REPORT AND ACCOUNTS

3rd Quarter 2017

CAIXA ECONÓMICA MONTEPIO GERAL GROUP

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

(Unaudited financial information prepared in accordance with IFRS as adopted by the European Union)

This report is the English version of the document "Relatório e Contas do 3º Trimestre de 2017" 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

	Sep-16*	Dec-16	Sep-17	YoY Change
ACTIVITY AND RESULTS (EUR million)				
Total assets	21 226	21 346	19 510	(8.1%)
Loans to customers (gross)	15 133	15 041	14 610	(3.5%)
Customers' deposits	12 197	12 468	11 879	(2.6%)
Resultado líquido	(67)	(86)	20	>100%
SOLVENCY (a)				
Common Equity Tier 1 ratio	10.4%	10.4%	13.0%	2.6 p.p.
Tier 1 ratio	10.4%	10.4%	13.0%	2.6 p.p.
Total Capital ratio	11.0%	10.9%	13.2%	2.2 p.p.
Risk-weighted assets (EUR million)	13 244	12 830	11 950	(9.8%)
LIQUIDITY RATIOS				
Loans to customers (net) / Customers' deposits (b)	116.5%	111.2%	113.0%	(3.5 p.p.)
Loans to customers (net) / On-balance sheet customers' resources (c)	97.8%	96.3%	103.6%	5.8 p.p.
CREDIT RISK AND COVERAGE BY IMPAIRMENTS				
Cost of credit risk	1.0%	1.2%	1.0%	0.0 p.p.
Ratio of loans and interest overdue by more than 90 days	9.2%	9.1%	9.7%	0.5 p.p.
Non-performing loans ratio (b)	11.2%	11.5%	11.9%	0.7 p.p.
Net non-performing loans ratio (b)	4.0%	3.9%	3.8%	(0.2 p.p.)
Coverage of loans and interest overdue by more than 90 days	81.7%	86.0%	86.3%	4.6 p.p.
Credit at risk ratio (b)	15.6%	15.2%	15.2%	(0.4 p.p.)
Net credit at risk ratio (b)	8.7%	8.0%	7.4%	(1.3 p.p.)
Credit at risk coverage ratio	48.2%	51.6%	55.3%	7.1 p.p.
Credit at risk coverage ratio, including related real estate collateral	118.6%	120.0%	118.5%	(0.1 p.p.)
Restructured loans as a % of total loans (d)	9.1%	8.9%	8.8%	(0.3 p.p.)
Restructured loans not included in credit at risk as a % of total loans (d)	3.0%	3.2%	3.2%	0.2 p.p.
PROFITABILITY AND EFFICIENCY				
Total operating income / Average total assets (b)	1.5%	1.7%	2.5%	1.0 p.p.
Net income before income tax / Average total assets (b)	(0.9%)	(0.9%)	0.3%	1.2 p.p.
Net income before income tax / Average equity (b)	(13.6%)	(12.3%)	3.2%	16.8 p.p.
Operating costs / Total operating income (cost-to-income) (b)	101.9%	76.4%	54.4%	(47.5 p.p.)
Cost-to-Income, excluding specific impacts (e)	94.8%	88.4%	66.0%	(28.8 p.p.)
Staff costs / Total operating income (b)	68.4%	44.5%	33.3%	(35.1 p.p.)
EMPLOYEES AND DISTRIBUTION NETWORK (Number)				
Employees				
Group total (f)	3 905	3 806	3 817	(88)
CEMG	3 623	3 588	3 610	(13)
Branches				
Domestic - CEMG	331	327	325	(6)
International	30	33	40	10
Finibanco Angola (g)	21	23	25	4
BTM - Banco Terra	9	10	10	1
Representation Offices - CEMG	6	6	5	(1)

(a) Pursuant to CRD IV / CRR (phasing-in). Capital ratios include net income for the year.

(b) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version.

(c) Total on-balance sheet customers' resources = Customers' deposits and debt securities issued. Computed in accordance with the Financial Statements annexed to this report.

(d) Pursuant to Banco de Portugal Instruction No. 32/2013.

