordinated debt	(296 193)	(244 470)
Increase/(decrease) in other sundry debtors	(8 098)	(12 162)
	13 483	(127 528)
Exchange effects on cash and cash equivalents	7 906	(85)
Net change in cash and cash equivalents	(27 688)	1 980
Cash and cash equivalents at the beginning of the period		
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 period	418 356	408 371
Cash and cash equivalents at the end of the period includes:		
Cash (note 19)	181 807	180 056
Deposits in other credit institutions (note 20)	236 549	228 315
	418.356	408.371

Caixa Económica Montepio Geral

Consolidated Statement of Changes in Equity
for the three months period ended at 31 march 2016 and 2015

(Thousands of Euro)

	Institutional capital	Participation fund	Other equity instruments	Fair value reserves	Other reserves and retained earnings: General and special reserve	Other reserves and retained earnings: Other reserves	Total equity attributable to holders of institutional capital and participation	Non-controlling interests	Total Equity
Balance on 31 december, 2014	1 500 000	196 720	8 273	14 958	255 805	(587 672)	1 388 084	26 440	1 414 524
Other comprehensive income:									
Exchange difference arising from the consolidation	-	-	-	-	-	(7 365)	(7 365)	1 408	(5 957)
Deferred taxes related to balance sheet changes accounted for reserves (note 32)	-	-	-	-	-	853	853	-	853
Actuarial losses in the period	-	-	-	-	-	22 500	22 500	-	22 500
Fair value changes (note 47)	-	-	-	(4 761)	-	-	(4 761)	-	(4 761)
Deferred taxes related to fair value changes	-	-	-	5 152	-	-	5 152	-	5 152
Consolidated profit / (loss) for the period	-	-	-	-	-	9 760	9 760	(69)	9 691
Total comprehensive income for the period	-	-	-	391	-	25 748	26 139	1 339	27 478
Non-controlling interests (note 49)	-	-	-	-	-	-	-	-	-
Other consolidation reserves	-	-	-	-	-	27 719	27 719	-	27 719
Acquisition of participation fund	-	(6 711)	-	-	-	-	(6 711)	-	(6 711)
Costs related to the issue of perpetual subordinated instruments	-	-	-	-	-	(379)	(379)	-	(379)
Balance on 31 march, 2015	1 500 000	190 009	8 273	15 349	255 805	(534 584)	1 434 852	27 779	1 462 631
Other comprehensive income:									
Exchange difference arising from the consolidation	-	-	-	-	-	(14 106)	(14 106)	(416)	(14 522)
Actuarial losses in the period (note 52)	-	-	-	-	-	(8)	(8)	-	(8)
Deferred taxes related to balance sheet changes accounted for reserves (note 32)	-	-	-	-	-	(315)	(315)	-	(315)
Fair value changes (note 47)	-	-	-	(63 727)	-	-	(63 727)	-	(63 727)
Deferred taxes related to fair value changes (note 32)	-	-	-	17 045	-	-	17 045	-	17 045
Dosposal of the participation on Montepio Seguros, S.G.P.S., S.A. (note 27)	-	-	-	31 979	-	-	31 979	-	31 979
Consolidated profit / (loss) for the period	-	-	-	-	-	(253 167)	(253 167)	1 306	(251 861)
Total comprehensive income for the period	-	-	-	(14 703)	-	(267 596)	(282 299)	890	(281 409)
Increase in capital by subscription of participation fund (note 43)	-	200 000	-	-	-	-	200 000	-	200 000
Costs related to the issue of perpetual subordinated instruments	-	-	-	-	-	(379)	(379)	-	(379)
Acquisition of participation fund	-	(21 590)	-	-	-	5 837	(15 753)	-	(15 753)
Other consolidation reserves	-	-	-	-	-	(20 944)	(20 944)	-	(20 944)
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	-	-	-	-	-	(15 401)	(15 401)	(3 705)	(19 106)
Deferred taxes related to balance sheet changes accounted for reserves (note 32)	-	-	-	-	-	(1 051)	(1 051)	-	(1 051)
Fair value changes (note 47)	-	-	-	(12 659)	-	-	(12 659)	-	(12 659)
Deferred taxes related to fair value changes (note 32)	-	-	-	1 065	-	-	1 065	-	1 065
Consolidated profit / (loss) for the period	-	-	-	-	-	(19 760)	(19 760)	680	(19 080)
Total comprehensive income for the period	-	-	-	(11 594)	-	(36 212)	(47 806)	(3 025)	(50 831)
Capital increase (note 42)	270 000	-	-	-	-	-	270 000	-	270 000
Costs related to the issue of perpetual subordinated instruments	-	-	-	-	-	(210)	(210)	-	(210)
Own perpetual subordinated instruments (note 44)	-	-	(1 950)	-	-	-	(1 950)	-	(1 950)
Acquisition of participation fund	-	31 500	-	-	-	(13 198)	18 302	-	18 302
Other consolidation reserves	-	-	-	-	-	1 796	1 796	-	1 796
Balance on 31 march, 2016	1 770 000	399 919	6 323	(10 948)	255 805	(865 490)	1 555 609	25 644	1 581 253

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income
for the three months period ended as 31 march 2016

(Thousands of Euro)

	Notes	31 march 2016 Total	Holders of intitutional capital and partcipation fund	Non-controlling interests
Items that may be reclassified into the Income Statement				
Fair value reserve				
Financial assets available for sale	47	(12 659)	(12 659)	-
Taxes	32 and 47	1 065	1 065	-
Exchange difference arising from the consolidation		(19 106)	(15 401)	(3 705)
		(30 700)	(26 995)	(3 705)
Items that won't be reclassified into the Income Statement				
Deferred taxes		(663)	(663)	-
		(663)	(663)	-
Other comprehensive income for the period		(31 363)	(27 658)	(3 705)
Net profit/(loss) for the period		(19 080)	(19 760)	680
Total comprehensive income for the period		(50 443)	(47 418)	(3 025)

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income
for the three month period ended at 31 march 2015

(Thousands of Euro)

	Notes	31 march 2015 Total	Holders of intitutional capital and participation fund	Non-controlling interests
Items that may be reclassified into the Income Statement				
Fair value reserves				
Financial assets available for sale	47	(4 761)	(4 761)	-
Taxes	32 and 47	5 152	5 152	-
		391	391	-
Items that won't be reclassified into the Income Statement				
Actuarial gains/(losses) for the period		22 500	22 500	-
		22 500	22 500	-
Other comprehensive income for the period		22 891	22 891	-
Net profit/(loss) for the period		9 691	9 760	(69)
Total comprehensive income for the period		32 582	32 651	(69)

1 Accounting policies

a) Basis of presentation

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

In 2010, Montepio Geral – Associação Mutualista, CEMG sole shareholder, has made an acquisition of 100% of Finibanco Holding, S.G.P.S., S.A. share capital through an Initial Public Offering (IPO) in the amount of Euro 341,250 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, S.A. and acquired as a result of loans and advances to costumers and a leasing portfolio (securities and real estate) in which Finibanco, S.A. is lessor and the fixed assets that materially support the operating leasing activities), and all associated liabilities and provisions.

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

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

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Counsel, of 19 july, 2002 and Regulation no. 1/2005 from the Bank of Portugal, Group's consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body. The interim consolidated financial statements presented herein were approved by the Executive Board of Directors of CEMG on 4 may, 2016. The financial statements are presented in euro rounded to the nearest thousand.

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

The consolidated financial statements for the three months period ended at 31 March 2016 have been prepared in accordance with the IFRS, approved by the European Union and in use in the period, considering the disclosures required by the standards defined in IAS 34. These financial statements also present the income statement for the three months period ended at 31 March 2016, compared with the previous homologous period. The financial statements for the three months period ended at 31 March 2016 do not include all the information required to be disclosed on the annual financial statements.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2016.

The accounting policies in this note were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

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

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

b) Basis of consolidation

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

Investment in subsidiaries

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

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

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

Investments in associates

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

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

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

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

Goodwill – Differences arising from consolidation

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

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

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

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

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

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

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

Purchases and diluition of non-controlling interests

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

Loss of control

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

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

Investments in foreign subsidiaries and associates

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

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

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

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

Transactions eliminated on consolidation

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

c) Loans and advances to customers

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

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

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

Impairment

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

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

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

(i) Individually assessed loans

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

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

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

(ii) Collective assessment

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

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

- for homogeneous groups of loans that are not considered individually significant; or
- in respect of losses which have been incurred but have not yet been reported ("IBNR") on loans for which no objective evidence of impairment is identified (see previous section *(i)*).

The collective impairment loss is determined considering the following factors:

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

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

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

d) Financial instruments

(i) Classification, initial recognition and subsequent measurement

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

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

1a) Financial assets held for trading

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

The interest from debt instruments are recognised as interest margin.

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

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

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

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

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

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

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

2) Financial assets available for sale

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

3) Investments held-to-maturity

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

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

4) Loans and receivables - Loans represented by securities

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

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

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

5) Other financial liabilities

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

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

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

(ii) Impairment

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

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

(iii) Embedded derivatives

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

e) Derivatives hedging accounting

(i) Hedge accounting

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

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

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is valuable in a continuous basis and highly effective throughout the reporting 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, the Group performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, showing that the changes in the fair-value of the hedging instrument are hedged by the changes in the hedged item for the risk being covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

f) Reclassification 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 Held-to-maturity investments.

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

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

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

g) Derecognition

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

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

h) Equity instruments

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

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

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

i) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

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

(ii) Repurchase agreements

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

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

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

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

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

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

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

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

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

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

k) Finance lease transactions

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

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

l) Interest income and expense

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

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

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

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

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

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

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

m) Financial results (Results arising from 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 available-for-sale financial assets and investments held to maturity. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this caption.

n) Fee and commission income

Fees and commissions are recognised according to the following criteria:

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

o) Fiduciary activities

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

p) Property and equipment

Property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Group. All other repairs and maintenance expenses are charged to the income statement during the financial 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 to 10

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

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

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

q) Investment property

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

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

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

r) Intangible assets

Software

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

s) Cash and cash equivalents

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

t) Offsetting

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

u) Foreign currency transactions

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

v) Employee benefits

Defined benefit plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Bonus to employees and to the Executive Board of Directors

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

w) Income taxes

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

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

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

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

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

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

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

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

x) Segmental reporting

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

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

y) Provisions

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

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

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

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

z) Insurance and reinsurance brokerage services

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

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

aa) Accounting estimates and judgments in applying accounting policies

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

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

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

Impairment of available for-sale financial assets

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

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

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

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

Impairment losses on loans and advances to customers

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

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

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

Fair value of derivatives

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

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

Held-to-maturity investments

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

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

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

Entities included in the consolidation perimeter

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

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

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

Income taxes

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

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

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

Pension and other employees' benefits

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

Changes in these assumptions could materially affect these values.

Goodwill impairment

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

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

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

Provisions

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

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

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

2 Net interest income and net gains arising from assets and liabilities at fair value through profit or loss and 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 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)

	Mar-16	Mar-15
Net interest income	60 632	62 610
Net gains arising from assets and liabilities at fair value through profit and loss	(16 459)	13 232
Net gains arising from financial assets available for sale	10 106	71 978
	54 279	147 820

3 Net interest income

The amount of this account is comprised of:

(Thousands of Euro)

	Mar-16	Mar-15
Interest and similar income		
Interest from loans to customers	107 973	124 246
Interest from deposits and other investments	664	1 291
Interest from available-for-sale financial assets	8 460	35 922
Interest from held for trading financial assets	19 169	23 641
Interest from held-to-maturity financial assets	3 824	2 072
Interest from hedging derivatives	307	54
Other interest and similar income	3 131	3 489
	143 528	190 715
Interest and similar expense		
Interest from deposits of customers	44 520	68 402
Interest from loans of Central Banks and other financial institutions	3 641	2 639
Interest from securities issued	13 440	19 080
Interest from subordinated liabilities	1 293	2 117
Interest from financial liabilities associated with transferred assets	464	11 312
Interest from held for trading financial liabilities	18 322	23 354
Interest from hedging derivatives	20	200
Other interest and similar expense	1 196	1 001
	82 896	128 105
Net interest income	60 632	62 610

The balances Interest from loans to customers and Other interest and similar expenses include the positive amount of Euro 5,094 thousands and the negative amount of Euro 1,195 thousands (march 2015: the positive amount of Euro 5,710 thousands and the negative amount of Euro 975 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).