(e) Excluding results from financial operations and the impacts arising from the operational redimensioning.

(f) Excluding transferred employees and work suspension contracts.

(g) Includes Business Centers.

* September 2016 restated in accordance with IFRS5 guidelines with respect to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

MACROECONOMIC ENVIRONMENT

The Portuguese economy showed an increase in volume of the gross domestic product (GDP) of 0.3% in the second quarter of 2017, slowing down in relation to the 0.9% recorded in the first quarter, which represented the highest growth since the fourth quarter of 2013 (+1.0%). According to the preliminary estimate of the National Statistics Institute (INE), disclosed on 14 November 2017, GDP accelerated in the third quarter of 2017 to 0.5%, supported by both domestic demand and net exports, which had rather dampened growth in the second quarter of 2017. Our outlook points to annual growth of 2.6% in 2017, in strong acceleration compared to the 1.5% of 2016, in line with the Government's forecast in the Government Budget for 2018 (OE 2018). Following the budget deficit of 2.0% of GDP in 2016, declining sharply from the 4.4% of 2015, the Government foresees a further reduction to 1.4% in 2017 (-1.6% in the Government Budget for 2017 and -1.5% in the Stability Programme 2017/21), reflecting the improved outlook on economic growth. The unemployment rate maintained its downward trend, falling from 8.8% in the second quarter of 2017 to 8.5% in the third quarter, a minimum since the fourth quarter of 2008, pointing to a reduction down to 9.0% in 2017 (11.1% in 2016). Inflation (HICP) reached 1.6% at the end of the third quarter (+0.9% at the end of the fourth quarter of 2016), with an expected increase in annual average inflation from 0.6% recorded in 2016 to 1.5% in 2017.

At a global level, the International Monetary Fund (IMF) made a slight upward revision of world economic growth in its most recent forecasts, dated 10 October 2017, pointing to a growth of 3.6% in 2017 (the forecast had been +3.5% in July 2017), considering that the global economy has been gaining strength since mid 2016, a year in which it grew by 3.2%. In the Euro Zone, GDP grew by 0.6% in the third quarter of 2017, slowing down slightly in relation to the previous quarter (+0.7%). The forecast suggests an annual average growth of 2.3% in 2017, with the economy continuing to benefit from the expansionary monetary policy adopted by the European Central Bank (ECB). Regarding the other markets in which the CEMG is present, it should be noted that, in Angola, according to the IMF's historical data, after the GDP growth of 3.0% in 2015, it should have contracted by 0.7% in 2016. Forecasts point to 1.3% growth in 2017 (below the +2.1% contained in the General Government Budget for 2017 (OGE 2017) and in line with the +1.3% defended by the Government in the Interim Plan 2017-2018 approved on 10 October 2017). In Mozambique, after growth slowed down in 2015, from 7.4% to 6.6%, GDP showed a further slowdown in 2016, to 3.8%, with an acceleration predicted for this year, to 4.3%, below that forecast by the Government (+5.5%). However, in Cape Verde, GDP grew by 3.8% in 2016, on an upward trend in relation to the 1.0% of 2015 and representing the highest rate since 2011 (+4.0%), being expected to accelerate slightly in 2017 (+3.9%).

The sentiment in financial markets evolved along a positive trend during the third quarter of 2017, essentially underpinned by the positive indications on the level of economic growth of the main economies. Rises were observed in the majority of the main share indices (S&P 500 advanced by 4.0%, Eurostoxx by 4.4% and the PSI-20 by 5.0%). The 10-year government bond yield spreads of the peripheral countries of the Euro Zone revealed distinct performances, but tended to be favourable, having risen in Spain and Greece and fallen in Ireland, Italy, and principally, in Portugal, where it fell by 64 b.p. The spreads of the corporate credit market also showed behaviour that tended to be favourable. The 10-year Portuguese government bond yields decreased from 3.027%, at the end of the first quarter of 2017, to 2.388%, as at 30 September 2017. Libor rates increased modestly in all maturities, while Euribor rates remained at historically low figures, reflecting the continued expansionary policy of the ECB. Commodities showed rises in the general indices, reflecting the strong increase of energy in the third quarter of 2017 (+13.7%).