4 Dividends from equity instruments

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

5 Net fee and commission income

The amount of this account is comprised of:

(Thousands of Euro)

	Mar-16	Mar-15
Fee and commission income		
From banking services	20 497	21 362
From transactions executed on behalf of third parties	4 557	5 479
From insurance activity	574	1 687
From guarantees provided	2 077	2 170
From commitments to third parties	1 800	911
Other fee and commission income	930	301
	30 435	31 910
Fee and commission expense		
From banking services rendered by third parties	4 181	4 613
From transactions with securities	149	130
Other fee and commission expense	3 535	2 566
	7 865	7 309
Net fee and commission income	22 570	24 601

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)

	Mar-16			Mar-15		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed income securities						
Issued by public entities	3 827	(3 631)	196	1 335	(1 489)	(154)
Issued by other entities	-	-	-	65	(56)	9
Shares	2 841	(3 356)	(515)	4 709	(3 548)	1 161
Investment units	8	(8)	-	4	-	4
	6 676	(6 995)	(319)	6 113	(5 093)	1 020
Derivative financial instruments						
Interest rate contracts	29 599	(30 657)	(1 058)	54 187	(54 406)	(219)
Exchange rate contracts	18 497	(18 824)	(327)	30 980	(31 140)	(160)
Futures contracts	2 067	(1 516)	551	363	(946)	(583)
Commodities contracts	7 751	(7 716)	35	35 426	(35 425)	1
Options contracts	1 057	(1 064)	(7)	7 871	(7 838)	33
Credit default swaps (CDS)	4 076	(17 802)	(13 726)	-	-	-
	63 047	(77 579)	(14 532)	128 827	(129 755)	(928)
Other financial assets						
Loans to customers	269	(257)	12	228	(376)	(148)
Other	-	-	-	14 088	(3)	14 085
	269	(257)	12	14 316	(379)	13 937
Hedging derivatives						
Interest rate contracts	22	(35)	(13)	385	(182)	203
	22	(35)	(13)	385	(182)	203
Financial liabilities						
Deposits from other credit institutions	768	(1 261)	(493)	34	(54)	(20)
Deposits from customers	16	(36)	(20)	181	(99)	82
Debt securities issued	847	(1 664)	(817)	330	(751)	(421)
Other subordinated liabilities	-	(286)	(286)	(6)	(666)	(672)
	1 631	(3 247)	(1 616)	539	(1 570)	(1 031)
Other financial operations						
Loans to customers	-	(272)	(272)	-	(271)	(271)
Other	372	(91)	281	302	-	302
	372	(363)	9	302	(271)	31
	72 017	(88 476)	(16 459)	150 482	(137 250)	13 232

The balance Financial liabilities, includes fair value changes related with changes in the own credit risk (spread) of operations of Euro 2,630 thousands (march 2015: Euro 742 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 determine 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)

	Mar-16			Mar-15		
	Gains	Losses	Total	Gains	Losses	Total
Fixed income securities						
Bonds						
Issued by public entities	10 682	(299)	10 383	70 640	(953)	69 687
Issued by other entities	398	(1 492)	(1 094)	1 129	(111)	1 018
Shares	223	(268)	(45)	373	(35)	338
Other variable income securities	862	-	862	935	-	935
	12 165	(2 059)	10 106	73 077	(1 099)	71 978

The balance Fixed income securities – Bonds – Issued by other entities includes the amount of Euro 2,739 thousands (march 2015: Euro 69,728 thousands), related with capital gains resulting from sale of treasury bonds of Portuguese domestic debt.

8 Net gains / (losses) from foreign exchange differences

The amount of this account is comprised of:

(Thousands of Euro)

	Mar-16			Mar-15		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	145 695	(137 789)	7 906	152 524	(152 609)	(85)

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

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

The amount of this account is comprised of:

(Thousands of Euro)

	Mar-16	Mar-15
Sale of other assets	(290)	(171)
Sale of loans and advances to customers	-	12 727
Sale of non-current assets held for sale	(467)	(6 482)
	(757)	6 074

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

10 Other operating income/ (costs)

The amount of this account is comprised of:

(Thousands of Euro)

	Mar-16	Mar-15
Other operating income		
Services rendered	7 978	1 630
Profits arising from investment properties rentals	4 307	4 218
Profits arising from investment properties revaluation	12 099	2 217
Profits arising from deposits on demand management	2 815	2 224
Reimbursement of expenses	1 877	1 896
Profits arising from staff transfer	2 156	1 531
Repurchase of own securities	-	3
Other	5 464	3 004
	36 696	16 723
Other operating costs		
Revaluation losses in investment properties	23 001	3 447
Taxes	591	1 355
Repurchase of own securities	-	26
Contribution for the banking sector	-	2 583
Donations and membership	62	336
Deposit Guarantee Fund	-	164
Other	5 724	4 235
	29 378	12 146
Other net operating income / (costs)	7 318	4 577

As at 31 march 2016, the balance Other operating income – Services rendered includes the amount of Euro 6,500 thousands referring to the supply of services by the Group to Montepio Geral Associação Mutualista, as described in note 33.

As at 31 march 2016, the balance Other operating income – Staff transfer includes the amount of Euro 2,156 thousands (march 2015: Euro 1,531 thousands) referring to the staff transfers from the Group to Montepio Geral Associação Mutualista and to other entities of the Group.

As at 31 march 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 for the banking sector is estimated according to the terms of the Decree-Law 55-A/2010. The determination of the amount payable focuses on: (i) the annual average liability developed in balance deducted from core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund; and (ii) the notional amount of derivative financial instruments.

11 Staff costs

The amount of this account is comprised of:

(Thousands of Euro)

	Mar-16	Mar-15
Remunerations	36 495	37 347
Mandatory social security charges	9 112	9 610
Charges with the pension fund	8 360	2 588
Other staff costs	4 944	1 199
	58 911	50 744

As at 31 march 2016, the caption Charges with the pension fund includes the amount of Euro 5,500 thousands related to the impact of early retirements.

12 General and administrative expenses

The amount of this account is comprised of:

(Thousands of Euro)

	Mar-16	Mar-15
Rental costs	5 471	7 276
Specialized services		
IT services	2 732	2 484
Independent work	418	386
Other specialized services	4 919	6 328
Communication costs	971	1 055
Advertising costs	2 068	1 810
Maintenance and related services	1 201	1 122
Water, energy and fuel	1 545	1 397
Insurance	659	697
Transportation	919	718
Travel, hotel and representation costs	394	552
Consumables	390	362
Training costs	133	47
Other	2 296	241
	24 116	24 475

The balance Rental costs, includes the amount of Euro 4,990 thousands (march 2015: Euro 6,546 thousands) related to rents paid regarding buildings used by the Group as lessee.

13 Depreciation and amortisation

The amount of this account is comprised of:

(Thousands of Euro)

	Mar-16	Mar-15
Intangible assets		
Software	3 362	3 865
Other tangible assets		
Real estate		
For own use	172	185
Leasehold improvements	663	730
Equipment		
Security	82	103
Transportation	137	183
IT	1 054	1 168
Interior installations	371	402
Machinery and tools	13	22
Furniture and material	192	236
Other	-	2
Operating lease	22	38
Other tangible assets	14	25
	2 720	3 094
	6 082	6 959

14 Loans impairment

The amount of this account is comprised of:

(Thousands of Euro)

	Mar-16	Mar-15
Loans and advances to credit institutions		
Charge for the period	-	408
Write-back for the period	-	(132)
	-	276
Loans and advances to customers		
Charge for the period net of reversals	30 397	68 356
Recovery of loans and interest charged-off	(1 691)	(1 035)
	28 706	67 321
	28 706	67 597

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)

	Mar-16	Mar-15
Impairment for financial assets available for sale		
Charge for the period	7 858	14 948
Write-back for the period	(6 971)	(11 559)
	887	3 389

As at 31 march 2016, the balance Impairment for financial assets available for sale – charge for the period includes the amount of Euro 554 thousands (march 2015: Euro 219 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 referred in notes 22 and 24.

As at 31 march 2016, the balance Impairment for financial assets available for sale – charge for the period includes the amount of Euro 269 thousands (march 2015: Euro 646 thousands) referring to the impairment recognised for sovereign debt of Greece as described in note 24.

16 Other assets impairment

The amount of this account is comprised of:

(Thousands of Euro)

	Mar-16	Mar-15
Impairment for non-current assets held for sale		
Charge for the period	6 620	3 399
Write-back for the period	(3 423)	(431)
	3 197	2 968
Impairment for other assets		
Charge for the period	500	174
Write-back for the period	(212)	(98)
	288	76
	3 485	3 044

17 Other provisions

The amount of this account is comprised of:

(Thousands of Euro)

	Mar-16	Mar-15
Provisions for other liabilities and charges		
Charge for the period	8 426	8 126
Write-back for the period	(12 504)	(797)
	(4 078)	7 329

18 Share of profit of associates under the equity method

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

(Thousands of Euro)

	Mar-16	Mar-15
Montepio Seguros, S.G.P.S., S.A.	-	458
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	(102)	(161)
	(102)	297

19 Cash and deposits at central banks

This balance is analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Cash	181 807	208 037
Deposits at central banks		
Bank of Portugal	143 637	159 199
Other central banks	50 656	57 214
	376 100	424 450

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

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

Mandatory reserves are currently calculated in accordance with the Instruction No. 08/2015 of 3 june from BNA and are incorporated in kwanzas and dollars, depending on the designation of the liabilities that constitute its basis of assessment and should be maintained throughout the period to which they relate. On 31 march 2016, the requirement to maintain mandatory reserves is determined by applying a 25% rate on the arithmetical average of eligible liabilities in kwanzas and 15% in other currencies (december 2015: 25% in kwanzas and 15% in other currencies).

20 Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Credit institutions in Portugal	192 345	194 780
Credit institutions abroad	13 752	16 168
Amounts due for collection	30 452	27 059
	236 549	238 007

The balance Amounts due for collection represents essentially cheques due for collection on other credit institutions.

21 Other loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

		(Thousands of Euro)
	Mar-16	**Dec-15**
Loans and advances to credit institutions in Portugal		
Term deposits	2 076	2 076
Other loans and advances	4 007	6 006
	6 083	8 082
Loans and advances to credit institutions abroad		
Repos	53 683	61 043
Term deposits	27 507	25 461
Loans	1 727	2 150
Subordinated investments	-	91
CSA's	51 753	63 924
CSA's - Independent amount	-	11 295
	134 670	163 964
	140 753	172 046
Impairment for loans and advances to credit institutions	-	(2)
	140 753	172 044

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

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

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

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 51,753 thousands (december 2015: Euro 75,219 thousands) related to deposits in credit institutions given as collateral for the referred operations.

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

(Thousands of Euro)

	Mar-16	Mar-15
Balance on 1 January	2	313
Charge for the period	-	408
Write-back for the period	-	(132)
Charge-off	(2)	-
Balance on 31 March	-	589

22 Loans and advances to customers

This balance is analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Domestic loans		
Corporate		
Loans not represented by securities		
Loans	2 638 927	2 669 607
Commercial lines of credit	712 987	745 753
Finance lease	477 522	481 194
Discounted bills	86 713	94 817
Factoring	87 548	83 141
Overdrafts	8 454	33 412
Other loans	881 292	927 247
Loans represented by securities		
Commercial paper	343 557	339 054
Bonds	358 352	358 488
Retail		
Mortgage loans	7 286 703	7 391 219
Finance leases	66 898	70 232
Consumer and other loans	1 063 529	1 070 000
	14 012 482	14 264 164
Foreign loans		
Corporate	245 713	301 818
Retail	19 317	17 274
	14 277 512	14 583 256
Correction value of assets subject to hedge operations		
Other credits	2 249	2 509
Overdue loans and interest		
Less than 90 days	120 353	125 345
More than 90 days	1 373 564	1 232 905
	1 493 917	1 358 250
	15 773 678	15 944 015
Impairment for credit risks	(1 278 597)	(1 281 738)
	14 495 081	14 662 277

As at 31 march 2016, the balance Loans and advances to customers includes the amount of Euro 2,727,221 thousands (december 2015: Euro 2,727,400 thousands), related to the issue of covered bonds held by the Group, as described in note 37.

As at 31 march 2016, within the sale of credits and real estate properties performed, it is outstanding by SilverEquation the amount of Euro 167,940 thousands (december 2015: Euro 161,420 thousands) related to this sale, as referred in note 33.

As at 31 december 2015, the Group reclassified bonds from financial assets available for sale 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 credit, leasing 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. Therefore, as at 31 march 2016, the value of loans and advances to customers (net of impairment), includes the amount of Euro 160,545 thousands (december 2015: Euro 166,819 thousands), related to securitisation transactions where, in accordance with the accounting policy described in note 1 b), are consolidated in the Group under the full method.

As 31 march 2016, the balance Loans and advances to customers includes the amount of Euro 4,060,569 thousands (december 2015: Euro 4,086,815 thousands) related with loans object of securitisation that, in accordance with the accounting policy described in note 1 g), were not subject of derecognition.

In the balance Correction value of assets subject to hedge operations is accounted the fair value of the hedged portfolio. This valuation is accounted for in the income statement, in accordance with the accounting policy described in 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 interest rate as at 31 march 2016 and 31 december 2015 is presented as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Variable interest rate contract	14 636 232	14 712 099
Fixed interest rate contract	1 137 446	1 231 916
	15 773 678	15 944 015

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

(Thousands of Euro)

	Mar-16	Dec-15
Asset-backed loans	943 633	838 063
Other guaranteed loans	334 986	327 465
Finance lease loans	44 061	43 293
Secured loans	21 614	19 050
Other loans	149 623	130 379
	1 493 917	1 358 250

As at 31 march 2016, the balance Financial leases, by maturity, is analysed as follows:

(Thousands of Euro)

	Finance leases			
	Due within 1 year	1 to 5 years	Over 5 years	Total
Outstanding rents	71 288	273 526	160 040	504 854
Outstanding interests	(14 111)	(47 621)	(31 670)	(93 402)
Residual values	12 605	67 535	52 828	132 968
	69 782	293 440	181 198	544 420

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

(Thousands of Euro)

	Finance lease			
	Due within 1 year	1 to 5 years	Over 5 years	Total
Outstanding rents	71 532	279 073	163 821	514 426
Outstanding interests	(10 026)	(35 427)	(33 189)	(78 642)
Residual value	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 client, is presented as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Domestic loans		
Corporate		
Construction/Production	286 824	264 958
Investment	536 730	468 861
Treasury	316 264	298 540
Other loans	72 925	70 838
Retail		
Mortgage loans	105 314	96 860
Consumer credit	67 828	64 961
Other loans	88 781	77 123
	1 474 666	1 342 141
Foreign loans		
Corporate	16 824	13 570
Retail	2 427	2 539
	19 251	16 109
	1 493 917	1 358 250

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

(Thousands of Euro)

	Mar-16	Mar-15
Balance on 1 January	1 281 738	1 385 872
Charge for the period net of reversals	30 397	68 356
Loans charged-off	(10 630)	(17 297)
Transfers	(22 289)	-
Exchange differences	(619)	(18 860)
Balance on 31 March	1 278 597	1 418 071

The balance Transfers is referring to the impairment associated to credit exposures out of balance sheet which in 2016 started to be recorded in the balance Provisions, as described in note 39.

In compliance with the accounting policy described in note 1 c), interests on overdue loans for a period over 90 days not covered by asset-backed guarantees, are only recorded as income when received.