FINANCIAL ANALYSIS

CEMG is currently in a negotiating process with a group of investors with a view to refocusing the approach to the African market in view of the deconsolidation of the current financial stakes held in Finibanco Angola S.A. and BTM – Banco Terra, S.A., both in the context of the "ARISE" project and under other alternatives that are under development.

Considering the decisions that have already been taken by the Board of Directors, as well as the provisions in International Financial Reporting Standard (IFRS) 5, the activities developed by these subsidiaries have been deemed discontinued operations since the end of 2016.

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

For comparative purposes, the income statement and the different balance sheet headings analysed were drawn-up on the same basis as for the period ended on 30 September 2016.

EARNINGS

Net income for the first nine months of 2017 was positive by 20.4 million euros, corresponding to an improvement of 87.9 million euros, by evolving from a negative value of 67.5 million euros recorded in the same period of 2016. This positive performance was influenced by the increase of the Core total operating income, as a result of the increased values of Net interest income and Net fees and commissions, the increased Results from financial operations and the lower Operating costs and endowments for Impairments and provisions.

SYNTHETIC INCOME STATEMENT

(EUR million)

	Sep-16*	Sep-17	Change	
			Amount	%
Net interest income	**178.3**	**202.1**	**23.8**	**13.3**
Commercial net interest income	*189.3*	*215.4*	*26.1*	*13.8*
Net fees and commissions	70.3	83.9	13.6	19.3
Core total operating income	**248.6**	**286.0**	**37.4**	**15.0**
Income from equity instruments	3.9	10.2	6.3	>100
Results from financial operations	15.4	66.7	51.3	>100
Other operating income	(21.8)	17.1	38.9	>100
Total operating income	**246.1**	**380.0**	**133.9**	**54.4**
Staff Costs	168.3	126.7	(41.6)	(24.7)
General and administrative expenses	64.2	61.5	(2.7)	(4.1)
Amortization and depreciation	18.4	18.6	0.2	1.0
Operating costs	**250.9**	**206.8**	**(44.1)**	**(17.6)**
Comparable operating costs [(a)]	**218.9**	**206.8**	**(12.1)**	**(5.5)**
Net operating income before provisions and impairments	**(4.8)**	**173.2**	**178.0**	**>100**
Net provisions and impairments	148.6	141.3	(7.3)	(4.9)
Share of profit of associates under the equity method	0.4	0.4	0.0	19.8
Net income before income tax	**(153.0)**	**32.3**	**185.3**	**>100**
Income tax	83.8	(18.0)	(101.8)	(<100)
Net income after income tax from continuing operations	**(69.2)**	**14.3**	**83.5**	**>100**
Income from discontinuing operations	3.5	8.0	4.5	>100
Non-controlling interests	1.8	1.9	0.1	4.5
Net Income	**(67.5)**	**20.4**	**87.9**	**>100**

*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.
(a) Excludes the impacts arising from the operational redimensioning.

In terms of the earnings from the commercial activity, which result from the sum the of Net interest income and Net fees and commissions minus Operating costs on a comparable basis, there was an increase of 51.8 million euros, which expresses an increase in results from 40.7 million euros recorded in the first nine months of 2016 to 92.5 million euros stated in the same period of 2017. This improvement reflects the 13.8% growth of the Commercial net interest income, the 19.3% growth of Net fees and commissions, and the 5.5% reduction of Operating costs on a comparable basis.