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

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

(Thousands of Euro)

	Mar-16	Dec-15
Asset-backed loans	739 222	743 332
Other guaranteed loans	343 791	345 022
Unsecured loans	195 584	193 384
	1 278 597	1 281 738

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

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

(Thousands of Euro)

	Mar-16	Mar-15
Asset-backed loans	28	7 626
Other guaranteed loans	8 940	4 670
Unsecured loans	1 662	5 001
	10 630	17 297

The analysis of the recovered loans and overdue interest, performed during the three months period ended at 31 march 2016 and 2015 amounted to Euro 1,691 thousands and Euro 1,035 thousands, respectively, related with the recovery of asset-backed loans, as referred in note 14.

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

According with the present scenario of real estate and financial markets, the Group continued to negotiate, during 2015 and the first quarter of 2016, the strengthening of physical and financial collaterals with their customers.

23 Financial assets and liabilities held for trading

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

(Thousands of Euro)

	Mar-16	Dec-15
Financial assets		
Securities		
Shares	5 356	7 363
Bonds	8 525	12 435
	13 881	19 798
Derivatives		
Derivative financial instruments with positive fair value	13 044	31 295
	26 925	51 093
Financial liabilities held for trading		
Securities		
Short sales	2 444	1 896
Derivatives		
Derivative financial instruments with negative fair value	66 851	68 393
	69 295	70 289

The balance Derivative financial instruments with positive fair value includes the amount of Euro 5,194 thousands (december 2015: Euro 8,830 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 187 thousands (december 2015: Euro 189 thousands).

As at 31 march 2016, the balance Derivative financial instruments with negative fair value includes the valuation of embedded derivatives separated from the host contracts in accordance with the accounting policy described in note 1 d), in the amount of Euro 49,882 thousands (december 2015: Euro 35,493 thousands).

The balance Derivative financial instruments with negative fair value also includes the amount of Euro 3,512 thousands (december 2015: Euro 8,391 thousands) referred to instruments associated to assets or liabilities at fair value through profit or loss, with the exception of loans and advances to customers in the amount of Euro 1,739 thousands (december 2015: 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.

The balance of Derivative financial instruments as at 31 march 2016, in comparison with the assets and liabilities associated, recorded at fair value, can be analysed as follows:

(Thousands of Euro)

Derivative	Related financial asset/liability	Mar-16 Derivative Notional	Derivative Fair value	Derivative Fair value changes in the period	Related asset/liability Fair value	Related asset/liability Fair value changes in the period	Related asset/liability Book value	Related asset/liability Reimbursement amount at maturity date
Interest rate swap	Debt securities issued and other subordinated debt	87 656	316	(501)	(2 925)	1 103	111 188	110 666
Interest rate swap	Deposits from customers	44 850	(261)	230	28	20	46 107	45 839
Interest rate swap	Deposits from financial institutions	61 139	4 125	(2 412)	1 014	493	72 451	60 000
Interest rate swap	Covered bonds	5 413 592	(2 498)	537	-	-	-	-
Interest rate swap	Loans	43 246	(1 552)	(103)	1345	12	43 413	43 246
Interest rate swap	Other	2 765 625	(5 160)	(295)	-	-	-	-
Currency swap	-	134 420	77	(459)	-	-	-	-
Futures	-	118 557	6	9	-	-	-	-
Options	-	95 266	24	(7)	-	-	-	-
Credit Default Swaps	-	75 000	(48 884)	(13 708)	-	-	-	-
		8 839 351	(53 807)	(16 709)	(538)	1 628	273 159	259 751

The balance of Derivative financial instruments as at 31 december 2015, in comparison with the assets and liabilities associated, recorded at fair value, can be analysed as follows:

(Thousands of Euro)

Derivative	Related financial asset/liability	Dec-15 Derivative Notional	Derivative Fair value	Derivative Fair value changes in the period	Related asset/liability Fair value	Related asset/liability Fair value changes in the period	Related asset/liability Book value	Related asset/liability 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 bond	5 460 455	(3 035)	1 512	-	-	-	-
Interest rate swap	Loans	44 453	(1 449)	510	1333	(519)	44 825	44 453
Interest rate swap	Other	2 773 877	(4 865)	10 551	-	-	-	-
Currency swap	-	94 521	536	(126)	-	-	-	-
Futures	-	138 397	(3)	1	-	-	-	-
Options	-	107 034	31	(328)	-	-	-	-
Credit Default Swaps	-	85 000	(35 176)	(35 176)	-	-	-	-
		8 906 163	(37 098)	(26 876)	(2 166)	2 065	284 396	272 176

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 as at 31 march 2016 amounts to Euro 4,828 thousands (december 2015: Euro 7,458 thousands), as referred in note 6 and 35.

24 Financial assets available for sale

This balance is analysed as follows:

(Thousands of Euro)

	Mar-16				
		Fair value reserve			
	Cost (1)	Positive	Negative	Impairment losses	Book value
Fixed income securities					
Issued by public entities					
Domestic	999 243	2 606	(34 481)	-	967 368
Foreign	1 008 797	16 403	(1)	(7 612)	1 017 587
Issued by other entities					
Domestic	69 764	1 310	(626)	(27 444)	43 004
Foreign	241 828	5 156	(37 780)	(7 361)	201 843
Commercial paper	998	-	-	(998)	-
Variable income securities					
Shares					
Domestic	80 042	9 518	(1 627)	(5 106)	82 827
Foreign	75 900	16 374	(9 369)	(2 267)	80 638
Investment fund units	400 177	17 306	(549)	(14 723)	402 211
	2 876 749	68 673	(84 433)	(65 511)	2 795 478

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

(Thousands of Euro)

	Dec-15				
		Fair value reserve			
	Cost (1)	Positive	Negative	Impairment losses	Book value
Fixed income securities					
Issued by public entites					
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 entites					
Domestic	66 360	1 521	(1 335)	(27 444)	39 102
Foreign	234 743	3 925	(25 681)	(8 709)	204 278
Commercial paper	998	-	-	(998)	-
Variable income securities					
Shares					
Domestic	80 992	9 534	(1 634)	(5 984)	82 908
Foreign	75 331	16 127	(12 430)	(2 114)	76 914
Investment fund units	397 703	16 482	(496)	(14 717)	398 972
	3 138 911	65 142	(68 243)	(67 309)	3 068 501

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

As at 31 december 2015, the balance Financial assets available for sale, in the financial statement position, includes securities subject to hedging operations, in the amount of Euro 286 thousands, as referred in note 25.

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 (bonds) meet the definition of loans and receivables, which means that is a non-derivative financial asset with fixed or determined payments that are not quoted in an active market. Moreover, the Group has the intention and ability to hold these assets until maturity.

As at the date of reclassification the following aspects are observed:

– The reclassification of bonds from financial assets available for sale portfolio to the loans and advances to customers category is realised at the fair value of the debt instrument at the date of reclassification;

– The fair value of bonds at the reclassification date will become the new cost amount;

– As at the date of reclassification a new effective interest rate is determined as the basis of calculation and recognition of interest and amortised cost from that moment;

– The new effective interest rate is the rate that exactly discounts estimated future cash flows over the remaining expected life of the instruments fair value at the date of reclassification;

– A subsequent change in the fair value of the debt instrument over its new amortised cost is not recognised;

– It's performed a review of subsequent impairment taking into consideration the new amortised cost, the new effective interest rate and the expected future cash flows;

– Any impairment loss, measured as the difference between the new amortised cost and the present value of estimated future cash flows (excluding future credit losses that have not incurred) discounted at the new effective interest rate determined at the date of reclassification, is recognised in profit or loss.

In this context, as at 31 december 2015, the Group reclassified securities from Financial assets available for sale portfolio to Loans and advances to customers, in the amount of Euro 358,488 thousands and 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, as referred in note 47.

The impact of the reclassifications performed during 2015 and in the first quarter of 2016, is as follows:

(Thousands of Euro)

	At the reclassification date		Mar-16		
	Book value	Fair value	Book value	Fair value	Difference
Financial assets available for sale to:					
Loans and advances to customers	358 488	358 488	358 488	358 488	-
	358 488	358 488	358 488	358 488	-

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

(Thousands of Euro)

	Mar-16	Mar-15
Balance on 1 January	67 309	55 763
Charge for the period	7 858	14 948
Write-back for the period	(6 971)	(11 559)
Charge-off	(2 685)	(2 085)
Balance on 31 March	65 511	57 067

As at 31 march 2016, the impairment losses recognised regarding the sovereign debt of Greece amounts to Euro 7,612 thousands (december 2015: Euro 7,343 thousands), as referred in note 15.

Securities pledged as collateral recorded in Financial assets available for sale, are presented as follows:

- The market value of the assets pledged as collateral to the European Central Bank under liquidity providing operations in the amount of Euro 3,774 billions (december 2015: Euro 3,758 billions);
- Securities pledged as collateral to the Portuguese Securities Market Commission under the Investors' Compensation Fund in the nominal amount of Euro 1,750 millions (december 2015: Euro 1,750 millions);

- The amount of the EIB loan obtained is collateralised by securities of Italian, Spanish, Portuguese and Greek states in the nominal amount of Euro 663,273 thousands (december 2015: Euro 706,638 thousands), registered in the balance Financial assets available for sale; and
- Securities pledged as collateral to the Deposit Guarantee Fund in the nominal amount of Euro 25,000 thousands (december 2015: Euro 25,000 thousands).

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)

	Mar-16	Dec-15
Asset		
Interest rate swap	-	9
Liability		
Interest rate swap	-	439

Hedging derivatives are measured according to internal valuation techniques based on observable market data. Therefore, in accordance with the hierarquisation of the valuation sources, and as referred in IFRS 13, these instruments are classified as level 2.

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)

	Mar-16	Dec-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)

Derivative	Dec 2015						
	Hedged item	Hedged risk	Nocional	Fair value derivative (1)	Changes in the fair value of the derivative in the period	Fair value of the hedged item(2)	Changes in the fair value of the hedged item in the period (2)
Interest rate swap	Financial assets available for sale	Interest rate	5 000	(430)	1 004	286	(944)
			5 000	(430)	1 004	286	(944)

(1) Includes the accrued interest.
(2) Attributable to the hedged risk.

26 Held-to-maturity investments

This balance is analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Fixed income securities		
Bonds issued by portuguese public entities	648 080	26 130
Bonds issued by foreign public entities	133 450	135 410
	781 530	161 540

The Group assessed, as at 31 march 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 march 2016 can be analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OT 2,875% 15-OCT-2025	October, 2015	October, 2025	Fixed rate of 2.875%	26 284
OT 2018-06-15 EX 4.45	February, 2016	June, 2018	Fixed rate of 4.45%	16 865
OT 2018-06-15 EX 4.45	February, 2016	June, 2018	Fixed rate of 4.45%	16 865
OT 2018-06-15 EX 4.45	February, 2016	June, 2018	Fixed rate of 4.45%	56 222
OT 2018-06-15 EX 4.45	February, 2016	June, 2018	Fixed rate of 4.45%	22 497
OT 2018-06-15 EX 4.45	February, 2016	June, 2018	Fixed rate of 4.45%	56 209
OT 2018-06-15 EX 4.45	February, 2016	June, 2018	Fixed rate of 4.45%	56 232
OT 2,200% 17-OCT-2022	February, 2016	October, 2022	Fixed rate of 2.2%	18 973
OT 2,200% 17-OCT-2022	February, 2016	October, 2022	Fixed rate of 2.2%	9 497
OT 2,200% 17-OCT-2022	February, 2016	October, 2022	Fixed rate of 2.2%	9 507
OT 2,200% 17-OCT-2022	February, 2016	October, 2022	Fixed rate of 2.2%	47 536
OT APR21	February, 2016	April, 2021	Fixed rate of 3.85%	22 863
OT APR21	February, 2016	April, 2021	Fixed rate of 3.85%	22 882
OT APR21	February, 2016	April, 2021	Fixed rate of 3.85%	28 424
OT APR21	February, 2016	April, 2021	Fixed rate of 3.85%	10 179
OT APR21	February, 2016	April, 2021	Fixed rate of 3.85%	28 277
OT APR21	February, 2016	April, 2021	Fixed rate of 3.85%	5 656
OT APR21	February, 2016	April, 2021	Fixed rate of 3.85%	11 313
OT APR21	February, 2016	April, 2021	Fixed rate of 3.85%	5 568
OT APR21	February, 2016	April, 2021	Fixed rate of 3.85%	21 732
OT APR21	February, 2016	April, 2021	Fixed rate of 3.85%	10 873
OT APR21	February, 2016	April, 2021	Fixed rate of 3.85%	10 882
OT APR21	February, 2016	April, 2021	Fixed rate of 3.85%	27 365
OT APR21	February, 2016	April, 2021	Fixed rate of 3.85%	27 539
OT APR21	March, 2016	April, 2021	Fixed rate of 3.85%	11 342
OT 4,95% 25-OCT-2023	March, 2016	October, 2023	Fixed rate of 4.95%	23 797
OT 5.65% 15-FEB-2024	April, 2016	February, 2024	Fixed rate of 5.65%	18 292
OT 5.65% 15-FEB-2024	April, 2016	February, 2024	Fixed rate of 5.65%	12 204
OT 5.65% 15-FEB-2024	April, 2016	February, 2024	Fixed rate of 5.65%	12 204
OT Angola 14/23-07-2018	July, 2014	July, 2018	Fixed rate of 7.50%	453
OT Angola 14/30-07-2018	July, 2014	July, 2018	Fixed rate of 7.50%	454
OT Angola 14/30-07-2019	July, 2014	July, 2019	Fixed rate of 7.75%	454
OT Angola 14/23-07-2019	July, 2014	July, 2019	Fixed rate of 7.75%	454
OT Angola 14/06-08-2017	August, 2014	August, 2017	Fixed rate of 7.25%	566
OT Angola 14/06-08-2019	August, 2014	August, 2019	Fixed rate of 7.75%	566
OT Angola 14/30-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	605
OT Angola 15/14-04-2020	April, 2015	April, 2020	Fixed rate of 7.5%	685
OT Angola 15/08-09-2020	September, 2015	September, 2020	Fixed rate of 7.77%	699
OT Angola 15/25-08-2020	August, 2015	August, 2020	Fixed rate of 7.77%	718
OT Angola 15/04-08-2020	August, 2015	August, 2020	Fixed rate of 7.77%	721

(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%	721
OT Angola 15/01-09-2020	September, 2015	September, 2020	Fixed rate of 7.77%	722
OT Angola 15/11-08-2020	August, 2015	August, 2020	Fixed rate of 7.77%	725
OT Angola 14/16-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	907
OT Angola 14/30-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	907
OT Angola 14/23-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	908
OT Angola 14/06-08-2018	August, 2014	August, 2018	Fixed rate of 7.50%	1 132
OT Angola 14/09-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	1 207
OT Angola 14/16-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	1 208
OT Angola 14/23-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	1 241
OT Angola 15/14-04-2019	April, 2015	April, 2019	Fixed rate of 7.5%	1 371
OT Angola 15/07-04-2019	April, 2015	April, 2019	Fixed rate of 7.5%	1 386
OT Angola 15/14-04-2020	April, 2015	April, 2020	Fixed rate of 7.5%	1 446
OT Angola 15/21-07-2020	July, 2015	July, 2020	Fixed rate of 7.77%	1 462
OT Angola 15/14-07-2020	July, 2015	July, 2020	Fixed rate of 7.77%	1 541
OT Angola 15/28-04-2019	April, 2015	April, 2019	Fixed rate of 7.5%	1 541
OT Angola 15/28-04-2020	April, 2015	April, 2020	Fixed rate of 7.5%	1 551
OT Angola 14/16-09-2018	September, 2014	September, 2018	Fixed rate of 7.50%	1 551
OT Angola 14/16-09-2019	September, 2014	September, 2019	Fixed rate of 7.75%	1 556
OT Angola 14/13-08-2018	August, 2014	August, 2018	Fixed rate of 7.50%	1 556
OT Angola 14/13-08-2019	August, 2014	August, 2019	Fixed rate of 7.75%	1 617
OT Angola 15/15-12-2020	December, 2015	December, 2020	Fixed rate of 7.77%	1 692
OT Angola 15/01-12-2020	December, 2015	December, 2020	Fixed rate of 7.77%	1 696
OT Angola 15/24-11-2020	November, 2015	November, 2020	Fixed rate of 7.77%	1 699
OT Angola 15/21-04-2019	April, 2015	April, 2019	Fixed rate of 7.5%	1 852
OT Angola 15/21-04-2020	April, 2015	April, 2020	Fixed rate of 7.5%	1 920
OT Angola 15/07-07-2020	July, 2015	July, 2020	Fixed rate of 7.77%	1 920
OT Angola 14/29-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2 210
OT Angola 14/29-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2 212
OT Angola 14/22-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2 217
OT Angola 14/22-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2 219
OT Angola 14/08-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2 233
OT Angola 14/08-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2 236
OT Angola 14/01-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2 237
OT Angola 14/01-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2 240
OT Angola 15/23-06-2020	June, 2015	June, 2020	Fixed rate of 7.77%	3 051
OT Angola 14/26-11-2018	November, 2014	November, 2018	Fixed rate of 7.50%	3 089
OT Angola 14/26-11-2019	November, 2014	November, 2019	Fixed rate of 7.75%	3 092
OT Angola 14/13-08-2017	August, 2014	August, 2017	Fixed rate of 7.25%	3 101
OT Angola 15/08-12-2020	December, 2015	December, 2020	Fixed rate of 7.77%	3 389
OT Angola 15/16-06-2020	June, 2015	June, 2020	Fixed rate of 7.77%	3 866
OT Angola 13/04-12-2016	December, 2013	December, 2016	Fixed rate of 7.25%	4 684
OT Angola 13/15-11-2017	November, 2013	November, 2017	Fixed rate of 5.00%	5 168
OT Angola 15/19-02-2019	February, 2015	February, 2019	Fixed rate of 7.5%	5 226
OT Angola 15/10-12-2022	December, 2015	December, 2022	Fixed rate of 5%	14 004
OT Angola 13/15-11-2016	November, 2013	November, 2016	Fixed rate of 5.00%	23 567
				781 530

The held-to-maturity investments, as at 31 december 2015 can be 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
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 the accounting policy described in note 1 d).

During 2015 and in the first quarter of 2016, the Group did not transfer to or from this assets category.

27 Investments in associated companies and others

This balance is analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Investments in associated companies and others		
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 050	3 210
Iberpartners Cafés S.G.P.S., S.A.	1 107	1 107
Montepio - Gestão de Activos Imobiliários, ACE	698	698
Pinto & Bulhosa, S.A.	191	191
Naviser – Transportes Marítimos Internacionais, S.A.	150	150
	5 196	5 356
Impairment for investments in associated companies and others	(1 448)	(1 448)
	3 748	3 908

The Group companies included in the consolidation perimeter are presented in note 53.

On 30 december 2015, CEMG 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 period	Acquisition cost
31 march 2016						
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	39 277	24 027	15 250	1 435	(510)	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	3 775	1 325	2 450	1 190	-	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

* Amounts referring to December 2015.

(Thousands of Euro)

	Percentage held		Book value		Net profit of	
	Mar-16 %	Dec-15 %	Mar-16	Dec-15	Mar-16	Dec-15
Montepio Seguros, S.G.P.S., S.A.	-	-	-	-	-	(4,013)
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	20%	20%	3 050	3 210	(102)	66
Iberpartners Cafés S.G.P.S., S.A.	29.41%	29.41%	-	-	-	37
Montepio - Gestão de Activos Imobiliários, ACE	28.50%	28.50%	698	698	-	-
Pinto & Bulhosa, S.A.	16%	16%	-	-	-	-
Naviser - Transportes Marítimos Internacionais, S.A.	20%	20%	-	-	-	-

The movement for this balance is analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Balance on 1 January	5 356	24 991
Disposals	-	(15 725)
Share of profit of associates	(102)	(3 910)
Fair value reserve from associates	(58)	-
Balance on 31 March	5 196	5 356

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

(Thousands of Euro)

	Mar-16	Mar-15
Balance on 1 January	1 448	341
Charge for the period	-	-
Balance on 31 March	1 448	341

Regularly, the Group performs an analysis of impairment related to its investments in associated companies.

28 Non-current assets held for sale

This balance is analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Real estate and other assets arising from recovered loans	864 539	892 163
Impairment for non-current assets held for sale	(126 580)	(137 265)
	737 959	754 898

The assets included in this balance are accounted in accordance with the accounting policy described in note 1 j).

The balance Investments arising from recovered loans includes the amount of Euro 2,075 thousands (december 2015: Euro 1,552 thousands) related with other non-current assets held for sale resulting from the foreclosure of contracts of loans to customers.

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 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 16,768 thousands (december 2015: Euro 18,980 thousands).

The movements, during 2015 and in the first quarter of 2016, for non-current assets held for sale are analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Balance on 1 January	892 163	934 230
Charge for the period	17 345	212 976
Disposals	(44 835)	(255 071)
Exchange diferences	(75)	(26)
Other movements	(59)	54
Balance at the end of the period	864 539	892 163

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

(Thousands of Euro)

	Mar-16	Mar-15
Balance on 1 January	137 265	134 491
Charge for the period	6 620	3 399
Write-back for the period	(3 423)	(431)
Charge-off	(13 882)	(645)
Balance on 31 March	126 580	136 814

In addition to the impairment losses, the Group recognised in profit or loss for these assets, losses on real estate arising from its disposal in the amount of Euro 467 thousands (march 2015: Euro 6,482 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" and "Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto" which are fully consolidated, according to the accounting policy described in note 1 b).

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

The amount of income received in relation to properties amounts to Euro 4,307 thousands (december 2015: Euro 15,183 thousands) and maintenance costs of leased and not leased properties amounts to Euro 1,852 thousands (december 2015: Euro 7,570 thousands).

The movements in this balance are analysed as follows:

(Thousands euros)

	Mar-16	Dec-15
Balance on 1 January	692 485	715 737
Acquisitions	2 427	28 709
Revaluations	(10 651)	(30 206)
Disposals	(11 584)	(58 488)
Transfers	(2 004)	36 733
Balance at the end of the period	670 673	692 485

30 Property and equipment

This balance is analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Investment		
Real estate		
For own use	236 427	39 266
Leasehold improvements in rented buildings	54 053	54 170
Construction in progress	14 635	17 671
Equipment		
Security equipment	7 888	8 086
Transport equipment	4 760	5 302
IT equipment	91 580	90 053
Interior installations	22 105	22 303
Office equipment	3 154	3 396
Furniture and materials	21 630	22 239
Other equipment	31	34
Assets in finance lease	38	38
Assets in operating lease	656	656
Works of art	2 870	2 870
Other tangible assets	2 319	2 405
Work in progress	3 948	4 114
	466 094	272 603
Accumulated depreciation		
Charge for the period	(2 720)	(12 693)
Accumulated charge in previous periods	(181 463)	(170 795)
	(184 183)	(183 488)
	281 911	89 115

In the first quarter of 2016, CEMG has acquired to Montepio Geral – Associação Mutualista real estate for own use in the amount of Euro 199,444 thousands.

31 Intangible assets

This balance is analysed as follows:

(thousands of Euro)

	Mar-16	Dec-15
Investment		
Software	88 287	88 856
Revaluation and consolidation differences (*goodwill*)	56 304	56 304
Other intangible assets	366	409
Work in progress	10 227	8 073
	155 184	153 642
Accumulated depreciation		
Charge for the period	(3 362)	(13 902)
Accumulated charge in previous periods	(60 757)	(47 306)
	(64 119)	(61 208)
Impairment for intangible assets	(26 573)	(26 572)
	64 492	65 862

The balance Revaluation and consolidation differences (goodwill), corresponds to the difference between the acquisition cost and the total fair value of assets and liabilities and contingent liabilities: (i) of Finibanco Group acquired by the Group on March 31, 2011 to Montepio Geral – Associação Mutualista, as described in note 1 a), in the amount of Euro 53,024 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 r) and 1 aa), its recoverable amount is annually reviewed, regardless of the existence of impairment signs. Any impairment losses are recognised in income statement.

In accordance with IAS 36 the recoverable amount of goodwill should be the highest between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on this criteria, the Group made valuations of their investments for which there is goodwill recognised considering among other factors:

(i) an estimate of future cash flows generated;

(ii) an expectation of potential changes in the amounts and timing of cash flows;

(iii) the time value of money;

(iv) a risk premium associated with the uncertainty by holding the asset; and

(v) other factors associated with the current situation of financial markets.

The valuations were based on reasonable and sustainable assumptions representing the best estimate of the Executive Board of Directors on the economic conditions that affect each entity, the budgets and the latest projections approved by the Executive Board of Directors for those entities and their extrapolation to future periods. The assumptions made for these valuations may vary with the change in economic conditions and in the market.

32 Taxes

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

(Thousands of Euro)

	Assets		Liabilities		Net	
	Mar-16	**Dec-15**	**Mar-16**	**Dec-15**	**Mar-16**	**Dec-15**
Financial instruments	26 364	24 284	(25 407)	(24 392)	957	(108)
Other tangible assets	352	433	-	-	352	433
Provisions / Impairment			-	-		
Impairment on loans granted	172 154	156 595	-	-	172 154	156 595
Other risks and charges	8 032	12 746	-	-	8 032	12 746
Impairment on securities, non-financial assets	1 803	10 423	-	-	1 803	10 423
Benefits to employees	42 106	41 201	-	-	42 106	41 201
Others	(465)	1 286	(116)	(117)	(581)	1 169
Tax losses carried forward	187 453	181 047	-	-	187 453	181 047
Net deferred tax assets/(liabilities)	437 799	428 015	(25 523)	(24 509)	412 276	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 15,256 thousands (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 3,575 thousands (december 2015: Euro 3,633 thousands) related to deferred taxes associated with the expense generated with the transfer of liabilities with pensioners to the general social security scheme.

The negative equity variation due to the change in the accounting policy is deductible for tax purposes in equal parts, for a 10 year period starting on 1 january 2012. The expense generated with the transfer of liabilities with pensioners to the general social security scheme is deductible for tax purposes in equal parts, starting on 1 january 2012, according to the number of years of life expectancy of pensioners whose responsibilities were transferred (20 years in the case of the Group).

As at 31 march 2016, deferred taxes associated with Employee benefits includes the amount of Euro 10,194 thousands related with employee benefits in excess when compared with the existing limits.

The deferred tax rate is analysed as follows:

	Mar-16 %	Dec-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.

Deferred taxes related to the losses carried forward are recognised only if the existence of future taxable profits is probable. The uncertainty of the recoverability of the tax losses carried forward is considered in the deferred tax assets calculation.

As referred in the accounting policy described in note 1 w) and in accordance with the requirements set in IAS 12, the deferred tax assets were recognised based on the recoverability expectations of the Group. The evaluation of the recoverability of deferred tax assets was made based on the strategic guidelines for 2016-2018, approved by the General Meeting of Shareholders of CEMG.

Assess recoverability of deferred tax assets, in particular related to tax losses carried forward was conducted through the Group's estimated financial statements, prepared under the budget procedure for 2016, which took into account the macroeconomic and competitive environment as well as the strategic priorities of the Group.

The expectation of generating future taxable income is fundamentally based in a favourable evolution of:

(i) recovery of the core banking product;

(ii) resizing of operating costs;

(iii) reinforcement of risk management;

(iv) adjustment of the capital to business needs; and

(v) strength of the institutional model.