TOTAL OPERATING INCOME

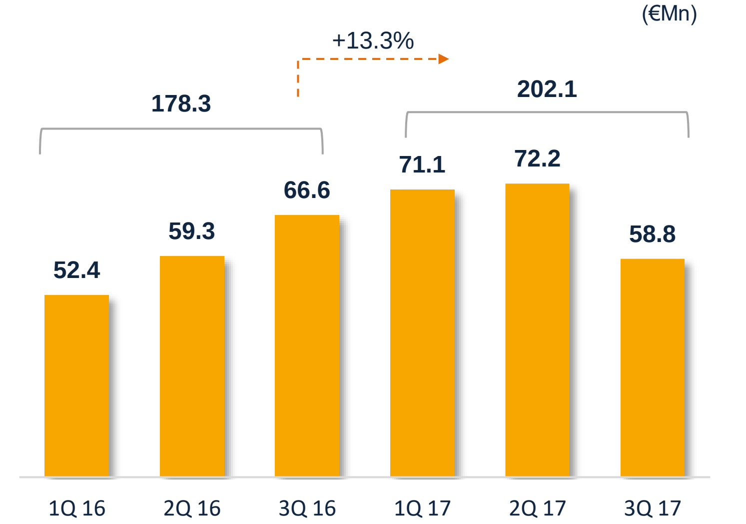
Core total operating income improved by 15.0%, having risen by 37.4 million euros, in evolving from 248.6 million euros in the first nine months of 2016 to 286.0 million euros in the same period of 2017. This performance was determined by the favourable evolution of Net interest income, which recorded a year-on-year growth of 13.3%, and by the 19.3% increase of Net fees and commissions.

The evolution of Total operating income from 246.1 million euros in the first nine months of 2016 to 380.0 million euros in the same period of 2017 also incorporates the positive contribution of the Income from equity instruments, the Results from financial operations and Other operating income.

Net interest income

During the first nine months of 2017, Net interest income, notwithstanding the prolonged context of historically low interest rates, showed an year-on-year growth of 13.3% in reaching 202.1 million euros, benefiting from the reduction of the cost of customer deposits and the lower costs related to issued debt, which offset the lower income from public debt and the loan portfolio, in spite of the portfolio repricing policy, in a context of deleveraging of the activity.

Net interest income



*For comparative purposes, the 2016 quarters were restated pursuant to IFRS 5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries.

The Net interest income of the first nine months of 2017 benefited from the positive price effect of 67.7 million euros recorded at Customer deposits, showing the impacts of the average rate having evolved from 1.14% in the first nine months of 2016 to 0.71% in the same period of 2017, and the continued and permanent management of the price applied in the capture of new deposits, as well as the repricing of the existing deposits upon their maturity.

Senior debt also contributed positively to the evolution of Net interest income observed between the first nine months of 2016 and the same period of 2017, in particular through the volume effect, of 13.3 million euros, due to the reduction of the average balance from 2,163 million euros in the first nine months of 2016 to 1,506 million euros in the same period of 2017.

BREAKDOWN OF NET INTEREST INCOME

(EUR million)

	Sep-16*			Sep-17		
	Avg. amount	Avg. rate (%)	Interest	Avg. amount	Avg. rate (%)	Interest
Assets						
Cash and deposits	337	0.00	0.0	232	0.01	0.0
Loans and advances to OCI	154	2.49	2.9	435	0.92	3.0
Loans to customers	15 384	2.52	293.4	14 887	2.47	279.4
Securities portfolio	2 934	1.70	37.9	2 593	1.65	32.5
Other (includes derivatives)	-	-	59.0	-	-	52.3
subtotal	18 809	2.76	393.2	18 147	2.67	367.2
Liabilities						
Resources from Central banks	2 882	0.04	1.0	2 482	0.02	0.3
Resources from OCI	1 670	0.63	7.9	2 134	0.52	8.3
Customers' deposits	12 058	1.14	104.2	11 827	0.71	64.0
Senior debt	2 163	2.46	40.3	1 506	2.68	30.6
Subordinated debt	281	1.48	3.2	251	1.23	2.3
Other (includes derivatives)	-	-	58.4	-	-	59.6
subtotal	19 054	1.49	214.9	18 200	1.20	165.1
Net interest income		**1.25**	**178.3**		**1.47**	**202.1**

*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

The average balance of Loans to customers recorded in the first nine months of 2017 decreased in relation to the value of the same period of 2016 as a result of the deleveraging process in course, namely in non-performing loans and activity sectors that are considered non-core, in particular the construction sector.