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

(Thousands of Euro)

Expire date	Mar-16	Dec-15
2016	821	821
2017	33 315	33 315
2018	47 805	47 805
2019 and following	105 512	99 106
	187 453	181 047

Tax recognised in the income statement and reserves for 2015 and for the first quarter of 2016 is analysed as follows:

(Thousands of Euro)

	Mar-16		Dec-15	
	Charged to net (loss) / income	Charged to reserves and retained earnings	Charged to net (loss) / income	Charged to reserves and retained earnings
Financial instruments	-	1 065	-	22 197
Other tangible assets	(81)	-	423	-
Provisions / Impairments	1 198	-	(80 897)	-
Employees benefits	1 569	(663)	4 977	324
Other	88	-	(3 519)	-
Tax losses carried forward	6 794	-	103 906	-
Exchange differences	-	(388)	-	214
Deferred tax charged to profit / (loss)	9 568	14	24 890	22 735
Current taxes	(1,767)	-	1 490	-
	7 801	14	26 380	22 735

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

(Thousands of Euro)

	Mar-16		Mar-15	
	%	Value	%	Value
Profit before taxes		(26 881)		19 748
Income tax based on the current nominal tax rate	21.0	(5 645)	21.0	4 147
Impact of municipal and state surcharge	(0.2)	41	11.6	2 296
Extraordinary contribution for the banking sector	0.0	-	12.9	2 548
Post-employment benefits and Pension Fund	(2.2)	590	(11.4)	(2 249)
Charge / reversal of taxable provisions / impairment	(1.3)	344	106.1	20 954
Autonomous taxation	(1.0)	265	1.3	247
Other	10.0	(2 686)	(95.7)	(18 902)
Previous periods adjustments	(0.6)	151	0.0	
Impact on tax rate differences	3.2	(861)	5.1	1 016
Income tax for the period	29.0	(7 801)	50.9	10 057

The Tax Authority may review the Group's taxable income during a period of four years, except in the case of tax losses carried forward, as well as any other deduction or tax credit, in which the period is the period of exercise of that right.

CEMG was object of a Tax Authority's inspection until 2013 period, inclusive. As a result of 2013 inspection, CEMG was object of an additional payment, related with corporate tax base, of income tax related to autonomous taxation and other adjustments to the calculated tax loss in that period. CEMG paid the settled amounts, without prejudice of appeal regarding some corrections made by the tax authorities.

On this basis, CMEG did not recognise any asset regarding any potential tax recovery.

33 Other assets

This balance is analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Recoverable subsidies from Portuguese Government	5 216	5 241
Other accrued income	34 588	30 213
Prepayments and deferred costs	2 491	2 639
Other debtors	230 758	271 233
Sundry debtors	153 657	49 870
	426 710	359 196
Impairment for other assets	(30 225)	(29 536)
	396 485	329 660

As at 31 march 2016, the balance Other accrued income includes the amount of Euro 32,500 thousands (december 2015: Euro 26,000 thousands), regarding the estimated cost with services rendered by CEMG to Montepio Geral Associação Mutualista, as described in note 10.

The balance Recoverable subsidies from Portuguese Government corresponds to mortgage credit interest subsidies, in accordance with the regulations applicable to mortgage loans benefits. The referred amounts do not bear interest and are claimed monthly.

As at 31 march 2016 and 31 december 2015, the balance Recoverable subsidies from the Portuguese Government is analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Overdue subsidies unclaimed	3 348	3 283
Recoverable subsidies from the Portuguese Government unliquidate	1 755	1 768
Subsidies unclaimed	113	190
	5 216	5 241

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

(Thousands of Euro)

	Mar-16	Dec-15
SilverEquation	167 940	161 420
Montepio Geral Associação Mutualista	-	45 100
Supplementary capital contributions	14 910	14 910
Public entities	13 820	14 198
Real estate	7 115	7 115
Other	26 973	28 490
	230 758	271 233

As at 31 march 2016, the balance *SilverEquation* includes the receivable amounts under the operation of sale of credits and property to *SilverEquation*, as referred in note 22.

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

The balance Supplementary capital contributions includes the value of supplementary capital contributions subscribed within a sale of credits operation in the amount of Euro 14,910 thousands. These supplementary capital contributions are fully provided.

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

As at 31 march 2016 and 31 december 2015, the balance Real Estate records receivable amounts from the sale of properties classified as non-current assets held for sale.

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

(Thousands of Euro)

	Mar-16	Mar-15
Balance on 1 January	29 536	16 240
Charge for the period	500	174
Write-back for the period	(212)	(98)
Other	401	194
Balance on 31 March	30 225	16 510

34 Deposits from central banks

As at 31 march 2016 and 31 december 2015, this balance is related to deposits obtained in the European System of Central Banks and is covered by securities from the available-for-sale portfolio pledged as collaterals in the amounts of Euro 2,922,569 thousands and Euro 2,277,258 thousands, respectively.

35 Deposits from other financial institutions

This balance is analysed as follows:

(Thousands of Euro)

	Mar-16			Dec-15		
	Not-interest bearing	Interest bearing	Total	Not-interest bearing	Interest bearing	Total
Deposits from credit institutions in Portugal						
Money Markets	-	398	398	-	17 856	17 856
Deposits repayable on demand	4 097	-	4 097	129	3 770	3 899
Term deposits	-	32 050	32 050	-	25 042	25 042
	4 097	32 448	36 545	129	46 668	46 797
Deposits from credit institutions abroad						-
BEI loan	-	520 542	520 542	-	560 644	560 644
Loans	-	1 703	1 703	-	1 668	1 668
Money Markets	-	1 310	1 310	-	2 264	2 264
Deposits repayable on demand	16 407	-	16 407	9 535	-	9 535
Term deposits	-	3 740	3 740	-	3 670	3 670
Sales operations with repurchase agreement	356 257	639 875	996 132	-	860 210	860 210
CSA's	7 530	-	7 530	10 530	-	10 530
Repos	2 884	-	2 884	-	48	48
Other deposits	1 922	122 170	124 092	4 966	72 278	77 244
	385 000	1 289 340	1 674 340	25 031	1 500 782	1 525 813
Adjusments to hedge operations value	1 014	-	1 014	521	-	521
	390 111	1 321 788	1 711 899	25 681	1 547 450	1 573 131

As part of derivative financial instruments operations with institutional counterparties, according to the signed contracts, CSA has, on 31 march 2016, the amount of Euro 7,530 thousands (december 2015: Euro 10,530 thousands) deposits from other credit institutions received as collateral for these operations.

The balance Deposits from other financial institutions includes emissions at fair-value according to internal valuation methodologies, considering mainly market's observed data, in the amount of Euro 72,451 thousands (december 2015: Euro 71,065 thousands). Therefore, 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 securities of Italian, Spanish, Portuguese and Greek states in the amount of Euro 663,273 thousands (december 2015: Euro 706,638 thousands), registered in the balance Available-for-sale financial assets.

The balance Deposits from other financial institutions also includes issues subject to hedging operations, whose impact on the balance sheet amounts to Euro 1,014 thousands (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 recognised as at 31 march 2016, a loss in the amount of Euro 856 thousands (december 2015: Euro 1,321 thousands), related with changes in the hedge amount.

The funds obtained under the CSA with international financial institutions, are remunerated at EONIA rate, however, because these rates have shown negative values, and with the application of a 0% floor, there have been no payments/receipts of interest.

The balance Resources Repos refers to the Margin Maintenance of the Repos made in accordance with the Global Master Repurchase Agreement.

36 Deposits from customers

This balance is analysed as follows:

(Thousands of Euro)

	Mar-16			Dec-15		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	3 072 472	29 891	3 102 363	2 650 825	181 105	2 831 930
Term deposits	-	9 216 243	9 216 243	-	10 021 093	10 021 093
Saving accounts	-	111 470	111 470	-	106 359	106 359
Other resources	22 425	-	22 425	10 041	-	10 041
Adjustments arising from hedging operations	28	-	28	8	-	8
	3 094 925	9 357 604	12 452 529	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 no. 11/94 of Bank of Portugal, of 29 december.

The caption Time deposits includes deposits at fair-value, measured in accordance with internal evaluation techniques considering, mainly, observable market inputs, in the amount of Euro 46,107 thousands (december 2015: Euro 54,654 thousands). According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d), having recognised as at 31 march 2016, a loss in an amount of Euro 20 thousands (december 2015: Euro 12 thousands) regarding the fair-value variations resulting from the Group's credit risk.

37 Debt securities issued

This balance Debt securities issue is analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Bonds	1 086 761	1 340 138
Covered bonds	520 094	520 113
Securitizations	102 773	107 256
Euro Medium Term Notes (EMTN)	61 823	61 138
Commercial paper	290	2 520
	1 771 741	2 031 165

The balance Debt securities issued includes issues at fair-value in the amount of Euro 95,504 thousands (december 2015: Euro 82,499 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 income statement, as referred in the accounting policy presented in note 1 d). As at 31 march 2016 was recognised a loss in the amount of Euro 1,504 thousands (december 2015: a loss in the amount of Euro 1,131 thousands) regarding the fair-value variations resulting from the Group's credit risk, as referred in notes 6 and 23.

Under the Issuance of Covered Bonds Program, with a maximum amount of Euro 5,000,000 thousands, the Group presents live emissions amounting to Euro 2,000,000 thousands.

As at 31 march 2016, the main characteristics of these issues are as follows:

(Thousands of Euro)

Description	Nominal value	Book value	Issue date	Maturity date	Interest payment	Interest rate	*Rating (Moody´s/Fitch/Dbrs)*
Covered bonds - 2S	1 000 000	1 000 218	December 2009	December 2016	Quarterly	Euribor 3M + 0.75%	Baa1/BB+/A
Covered bonds - 4S	500 000	500 059	May 2013	May 2017	Monthly	Euribor 1M + 0.75%	Baa1/BB+/A
Covered bonds - 5S	500 000	500 178	December 2015	December 2020	Quarterly	Euribor 1M + 0.80%	Baa1/BB+/A
	2 000 000	2 000 455					

As at 31 december 2015, the main characteristics of these issues are as follows:

(Thousands of Euro)

Description	Nominal value	Book value	Issue date	Maturity date	Interest payment	Interest rate	*Rating (Moody´s/Fitch/Dbrs)*
Covered bonds - 2S	1 000 000	1 000 259	December 2009	December 2016	Quarterly	Euribor 3M + 0.75%	Baa1/BB+/A
Covered bonds - 4S	500 000	500 077	May 2013	May 2017	Monthly	Euribor 1M + 0.75%	Baa1/BB+/A
Covered bonds - 5S	500 000	500 210	December 2015	December 2020	Quarterly	Euribor 1M + 0.80%	Baa1/BB+/A
	2 000 000	2 000 546					

The operations carried out by the Group under the Issuance of Covered Bonds Programme of CEMG are presented as follows:

- december 2015: Euro 500,000 thousands Issue, within 5 years, at an interest rate of Euribor 3M plus 0.80%;
- november 2015: Euro 500,000 thousands reimbursement;
- may 2013: Euro 500,000 thousands Issue, within 4 years, at an interest rate of Euribor 3M plus 0.75%;
- july 2012: Euro 655,000 thousands reimbursement;
- june 2012: Euro 53,300 thousands cancelation, with a result of Euro 1,857 thousands;
- november 2011: 300,000 thousands Issue, within 5 years, at an interest rate of Euribor 3M plus 0.75%;
- october 2011: Euro 291,700 thousands cancellation, with a result of Euro 17,750 thousands;
- september 2011: Euro 550,000 thousands issue, within 5 years, at an interest rate of Euribor 3M plus 0.75%;
- november 2010: Euro 500,000 thousands Issue, within 4 years, at an interest rate of Euribor 3M plus 2.5%;
- december 2009: Euro 150,000 thousands issue, within 7 years, at an interest rate of Euribor 3M plus 0.75%; and
- july 2009: Euro 1,000,000 thousands issue, within 3 years, at an interest rate of 3.25%.

The covered bonds are guaranteed by a cover assets pool, comprised of mortgage credit assets and limited classes of other assets, that the issuer of mortgage covered bonds shall maintain segregated and over which the holders of the relevant covered bonds have a statutory special creditor privilege. These conditions are set up in Decree-Law no. 59/2006, Regulations no. 5/2006 of 20 march, no. 6/2006 of 11 october, no. 7/2006 of 11 october, no. 8/2006 of 11 october of the Bank of Portugal and Instruction no. 13/2006 of 15 november, of the Bank of Portugal.

At 31 march 2016, the amount of credits that collateralise these issues amounts to Euro 2,727,221 thousands (december 2015: Euro 2,727,400 thousands) as referred in note 22.

At 31 march 2016, CEMG Group holds in its portfolio mortgage bonds with a nominal value of Euro 1,480,000 thousands (december 2015: Euro 1,480,000 thousands).

The movements, in debt securities issued, during the three months period ended at 31 march 2016 is analysed as follows:

	Balance on 1 January	Repayments	Net purchases	Other movements (a)	Balance on 31 March
Bonds	1 340 138	(41 928)	(204 020)	(7 429)	1 086 761
Covered bonds	520 113	-	-	(19)	520 094
Securitizations	107 256	-	(4 483)	-	102 773
Euro Medium Term Notes (EMTN)	61 138	-	-	685	61 823
Commercial paper	2 520	(2 520)	-	290	290
	2 031 165	(44 448)	(208 503)	(6 473)	1 771 741

(a) Other movements includes the accrued interest in the balance sheet, adjustments arising from hedging operations, fair value adjustments and currency changes.

In the first quarter of 2016, the Group performed the refund of debt securities of Euro 44,448 thousands (december 2015: Euro 920,677 thousands).

The movements, in debt securities issued, during 2015, is analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Issues	Repayments	Net purchases	Other movements (a)	Balance on 31 December
Bonds	1 786 327	28 100	(274 327)	(191 830)	(8 132)	1 340 138
Covered bonds	-	500 000	(500 000)	520 000	113	520 113
Securitizations	188 477	-	-	(81 221)	-	107 256
Euro Medium Term Notes (EMTN)	150 145	-	(125 000)	36 950	(957)	61 138
Commercial paper	21 576	2 500	(21 350)	-	(206)	2 520
	2 146 525	530 600	(920 677)	283 899	(9 182)	2 031 165

(a) Other movements includes the accrued interest in the balance sheet, adjustments arising from hedging operations, fair value corrections and currency changes.

In accordance with the accounting policy described in note 1 c), debt issued repurchased by the Group is derecognised from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement. As a result of the purchases made during 2015, the Group recognized a loss of Euro 3,916 thousands.