The average interest rate, reflecting the effect of the repricing of operations, in a context where the main reference rates were situated on negative ground, on the first nine months of 2017, stood at 2.47%, compared to 2.52% in the same period of 2016, resulting in a negative price effect of 8.2 million euros.

The Securities portfolio in the first nine months of 2017 recorded a lower average balance than that observed in the same period of 2016, while the average interest rate showed a minor reduction in shifting from 1.70% to 1.65% in the same period. The observed effects on Net interest income determined by the Securities portfolio, both in terms of volume and price, were negative by 4.3 million euros and 1.9 million euros, respectively. Therefore, the combination of the effects described above gave rise to an increase of 22 b.p. in the Net interest income rate, which shifted from 1.25% in the nine months of 2016 to 1.47% in the same period of 2017.

DETAILED EVOLUTION OF NET INTEREST INCOME BETWEEN THE 3Q* 2016 AND THE 3Q 2017

(EUR million)

	Volume effect	Price effect	Residual effect	Total
Assets				
Cash and deposits	(0.0)	0.0	(0.0)	0.0
Loans and advances to OCI	2.0	(3.2)	1.4	0.1
Loans to customers	(9.3)	(8.2)	3.5	(14.0)
Securities portfolio	(4.3)	(1.9)	0.8	(5.4)
Other (includes derivatives)	-	-	(6.7)	(6.7)
subtotal	(11.6)	(13.3)	(1.1)	(26.0)
Liabilities				
Resources from central banks	(0.0)	(1.1)	0.5	(0.7)
Resources from OCI	1.8	(2.4)	1.0	0.4
Customers' deposits	(1.3)	(67.7)	28.8	(40.2)
Senior debt	(13.3)	6.3	(2.7)	(9.7)
Subordinated debt	(0.3)	(0.9)	0.4	(0.8)
Other (includes derivatives)	-	-	1.2	1.2
subtotal	(13.1)	(65.8)	29.2	(49.8)
Change in net interest income	**1.5**	**52.5**	**(30.2)**	**23.8**

*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

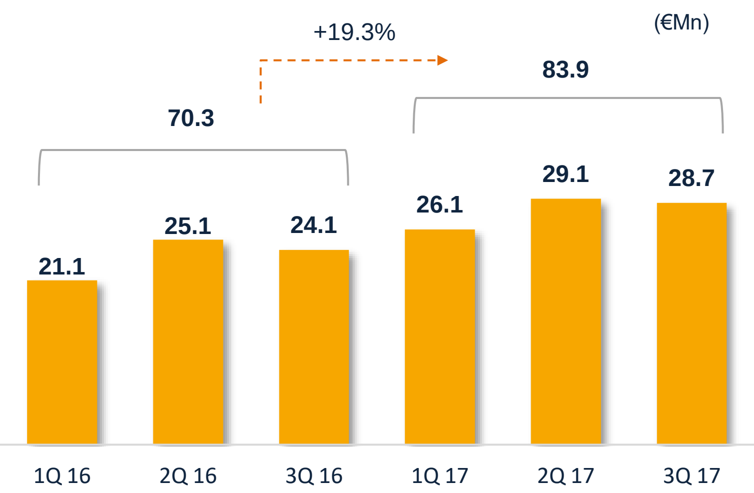
Income from equity instruments

The heading of Income from equity instruments includes the income associated to variable yield securities, namely shares and participation units in investment funds, related to investments stated in the portfolio of assets available for sale. The value recorded in the first nine months of 2017 reached 10.2 million euros, comparing favourably to the amount of 3.9 million euros recorded in the of the same period of 2016, in incorporating dividends received related to investments stated in the portfolio of financial assets available for sale.

Net fees and commissions

Net fees and commissions, related to services rendered to customers, reached 83.9 million euros in the first nine months of 2017, corresponding to a growth of 19.3% in relation to the value of 70.3 million euros recorded in the same period of 2016.

Net fees and commissions



*For comparative purposes, the 2016 quarters were restated pursuant to IFRS 5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries.