As at 31 march 2016, bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 0.43% and 13.39% (2015: 0.55% and 13.39%).

38 Financial liabilities related to transferred assets

This balance is analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Pelican Mortgages No. 3	131 046	134 130
Pelican Mortgages No. 6	4 461	4 352
Pelican SME No. 2	185 662	184 555
	321 169	323 037

39 Provisions

This balance is analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Provisions for other liabilities and charges	34 798	16 587

The movements of the provisions for other liabilities and charges are analysed as follows:

(Thousands of Euro)

	Mar-16	Mar-15
Balance on 1 January	16 587	20 329
Charge for the period	8 426	8 126
Write-back for the period	(12 504)	(797)
Transfers	22 289	178
Balance on 31 March	34 798	27 836

The balance Transfers refers to the impairment associated to credit exposure out of balance sheet which in 2016 are recorded in the balance Provisions, as described in note 22.

These provisions are accounted in accordance with the probability of occurrence of certain contingencies related with the Group's activity, and are revised in each reporting date in order to reflect the best estimate of the amount and probability of payment.

40 Other subordinated debt

As at 31 march 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/06	abr-06	abr-16	50 000	Euribor 3 months+0.95%	19 482
CEMG/08 1.ª série	fev-08	fev-18	150 000	Euribor 6 months+1.5%	110 979
CEMG/08 2.ª série	jun-08	jun-18	28 000	Euribor 12 months+1.5%	112 852
CEMG/08 3.ª série	jul-08	jul-18	150 000	Euribor 6 months+1.5%	4 224
FNB 08/18 1ª/2ª Série	dez-08	dez-18	10 363	Euribor 6 months+0.15% (ii)	7 567
FNB Grandes empresas 07/16_ 1ª série	mai-07	mai-16	6 450	Max.(0;6.0%*(1-n/5)) (i)	3 706
FNB Grandes empresas 07/16 2ª/3ª série	jun-11	jun-16	22 602	Max.(0;6.0%*(1-n/5)) (i)	15 659
Ob. Cx Subordinadas Finicrédito	nov-07	nov-17	16 550	Base rate+0.90% (barrier level)	16 515
					290 984
				Adjustments arising from hedging operations	(2 074)
					288 910

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	abr-06	abr-16	50 000	Euribor 3 months+0.95%	26 148
CEMG/08 1.ª série	fev-08	fev-18	150 000	Euribor 6 months+1.5%	121 232
CEMG/08 2.ª série	jun-08	jun-18	28 000	Euribor 12 months+1.5%	18 177
CEMG/08 3.ª série	jul-08	jul-18	150 000	Euribor 6 months+1.5%	120 894
FNB 08/18 1ª/2ª Série	dez-08	dez-18	10 363	Euribor 6 months+0.15% (ii)	9 589
FNB Grandes empresas 07/16_ 1ª série	mai-07	mai-16	6 450	Max.(0;6.0%*(1-n/5)) (i)	4 753
FNB Grandes empresas 07/16 2ª/3ª série	jun-11	jun-16	22 602	Max.(0;6.0%*(1-n/5)) (i)	18 922
Ob. Cx Subordinadas Finicrédito	nov-07	nov-17	16 550	Base rate+0.90% (barrier level)	15 684
					335 399
				Adjustments arising from hedging operations	(2 360)
					333 039

References:

(i) - The following coupons will be paid, on the end of each year (May 9, to the 1st serie and June 20, to the 2nd and 3rd series):

Coupon	Interest rate/range
1º Coupon	5,50%
2º Coupon	5,50%
3º Coupon	Max [0; 6,0% * (1-n/3)]
4º Coupon	Max [0; 6,0% * (1-n/4)]
5º Coupon	Max [0; 6,0% * (1-n/5)]
6º Coupon	Max [0; 6,0% * (1-n/6)]
7º Coupon	Max [0; 6,0% * (1-n/7)]
8º Coupon	Max [0; 6,0% * (1-n/8)]
9º Coupon	Max [0; 6,0% * (1-n/9)]

Notes:

where, *n* is the accumulated number of reference entities in which credit event has occurred.

If a merger between two or more reference entities has occurred and if a credit event occurs in the merger entity, it will be accounted many credit events as the number of merger companies

(ii) - The payment will be semiannual and the first coupon will be fixed in:

Coupon	Interest rate/range
1º coupon	6.50% (annual rate)
between 2nd and 10th coupon	Euribor 6M + 1.50% (annual rate)
between 11th and following	Euribor 6M + 1.75% (annual rate)

During the three months period ended at 31 march 2016 and 31 december 2015 the movements occurred in the balance Other subordinated debt were as follows:

(Thousands of Euro)

	Balance on 1 January 2016	Issues	Repayments	Net purchases	Other movements (a)	Balance on 31 March 2016
CEMG/06	26 148	-	-	(6 650)	(16)	19 482
CEMG/08 1.ª série	121 232	-	-	(9 740)	(513)	110 979
CEMG/08 2.ª série	120 894	-	-	(7 507)	(535)	112 852
CEMG/08 3.ª série	18 177	-	-	(13 808)	(145)	4 224
FNB 08/18 1ª/2ª Série	9 589	-	-	(2 042)	20	7 567
FNB Grandes empresas 07/16_ 1ª série	4 753	-	-	(1 022)	(25)	3 706
FNB Grandes empresas 07/16 2ª/3ª série	18 922	-	-	(2 472)	(791)	15 659
Ob. Cx Subordinadas Finicrédito	15 684	-	-	-	831	16 515
	335 399	-	-	(43 241)	(1 174)	290 984

(a) "Other movements" includes the accrued interest in the balance sheet, adjustements arising from hedging operations, fair value adjustments,currency changes and disposal of subordinated debt.

(Thousands of Euro)

	Balance on 1 January 2015	Issues	Repayments	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	18 179	-	-	-	(2)	18 177
CEMG/08 3.ª série	121 031	-	-	-	(137)	120 894
FNB 08/18 1ª/2ª Série	9 681	-	-	-	(92)	9 589
FNB Grandes empresas 07/16_ 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) "Other movements" includes the accrued interest in the balance sheet, adjustements arising from hedging operations, fair value adjustments,currency changes and disposal of subordinated debt.

As at 31 march 2016, the balance Other subordinated debt includes issues in the amount of Euro 16,515 thousands (december 2015: Euro 15,684 thousands) at fair-value in accordance with internal valuation techniques considering, mainly, observable market data. According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2.

The financial liabilities included in this balance were revaluated through the income statement in accordance with the accounting policy described in note 1 d). As at 31 march 2016 was recognised a negative amount of Euro 270 thousands (december 2015: negative amount of Euro 2,786 thousands) related with the variations in fair value associated with the Group's credit risk, as referred in notes 6 and 23.

As at 31 march 2016 and 31 december 2015 the subordinated debt bears postponed interest every three and six months and its effective interest rate range is set between 0.5% and 2% (december 2015: 0.8% and 2.03%).

41 Other liabilities

This balance is analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Creditors		
Suppliers	7 062	12 510
Other creditors	89 321	96 765
Administrative public sector	13 095	15 213
Holdiday pay and subsidies	36 290	36 039
Other administrative costs payable	9 134	8 517
Deferred income	4 240	4 245
Other sundry liabilities	127 715	30 336
	286 857	203 625

As at 31 march 2016, the balance Other sundry liabilities includes the amount of Euro 14,833 thousands, (december 2015: Euro 14,765 thousands) related with net liabilities recognised in the balance sheet, which represent the difference between the liabilities with pensions, health benefits and death subsidy and the assets.

As at 31 march 2016, the balance Other sundry liabilities includes the amount of Euro 93,120 thousands (december 2015: Euro 172 thousands) referring to securities transactions to be settled.

As at 31 march 2016 and 31 december 2015, the balance Holiday pay and subsidies includes the amount of Euro 14,549 thousands (december 2015: Euro 14,549 thousands), related with the seniority premium.

42 Institutional capital

CEMG's institutional capital, which is fully paid, amounts to Euro 1,770,000 thousands (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 Board of Directors of CEMG.

The referred capital increase was materialized by MGAM fully paid-up in cash through the realization of institutional capital in the amount of Euro 270,000,000.

43 Participation fund

The Group's participation fund has a total nominal value of Euro 400,000 thousands (december 2015: Euro 400,000 thousands), with the nominal unitary value if Euro 1 and which are, regarding the form of representation, registered and issued exclusively in nominative form.

As a consequence of the Executive Board of Directors decision on 29 april 2015, the resolution of the General Assembly on 30 april 2015 and the resolution of the Assembly of the Participation Units holders of CEMG Participation Funds, where was considered the withdrawal of the preference right attributed to the participation units holders of the CEMG Participation Fund held in 5 june 2015, at 26 june 2015 the entity issued representative units of CEMG Participation Fund, with a total 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 statutory rules of Caixa Económica Montepio Geral, theses securities do not grant the right to attend the General Shareholders Meeting or the management and the economic rights associated to the ownership of the securities include: (i) the right to receive an annual payment when, existing sufficient results to distribute, the General Shareholders Meeting decided in that way, under a proposal of the Executive Board of Directors, (ii) the right to the reimbursement of the nominal amount only on liquidation of Caixa Económica Montepio Geral and after all debt holders are reimbursed, including the other subordinated debtors, and (iii) in case of partial reimbursement of these securities, subject to the approval of Bank of Portugal. The right to information to the owners of these securities is made through a common representative elected in General Shareholders Meeting of owner of these securities, where the owners of these securities will not have direct access to the economic and financial information of Caixa Económica Montepio Geral.

These securities are eligible for solvency purposes as Common Equity Tier 1. Under IAS 32 – Financial Instruments: Presentation, for accounting purposes, these securities are classified as share capital, considering its specific characteristics, namely the non-obligation of payment of the nominal amount and interests.

The units in CEMG's participation fund held by related parties are presented as follows:

	Mar-16		Dec-15	
	Number of Investment Fund Units held	Percentage	Number of Investment Fund Units held	Percentage
Related parties				
Montepio Geral Associação Mutualista	238 760 984	59.69%	207 260 984	51.81%
Montepio Investimento S.A.	80 918	0.02%	31 580 918	7.90%
	238 841 902	59.71%	238 841 902	59.71%

44 Other equity instruments

This caption includes the issuance of Euro 15,000 thousands occurred in the first quarter of 2010 of Perpetual Subordinated Securities with conditional interest 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 Perpetual Subordinated Securities, they are cancelled from equity and the difference between the purchase value and its book value is recognised in equity.

During 2013, the Group repurchased Perpetual Subordinated Securities in the amount of Euro 6,727 thousands. After this operation, the balance Other equity instruments amounts to Euro 8,273 thousands.

During 2016, the Group repurchased perpetual subordinated securities in the amount of Euro 1,950 thousands. After this operation, the balance Other equity instruments amounts to Euro 6,323 thousands.

Payment

The Issuer is also prevented from proceeding to the interest payment if, in the Executive Board of Directors or Bank of Portugal opinion, this payment endangers the fullfilment of Regulatory capital requirements regulation.

During the first quarter of 2016, the Group proceeded to the interest payment for this issue in the amount of Euro 210 thousands (december 2015: Euro 758 thousands).

Reimbursement

These values are perpetual securities and are only refundable under the terms of early repayment provided below.

By agreement of Bank of Portugal, the issuer may reimburse, in whole or in part, from the 10th date of payment of interest, including (5th year).

In case of continued occurrence of an Event of Disqualification as Core Capital, even before the expiration of five years from its issuance, and in agreement with Bank of Portugal, these Securities are redeemable at the option of the Issuer, at any time.

In the disqualification event as Core Capital is defined as a change in any legal document or its official interpretation implies these Securities may no longer be classified as Core Capital of the Issuer.

On this basis, at 31 march 2016, these obligations are not seen as a positive element of the Group's Equity.

45 Treasury stock

This balance records units representatives of CEMG's Participation Fund, which are owned by entities that are included on the consolidation perimeter.

As at 31 march 2016, the Group owns 80,918 units (december 2015: 31,580,918 units), with an average unit cost of Euro 0.782 (december 2015: Euro 0.809) and a nominal value of Euro 81 thousands (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.

46 General and special reserve

The general and special reserves are charged under the scope of Decree-Law no. 136/79, of 18 May. The general reserve is charged to cover any risk and extraordinary losses or depreciation.

Under the Portuguese regulations and under the CEMG Articles of Association, the general reserve should be charged, annually, at least, in a minimum of 20% of the profit for the year. The limit of general reserve is 25% of total deposits.

The special reserve is charged to cover losses from current operations. Under the Portuguese regulations and the CEMG Articles of Association, the special reserve should be charged, at least, in a minimum of 5% of the profit for the year. This reserve is not available for distribution and it can be used to improve income performances or to increase capital.

The variation of the general and special reserves balance is analysed in note 47.

47 Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

	(Thousands of Euro)	
	Mar-16	**Dec-15**
Fair value reserves		
Fair value reserves		
Available-for-sale finacial assets	(15 760)	(3 101)
Loans and advances to customers	3 858	3 858
	(11 902)	757
Taxes		
Available-for-sale financial assets	2 092	1 027
Loans and advances to customers	(1 138)	(1 138)
	954	(111)
Fair value reserve net of taxes	(10 948)	646
Other reserve and retained earnings		
General reserve	187 532	187 532
Special reserve	68 273	68 273
Deferred tax reserve	41 839	42 502
Consolidation exchange reserves	(34 853)	(19 452)
Other reserves and retained earnings	(852 716)	(597 309)
	(589 925)	(318 454)

The balance Fair value reserve – Available-for-sale financial assets includes the valuation of the participation held by the Group in Visa Europe Limited in the amount of Euro 7,900 thousands as a result of their valuation under the current transaction with Visa International, as referred in notes 24 and 55.

The fair value reserves represent the potential gains and losses on available-for-sale financial assets net of impairment losses recognised in the income statement and / or in prior years in accordance with accounting policy described in note 1 d).

The balance Loans and advances to customers refers to the amount not accrued of the fair value reserve on the reclassification date.