The favourable evolution of Net fees and commissions in the first nine months of 2017 benefited from the combined effect of the measures that were implemented during this period and in 2016, aimed at adjusting the price of the services provided to customers to the value proposition offered by CEMG. In this context, the increase referred to above incorporates the effects of the price revisions made to the bank services provided, namely those involving fees and commissions related to management, administration and custody of assets, situations of exemption, cards, maintenance of accounts and annuities, as well as the income associated to the increased cross-selling.

Results from financial operations

The Results from financial operations amounted to 66.7 million euros in the first nine months of 2017, compared to the value of 15.4 million euros recorded in the same period of 2016. This improvement was especially influenced by the capital gains achieved from the divestment of Portuguese public debt securities, in the first nine months of 2017, of the value of 55 million euros, as well as by the improvement reflected in assets and liabilities stated at fair value through profit or loss, which evolved from a cost of 27.6 million euros recorded in the first nine months of 2016 to a gain of 5.8 million euros stated in the same period of 2017.

RESULTS FROM FINANCIAL OPERATIONS

(EUR million)

	Sep-16*	Sep-17	Change	
			Amount	%
Results from financial assets and liabilities at fair value through profit or loss	(27.6)	5.8	33.4	>100
Results from financial assets available-for-sale	40.9	59.5	18.6	45.6
Results from currency revaluation	2.1	1.4	(0.7)	(34.2)
Results from financial operations	**15.4**	**66.7**	**51.3**	**>100**

*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

Other results

The heading of Other results incorporates the Results from divestment of other assets and Other operating income, which include, among others, the income obtained from services rendered, the reimbursement of expenses and the assignment of employees, as well as the costs related to credit recovery services and costs related to issues.

During the first nine months of 2017, the Results from divestment of other assets stood at 21.1 million euros, reflecting an improvement in relation to the value of 12.7 million euros recorded in the same period of 2016.

Other operating income, for the first nine months of 2017, stood at -3.9 million euros, compared to the value of -34.4 million euros recorded in the same period of 2016, essentially derived from the lower losses related to the revaluation of investment properties and to servicing and credit recovery expenses which, together, represented a cost of 14.0 million euros in the first nine months of 2017, compared to the cost of 73.9 million euros recorded in the same period of 2016.

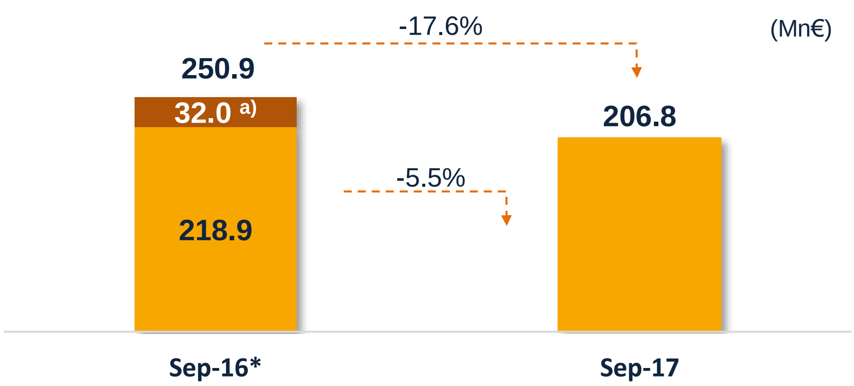
OPERATING COSTS

Operating costs during the first nine months of 2017, excluding the impacts of the operative structure-resizing programme, amounted to 206.8 million euros, representing a year-on-year reduction of 5.5% in relation to the value of Operating costs of 218.9 million euros recorded in the same period of 2016.

The improvement of the efficiency levels defined in the Strategic Plan for 2016-2018, already observed in 2016, continued during the first nine months of 2017 through a year-on-year decrease, in comparable terms, of 7.0% in staff costs and 4.1% in general administrative expenses. These reductions reflect the positive effect of the implemented restructuring measures, in particular the decrease in the number of employees and resizing of the distribution network, notwithstanding the investments made in the development of the digital channels.