The fair-value reserve on financial assets available for sale in this balance is analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Amortised cost of available-for-sale financial assets	2 876 749	3 138 911
Accumulated impairment recognised	(65 511)	(67 309)
Amortised cost of available-for-sale financial assets, net of impairment	2 811 238	3 071 602
Market value of available-for-sale financial assets	2 795 478	3 068 501
Unrealized gains/(losses) recognised in the fair value reserve	(15 760)	(3 101)

48 Distribution of profit

In 31 march 2016 and 31 december 2015, CEMG did not distributed profits.

49 Non-controlling interests

This balance is analysed as follow:

(Thousands of Euro)

	Statement of Financial Position		Income Statement	
	Mar-16	Dec-15	Mar-16	Mar-15
Finibanco Angola, S.A.	11 262	12 853	717	345
Banco Terra, S.A.	14 382	15 816	(37)	(414)
	25 644	28 669	680	(69)

The movements of this balance are analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Opening balance	28 669	26 440
Exchange differences	(3 705)	992
	24 964	27 432
Net income attributable to non-controlling interests	680	1 237
Final balance	25 644	28 669

			Percentage held by non-controlling interests	
Name	Headquarters	Segment	Mar-16	Dec-15
Finibanco Angola, S.A.	Luanda	Banking	18.43%	18.43%
Banco Terra, S.A.	Maputo	Banking	55.46%	55.46%

50 Obligations and other commitments

Obligations and future commitments are analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Guarantees granted	479 272	500 573
Commitments to third parties	1 324 806	1 398 196
Assets transferred in securitised operations	165 019	170 819
Securities and other items held for safekeeping on behalf of customers	7 144 797	7 449 316
	9 113 894	9 518 904

The amounts of Guarantees granted and Commitments to third parties are analysed as follows:

(Thousands of Euro)

	Mar-16	Dec-15
Guarantees granted		
Guarantees	424 941	444 669
Open documentary credits	53 902	55 475
Guarantees and indemnities (counter)	429	429
	479 272	500 573
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	561 071	628 956
Annual contribution to the Guarantee Deposit Fund	22 768	22 768
Potential obligation with the Investor's Indemnity System	1 689	1 689
Revocable commitments		
Revocable credit lines	739 278	744 783
	1 324 806	1 398 196

Bank guarantees granted are financial operations that are not consisted by mobilization on Funds by the Group.

Documentary credits correspond to irrevocable commitments with the Group's client, which ensure the payment of a determined amount to client's suppliers, within a fixed term, against the presentation of the documentation confirming the shipment of goods or the rendering of services. The irrevocable condition arises from the fact that the commitment is not cancelable without the agreement of all parties involved.

Revocable and irrevocable commitments represent contractual agreements to extend credit to the Group's customers (for example unused credit lines). These agreements are generally, contracted for fixed periods of time or with other expiring requirements, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Notwithstanding the particular characteristics of these contingent liabilities and commitments, the analysis of these operations follows the same basic principles of any commercial operation, namely the solvency of the underlying client and business, being that the Group requires these operations to be adequately covered by collaterals when needed. Considering that is expected that the majority of these contingent liabilities and commitments expire without having being used, the indicated amounts do not represent necessarily future cash-flow needs.

As at 31 march 2016 and 31 december 2015, the balance Annual contribution to 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 the Fund.

As at 31 march 2016 and 31 december 2015, under the Deposit Guarantee Fund, the Group granted as pledge treasury bonds (OT 4.35% 07/2017), recorded as available-for-sale financial assets, with a nominal value of Euro 25,000 thousands, as referred in note 24.

As at 31 march 2016 and 31 december 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 to be paid to investors.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in note 1 c). The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Group in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

The Group provides custody services, asset management, investment management and advisory services that involve making purchasing and sales decisions of several types of financial instruments. For certain services are set objectives and profitability levels for the assets under management. These assets under management are not included in the financial statements.

Assets under management and custody are analysed as follows:

	(Thousands of Euro)	
	Mar-16	**Dec-15**
Deposit and custody of securities	7 144 797	7 449 316

51 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 has its core decision centre in Portugal, which gives its privileged target market.

Products and services include the entire offer implicit to financial activity, such as deposit captation, credit concession and financial services to companies and private and custody, and also the selling of investment funds and life and non-life insurances. Additionally, the Group executes short, medium and long-term investments in the capital and monetary market as a way of taking advantage of the price variations or optimizing its available financial resources.

As at 31 march 2016, the Group has a network of 383 branches under local law in Portugal, one branch in Cape Verde, one financial institution in Angola with 21 branches, one financial institution in Mozambique with 9 branches and 6 representation offices.

When evaluating the performance by business area, the Group considers the following operating segments:

1) Retail Bank, which includes the sub segments of Private, Individual Managers, Micro business and Social Charity Private Institutions;

2) Corporate and Institutional, which includes big sized companies, medium and small companies, Financial Institutions and The Public Sector; and

3) Other Segments, which includes all the entities that are not included in the other segments, namely the operations and management referring to Securities' own Portfolio and Applications in Credit Institutions. Each segment comprises the Group's structures that are directly or indirectly dedicated, as well as autonomous units of the Group which activity is connected to one of the above segments.

Despite the fact that the Group has its activity in Portugal, geographically it has an international role, developed by: (i) Finibanco Angola, S.A. and (ii) Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.) 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).

Segments description

In a consolidated basis, each of the segments includes income and costs related to the following activities, products, clients and structures of the Group:

Retail Bank

This segment corresponds to all activity developed by the Group in Portugal with private customers and small businesses, fundamentally originated by the branches network, agent network and electronic channels. The financial information of the segment comprises, among other products and services, mortgage loans, consumer credit, financing the clients' activity, deposits repayable on demand and term deposits, retirement plans and other insurance products to private customers, commissions over account management and electronic payments, the investment funds cross-selling and brokerage and custodian services.

In Angola, Mozambique and Cape Vert the Group is represented by local financial institutions which offers a wide range of products and financial services to retail and corporate companies.

Corporate and Institutional

This segment includes the activity developed by the Group 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. Between the offered 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, namely the Group's global financial management activity, the investments in instruments of capital markets (stocks and bonds), whether they are integrated in the negotiation portfolio, in fair-value through profit and loss portfolio, available for sale or held to maturity portfolio. 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 allows to take advantage of 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 as the measure of profit or loss for evaluating the performance of each operating segment.

Autonomous Operating Segments

As mentioned above, each operating unit (branches MG Cabo Verde and associated entities) is evaluated separately, as these units are considered investment centres. Additionally, considering the characteristics of the business developed by these units, they are included in the respective operating segments, assets, liabilities, equity, income and expenses.

Group structures dedicated to the segment

The Group activity comprises most of its operating segments and therefore its activity is disaggregated.

For the purpose of allocating the financial information, the following principles are used:

(i) The origin of the operation, i.e., the operation is allocated to the same segment as the commercial structure that originated it, even though, in a subsequent phase, the Group makes a strategic decision in order to securitize some of these originated assets;

(ii) The allocation of a commercial margin to mass-products, established in a high level when the products are launched;

(iii) The allocation of a margin directly negotiated by the commercial structures with the clients for non-mass-products;

(iv) The allocation of direct costs from commercial and central structures dedicated to the segment;

(v) The allocation of indirect cost (central support and IT services); and

(vi) The allocation of credit risk determined in accordance with the impairment model.

The transactions between the independent and autonomous units of the Group are made at market prices; the price of the services between the structures of each unit, namely the price established for funding between units, is determined by the margins process referred above (which vary in accordance with the strategic relevance of the product and the balance between funding and lending); the remaining internal transactions are allocated to the segments in accordance with CBA without any margin from the supplier.

The interest rate risk, exchange risk, liquidity risk and others, except for credit risk, are included in the segment Others Segments.

Interest and similar income/expense

Since the Group activities are exclusively related to the financial sector, the major income results from the difference between interest received on assets and interest paid from liabilities. This situation and the fact that the segments evaluation is based on negotiated margins or determined previously to each product, leads to the results on the intermediation activity being presented, as permitted by IFRS 8 paragraph 23, as the net value of interest under the designation of Financial Income.

Consolidated Investments under the Equity Method

Investments in associated companies consolidated under the equity method are included in Operations between Segments.

Non-current assets

Non-current assets, according to IFRS 8, include Other Tangible Assets and Intangible Assets. The Group includes these assets on the segment in which these subsidiaries develop their business.

Post Employment Benefits

The factors that influence the amount of responsibilities and the amount of the funds' assets correspond, mainly, to external elements; it is the Group's 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. (I.F.I.) 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 march 2016, is presented as follows:

(Thousands of Euro)

Income Statement	Retail	Corporate	Markets	Non core assets (Real estate)	Other segments operations	Total
Interest and similar income	38 494	69 479	31 760	-	3 795	143 528
Interest and similar expense	33 796	14 365	33 539	-	1 196	82 896
Net interest income	4 698	55 114	(1 779)	-	2 599	60 632
Dividends from equity instruments	-	-	14	-	-	14
Fees and commissions income	8 507	20 558	903	-	467	30 435
Fees and commissions expense	-	-	(1 173)	-	(6 692)	(7 865)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	-	-	(16 459)	-	-	(16 459)
Net gains/(losses) arising from available-for-sale financial assets	-	-	10 106	-	-	10 106
Net gains arising from exchange differences	-	-	7 906	-	-	7 906
Net gains/(losses) arising from sale of other financial assets	-	-	-	(467)	(290)	(757)
Other operating income	4 429	263	-	(6 595)	9 221	7 318
Total operating income	17 634	75 935	(482)	(7 062)	5 305	91 330
Staff costs	37 238	12 109	573	6	8 985	58 911
General and administrative expenses	15 635	4 034	293	694	3 460	24 116
Depreciation and amortisation	-	-	-	835	5 247	6 082
	52 873	16 143	866	1 535	17 692	89 109
Total provisions and impairment	8 370	20 336	882	3 196	(3 784)	29 000
Total operating net profit/(loss)	(43 609)	39 456	(2 230)	(11 793)	(8 603)	(26 779)
Equity accounting earnings	-	-	-	-	(102)	(102)
Profit/(loss) before taxes and non-controlling interests	(43 610)	39 457	(2 230)	(11 793)	(8 705)	(26 881)
Current taxes	-	-	-	-	(1 767)	(1 767)
Deferred taxes	-	-	-	-	9 568	9 568
Non-controlling interests	-	-	-	-	(680)	(680)
Consolidated net profit/(loss) for the period related to the institutional capital and the participation fund attributable to the shareholders	(43 610)	39 457	(2 230)	(11 793)	(1 584)	(19 760)
Net assets	8 481 410	6 013 671	3 603 933	1 408 632	1 939 606	21 447 252
Liabilities	9 530 236	2 922 293	2 451 115	-	4 962 355	19 865 999
Investments in associates	-	-	-	-	3 748	3 748

The report by operating segments as at 31 march 2015, is presented as follows:

(Thousands of Euro)

Income Statement	Retail	Corporate	Markets	Non core assets (Real estate)	Other segments operations	Total
Interest and similar income	52 284	71 962	61 689	-	4 780	190 715
Interest and similar expense	44 686	26 355	56 063	-	1 001	128 105
Net interest income	7 598	45 607	5 626	-	3 779	62 610
Dividends from equity instruments	-	-	1	-	-	1
Fees and commissions income	8 748	20 305	1 768	-	1 089	31 910
Fees and commissions expense	-	-	(1 112)	-	(6 197)	(7 309)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	-	-	13 232	-	-	13 232
Net gains/(losses) arising from available-for-sale financial assets	-	-	71 978	-	-	71 978
Net gains arising from foreign exchange differences	-	-	(85)	-	-	(85)
Net gains/(losses) arising from sale of other financial assets	-	-	-	(6 482)	12 556	6 074
Other operating income	3 913	207	(23)	2 988	(2 508)	4 577
Total operating income	20 259	66 119	91 385	(3 494)	8 719	182 988
Staff costs	32 102	11 671	632	79	6 260	50 744
General and administrative expenses	15 483	5 629	759	234	2 370	24 475
Depreciation and amortisation	-	-	-	915	6 044	6 959
	47 585	17 300	1 391	1 228	14 674	82 178
Total provisions and impairment	6 340	61 257	3 389	2 968	7 405	81 359
Total operating net profit/(loss)	(33 666)	(12 438)	86 605	(7 690)	(13 360)	19 451
Equity accounting earnings	-	-	-	-	297	297
Income before taxes and non-controlling interests	(33 666)	(12 438)	86 605	(7 690)	(13 063)	19 748
Current taxes	-	-	-	-	(9 041)	(9 041)
Deferred taxes	-	-	-	-	(1 016)	(1 016)
Non-controlling interests	-	-	-	-	69	69
Consolidated net profit/(loss) for the period related to the institutional capital and the participation fund attributable to the shareholders	(33 666)	(12 438)	86 605	(7 690)	(23 051)	9 760
Net assets	8 865 121	6 302 178	3 795 530	1 539 524	1 712 233	22 214 586
Liabilities	10 003 521	4 358 992	2 642 301	-	3 739 776	20 744 590
Investments in associates	-	-	-	-	41 099	41 099

As at 31 march 2016, the net contribution of the main geographical areas is as follows:

(Thousands of Euro)

Income Statement	Domestic	International	Total
Interest and similar income	130 942	12 586	143 528
Interest and similar expense	76 596	6 300	82 896
Net interest income	54 346	6 286	60 632
Dividends from equity instruments	14	-	14
Fees and commissions income	28 828	1 607	30 435
Fees and commissions expense	(7 800)	(65)	(7 865)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	(16 437)	(22)	(16 459)
Net gains/(losses) arising from available-for-sale financial assets	10 106	-	10 106
Net gains arising from foreign exchange differences	1 526	6 380	7 906
Net gains from sale of other financial assets	(755)	(2)	(757)
Net operating income	7 019	299	7 318
Total operating income	76 847	14 483	91 330
Staff costs	56 292	2 619	58 911
General and administrative expenses	21 207	2 909	24 116
Depreciation and amortisation	5 478	604	6 082
	82 977	6 132	89 109
Loans impairment	23 581	5 125	28 706
Other financial assets impairment	887	-	887
Other assets impairment	3 485	-	3 485
Other provisions	(4 512)	434	(4 078)
Total operating net profit/(loss)	(29 571)	2 792	(26 779)
Equity accounted earnings	(102)	-	(102)
Income before taxes and non-controlling interests	(29 673)	2 792	(26 881)
Current taxes	(917)	(850)	(1 767)
Deferred taxes	9 568	-	9 568
Non-controlling interests	-	680	680
Consolidated net profit/(loss) for the period related to the institutional capital and the participation fund attributable to the shareholders	(21 022)	1 262	(19 760)