In the first nine months of 2017, the Cost-to-Income efficiency ratio, excluding the Results from financial operations and the effects derived from the operative resizing, reached 66.0%, compared to 94.8% recorded in the same period of 2016.

Operating costs



*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.
a) Impact arising from the operating structure redimensioning.

OPERATING COSTS

(EUR million)

	Sep-16*	Sep-17	Change	
			Amount	%
Staff Costs (a)	136.3	126.7	(9.6)	(7.0)
General and administrative expenses	64.2	61.5	(2.7)	(4.1)
Amortization and depreciation	18.4	18.6	0.2	1.0
Comparable operating costs (a)	**218.9**	**206.8**	**(12.1)**	**(5.5)**
Operating expenses with structure resizing program	32.0	-	-	-
Operating costs	**250.9**	**206.8**	**(44.1)**	**(17.6)**
Efficiency ratios				
Cost-to-Income (Operating expenses / Total operating income) (b)	101.9%	54.4%		
Cost-to-Income, excluding specific impacts (c)	94.8%	66.0%		

(a) Excludes the impacts arising from the operational redimensioning
(b) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version.
(c) Excludes results from financial operations and the impacts arising from the operational redimensioning
*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

IMPAIRMENT AND PROVISIONS

The endowments for Impairments and provisions amounted to 141.3 million euros in the first nine months of 2017, compared to 148.6 million euros recorded in the same period of 2016. For this decrease of 7.3 million euros contributed the reduction of endowments for credit impairment by 13.4 million euros, which shifted from 119.6 million euros in the first nine months of 2016 to 106.2 million euros in the same period of 2017. This evolution was reflected in terms of the cost of risk, which reached 0.95% in the first nine months of 2017, compared to 1.04% in the same period of 2016 and 1.19% for the year of 2016, thus showing a 24 b.p. reduction of the cost of risk since the beginning of 2017.

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

During the first nine months of 2017, a year-on-year reduction of 24.6 million euros also occurred in endowments for impairment of other financial assets, which stood at 7.3 million euros, compared to the value of 31.9 million euros recorded in the same period of 2016.

IMPAIRMENT AND PROVISIONS

(EUR million)

	Sep-16*	Sep-17	Change	
			Amount	%
Loan impairments	119.6	106.2	(13.4)	(11.2)
Other financial assets impairments	31.9	7.3	(24.6)	(77.2)
Other assets impairments	13.1	14.8	1.8	13.4
Other provisions	(16.0)	13.0	29.0	>100
Total of impairment and provisions	**148.6**	**141.3**	**(7.3)**	**(4.9)**

*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

In relation to Other assets impairment, the value stated for the first nine months of 2017 stood at 14.8 million euros, showing an increase of 13.4% in relation to the value recorded in the same period of 2016. Other provisions recorded an endowment of 13.0 million euros, compared to a reversal of 16.0 million euros recorded in the same period of 2016.

TAX

Current and deferred taxes for the first nine months of 2017 amounted to -18.0 million euros compared to 83.8 million euros stated in the same period of 2016, having been calculated in conformity with the International Accounting Standards (IAS) and observing the tax system applicable to each subsidiary of the CEMG Group.

The deferred tax assets arise from the fact that, in some particular circumstances, the accounting treatment diverges from the tax framework, thus giving rise to the statement of deferred tax assets associated to temporary differences.

RESULTS FROM DISCONTINUING OPERATIONS

The heading of Results from discontinuing operations incorporates the net income for the period of the subsidiaries Finibanco Angola, S.A. and BTM – Banco Terra, S.A. attributable to CEMG following the application of the accounting policy defined in IFRS 5, which stood at 8.0 million euros in the first nine months of 2017.

For comparative purposes, the income statement of the first nine months of 2016 was prepared on the same basis, recording the value of 3.5 million euros relative to this heading.

NON-CONTROLING INTERESTS

The Non-controlling interests recorded in the first nine months of 2017 and 2016, which amounted to 1.9 million euros and 1.8 million euros, respectively, correspond to the portion of capital held by third parties in the subsidiaries Finibanco Angola, S.A. and BTM – Banco Terra, S.A.