(Thousands of Euros)

Consolidated Statement of Financial Position	Domestic	International	Total
Cash and deposits at central banks	316 850	59 250	376 100
Loans and advances to credit institutions repayable on demand	222 077	14 472	236 549
Other loans and advances to credit institutions	6 083	134 670	140 753
Loans and advances to customers	14 234 237	260 844	14 495 081
Financial assets held-for-trading	26 925	-	26 925
Financial assets available for sale	2 790 081	5 397	2 795 478
Held-to-maturity investments	648 080	133 450	781 530
Investments in associated companies and others	3 748	-	3 748
Non-current assets held-for-sale	737 205	754	737 959
Investments properties	670 673	-	670 673
Other tangible assets	249 510	32 401	281 911
Intangible assets	60 820	3 672	64 492
Current tax assets	23 945	3 347	27 292
Deferred tax assets	407 931	4 345	412 276
Other assets	393 303	3 182	396 485
Total Assets	20 791 468	655 784	21 447 252
Deposits from central banks	2 922 569	-	2 922 569
Deposits from credit institutions	1 683 613	28 286	1 711 899
Deposits from customers	11 744 099	708 430	12 452 529
Debt securities issued	1 771 741	-	1 771 741
Financial liabilities associated to transferred assets	321 169	-	321 169
Financial liabilities held-for-trading	69 295	-	69 295
Provisions	33 620	1 178	34 798
Current tax liabilities	2 869	3 363	6 232
Other subordinated debt	261 058	27 852	288 910
Other liabilities	279 226	7 631	286 857
Total Liabilities	19 089 259	776 740	19 865 999
Institutional capital	1 770 000	-	1 770 000
Participation fund	400 000	-	400 000
Other equity instruments	6 323	-	6 323
Own securities	(81)	-	(81)
Revaluation reserves	(10 948)	-	(10 948)
Other reserves and retained earnings	(575 282)	(14 643)	(589 925)
Consolidated net profit/(loss) for the period related to the institutional capital and the participation fund attributable to the shareholders	(23 089)	3 329	(19 760)
Total equity attributable to the institutional capital and the participation fund shareholders	1 566 923	(11 314)	1 555 609
Non-controlling interests	-	25 644	25 644
Total Equity	1 566 923	14 330	1 581 253
Total Liabilities and Equity	20 656 182	791 070	21 447 252

As at 31 march 2015, the net contribution of the main geographical areas is as follows:

(Thousands of Euro)

Income Statement	Domestic	International	Total
Interest and similar income	176 503	14 212	190 715
Interest and similar expense	116 767	11 338	128 105
Net interest income	59 736	2 874	62 610
Dividends from equity instruments	1	-	1
Fees and commissions income	30 144	1 766	31 910
Fees and commissions expense	(7 126)	(183)	(7 309)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	12 400	832	13 232
Net gains/(losses) arising from available-for-sale financial assets	71 978	-	71 978
Net gains arising from foreign exchange differences	(950)	865	(85)
Net gains arising from other financial assets	6 073	1	6 074
Other operating income	4 652	(75)	4 577
Total operating income	176 908	6 080	182 988
Staff costs	47 589	3 155	50 744
General and administrative expenses	21 621	2 854	24 475
Depreciation and amortisation	6 290	669	6 959
	75 500	6 678	82 178
Loans impairment	64 456	3 141	67 597
Other financial assets impairment	3 389	-	3 389
Other assets impairment	3 111	(67)	3 044
Other provisions	7 340	(11)	7 329
Total operating net profit/(loss)	23 112	(3 661)	19 451
Equity accounting earnings	297	-	297
Income before taxes and non-controlling interests	23 409	(3 661)	19 748
Current taxes	(8 237)	(804)	(9 041)
Deferred taxes	(1 016)	-	(1 016)
Non-controlling interests	-	(69)	(69)
Consolidated net profit/(loss) for the period related to the institutional capital and the participation fund attributable to the shareholders	14 156	(4 396)	9 760

As at 31 december 2015, the net contribution of the main geographical areas is as follows:

(Thousands of Euro)

Consolidated Statement of Financial Position	Domestic	International	Total
Cash and deposits at central banks	358 126	66 324	424 450
Loans and advances to credit institutions repayable on demand	198 311	39 696	238 007
Other loans and advances to credit institutions	(265 538)	437 582	172 044
Loans and advances to customers	14 357 017	305 260	14 662 277
Financial assets held-for-trading	51 093	-	51 093
Financial assets available for sale	3 064 474	4 027	3 068 501
Hedging derivatives	9	-	9
Held-to-maturity investments	26 130	135 410	161 540
Investments in associated companies and others	3 908	-	3 908
Non-current asses held-for-sale	754 070	828	754 898
Investment properties	692 485	-	692 485
Other tangible assets	50 101	39 014	89 115
Intangible assets	61 303	4 559	65 862
Current tax assets	23 868	3 993	27 861
Deferred tax assets	398 773	4 733	403 506
Other assets	327 203	2 457	329 660
Total Assets	20 101 333	1 043 883	21 145 216
Deposits from central banks	2 277 258	-	2 277 258
Deposits from credit institutions	1 523 359	49 772	1 573 131
Deposits from customers	12 129 280	840 151	12 969 431
Debt securities issued	2 031 165	-	2 031 165
Financial liabilities associated to transferred assets	323 037	-	323 037
Financial liabilities held-for-trading	70 289	-	70 289
Hedging derivatives	439	-	439
Provisions	15 792	795	16 587
Equity instruments	(3 700)	3 700	-
Current tax liabilities	32	3 037	3 069
Other subordinated debt	305 092	27 947	333 039
Other liabilities	194 828	8 797	203 625
Total Liabilities	18 866 871	934 199	19 801 070
Institutional capital	1 500 000	-	1 500 000
Participation fund	400 000	-	400 000
Other equity instruments	8 273	-	8 273
Own securities	(31 581)	-	(31 581)
Revaluation reserves	646	-	646
Other reserves and retained earnings	(309 389)	(9 065)	(318 454)
Consolidated net profit/(loss) for the period related to the institutional capital and the participation fund attributable to the shareholders	(253 784)	10 377	(243 407)
Total equity attributable to the institutional capital and the participation fund shareholders	1 314 165	1 312	1 315 477
Non-controlling interests	2 195	26 474	28 669
Total Equity	1 316 360	27 786	1 344 146
Total Liabilities and Equity	20 183 231	961 985	21 145 216

52 Contingencies

In accordance with Decree-Law No. 24/2013 which establishes the *modus operandi* of the Resolution Fund ('RF'), the Group has made the mandatory contributions, as provided for in that law, since 2013. Thus, since the inception of the RF, the Group made the initial contribution, pursuant to Article 3 of that Decree-Law and the periodical contributions in 2013 and 2014, under Article 4 of that Decree-Law.

On 3 november 2015, the Bank of Portugal issued a Circular Letter under which it was clarified that the periodic contribution to the RF should be recognized as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of april of each year, as stipulated in Article 9 of Decree-Law No. 24/2013, of 19 february. The Group is recognizing as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15 november 2015, a public statement declaring: "it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to BES. Therefore, the eventual collection of a special contribution appears to be unlikely."

Subsequently, after issuance by the RF of such statement, in the scope of the resolution process of Banco Espírito Santo, S.A., the Bank of Portugal decided, as announced on 29 december 2015, to transfer to the RF the responsibilities arising from the "... possible negative effects of future decisions, resulting from the resolution process (of Banco Espírito Santo, S.A.), which result in liabilities or contingencies". According to publicly available information, the volume of litigation associated with this process is high, not being duly clarified which amount of losses the RF may incur with these litigations or with the sale of Novo Banco, S.A.

Additionally, the Bank of Portugal decided on 19 and 20 december 2015, to apply a resolution measure to Banif - Banco Internacional do Funchal, S.A. ('BANIF'), not being clear which amount of losses the RF may incur with this process.

Accordingly, as at 31 december 2015, there is no estimate on the amount of potential losses arising from the sale of Novo Banco, S.A., the above referred litigations associated with the resolution process of BES or potential losses to be incurred by the RF following the resolution of BANIF and the way in which these losses are likely to affect the Group, as to the amount and timing of future contributions to the RF, or on the reimbursement of the loans granted to RF.

In 2015, following the establishment of the European Resolution Fund, the Group had to make an initial contribution in the amount of Euro 8,452 thousands, as referred in note 10. The European Resolution Fund does not cover undergoing situations with the National Resolution Fund as at 31 december 2015.

53 Subsidiary and associated companies

As at 31 march 2016, the companies under full consolidation method in the Group are presented as follows:

					Group		Bank
Subsidiary company	**Head of Office**	**Share Capital**	**Currency**	**Activity**	**% of control**	**% of effective part.**	**% of direct part.**
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI)	Praia	8 996 000	Escudo Cabo Verdiano	Banking	100.00%	100.00%	100.00%
Montepio Holding, S.G.P.S., S.A.	Oporto	175 000 000	Euro	Holding company	100.00%	100.00%	100.00%
Montepio Investimento, S.A.	Oporto	180 000 000	Euro	Banking	100.00%	100.00%	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Oporto	30 000 000	Euro	Finance lease	100.00%	100.00%	-
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.	Oporto	1 550 000	Euro	Investment fund management	100.00%	100.00%	-
Montepio Recuperação de Crédito, ACE	Lisbon	-	-	Several services	93.00%	93.00%	93.00%
Finibanco Angola, S.A.	Luanda	4 182 000 000	Kwanza	Banking	81.57%	81.57%	-
Banco Terra, S.A.	Maputo	2 686 458 998	Metical	Banking	45.78%	45.78%	-
Montepio Capital de Risco, S.C.R., S.A.	Lisbon	250 000	Euro	Venture capital management	100.00%	100.00%	-

As at 31 march 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	Euro 10 000 000	Tourism	20.00%
Iberpartners Cafés, S.G.P.S., S.A.	Lisbon	Euro 3 400 000	Holding company	29.41%
Montepio Gestão de Activos Imobiliários, A.C.E.	Lisbon	Euro 2 449 707	Real estate holding company	28.50%

The presented percentage reflects the economic interest of the Group.

In addition, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidiary company	Establishment year	Acquisition year	Head of Office	% of controlling interest	Consolidation method
Pelican Mortgages No. 1 PLC	2002	2002	Dublin	100%	Full
Pelican Mortgages No. 2 PLC	2003	2003	Dublin	100%	Full
Finipredial - Fundo de Investimento Imobiliário Aberto	1997	2012	Lisbon	93.40%	Full
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2011	2011	Lisbon	100%	Full
Montepio Arrendamento II – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional II (FIIAH)	2013	2013	Lisbon	100%	Full
Montepio Arrendamento III – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full
Fundo de Capital de Risco Montepio Crescimento	2015	2015	Lisbon	100%	Full

In 2014, considering the IFRS 10 and the commitments of CEMG in the aim of the activity management of Banco Terra S.A., that gives the ability to manage the main activities, having the ability to face the power and responsibilities of Chief Executive Officer, that will be appointed by the Group, to influence the remaining areas, the shareholding was consolidated by the full consolidation method. This situation remained unchanged in the first quarter of 2016.

54 Sale of subsidiaries

As at 31 march 2016, the Group holds 81.57% of the subsidiary Finibanco Angola, S.A.

In 2015, was established an agreement to sale 1,727,782 shares of Finibanco Angola S.A., which represents 30.57% of the share capital by united states dollar 26,346,178.

The Group analysed the effectiveness of regulatory and legal compliance, and has concluded the non-recognition of the financial participation sale, until it has been financial liquidated.

After the conclusion of the transaction, the Group will remain with control of Finibanco Angola, S.A.

55 Relevant facts

Purchase proposal of Visa Europe Ltd pela Visa Inc.

As at 2 November 2015, Visa Inc. announced a purchase proposal of Visa Europe Ltd by Visa Inc. According to information published by Visa Inc., the transaction values include Euro 16.5 billion paid up-front that may be increased by Euro 4.7 billion paid as cash earn-out at the end of the fourth year after the transaction completion, amounting to Euro 21.2 billion. The up-front values consider Euro 11.5 billion paid in cash and Euro 5 billion in preferred shares convertible into ordinary shares Visa Inc. Class A. As member of Visa Europe Ltd, the Group will benefit from this transaction.

On this basis and as referred to in notes 24 and 47, the investment was valued based on estimated values. These values are still subject to change, and the final values will be released by the end of the first quarter of 2016. According to the indicative timetable of the transaction, the up-front payments should occur by the end of the first half of 2016 although the terms of implementation of this payment is subject to regulatory approvals.

The Group can still receive payments related to earn-out after the fourth anniversary of the completion of the transaction. This amount will depend on the percentage that each bank will contribute to the business of Visa during the four years following completion of the transaction.

The amounts initially estimated for the payment in cash were recorded in fair value reserves in 2015. Until this date, the asset was carried at cost considering that there was no reliability in the determination of fair value.

56 Subsequent events

After the balance sheet date and before the issue of these Financial Statements, there were no transactions and/or relevant events that are relevant to be disclosed.

Montepio

Valores que crescem consigo.

CAIXA ECONÓMICA MONTEPIO GERAL
CAIXA ECONÓMICA BANCÁRIA
PUBLICLY LISTED COMPANY

Head Office: Rua Áurea, 219-241, Lisbon
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Commercial Registration and Tax Payer Number: 500 792 615

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