BALANCE SHEET

The strategic objective of deleveraging CEMG's balance sheet continued during the first nine months of 2017, on the one hand, by the reduction of non-performing loans, loans granted to activity sectors considered non-core and the reduction of exposure to real estate risk through an integrated management of the real estate properties held in the portfolio for sale, and, on the other hand, by the improvement of liquidity levels through the capture and retention of customer deposit and the use of less costly funding sources.

SYNTHETIC BALANCE SHEET

(EUR million)

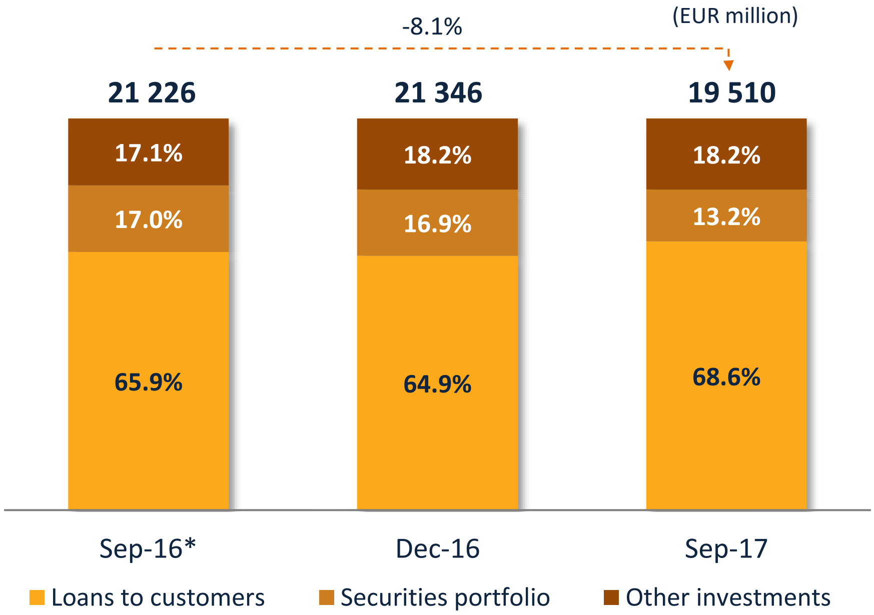
	Sep-16*	Dec-16	Sep-17	YoY Change	
				Amount	%
Cash and deposits at central banks and OCI	641	1 010	844	203	31.7
Loans to customers	13 996	13 861	13 380	(616)	(4.4)
Securities portfolio	3 611	3 604	2 582	(1 029)	(28.5)
Non current assets held for sale and investment properties	1 357	1 368	1 302	(55)	(4.1)
Non current assets held for sale - Discontinuing operations	531	470	446	(85)	(16.1)
Current and deferred tax assets	485	534	499	14	2.9
Other	605	499	457	(148)	(24.4)
Total assets	**21 226**	**21 346**	**19 510**	**(1 716)**	**(8.1)**
Deposits from central banks and OCI	4 422	4 599	3 922	(500)	(11.3)
Customers' resources	12 197	12 468	11 879	(318)	(2.6)
Issued debt	2 368	2 171	1 283	(1 085)	(45.8)
Non current liabilities held for sale - Discontinuing operations	411	354	319	(92)	(22.5)
Other	283	297	344	61	21.7
Total liabilities	**19 681**	**19 889**	**17 747**	**(1 934)**	**(9.8)**
Share capital**	2 170	2 170	2 420	250	11.5
Net income	(67)	(86)	20	87	>100
Reservers, retained earnings and other	(558)	(627)	(676)	(118)	(21.1)
Total equity	**1 545**	**1 457**	**1 764**	**219**	**14.1**
Total equity and liabilities	**21 226**	**21 346**	**19 510**	**(1 716)**	**(8.1)**

*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.
** In Sep.16 and Dec.16 includes the Capital and the Participation Fund

ASSETS

Total assets stood at 19,510 million euros as at 30 September 2017, compared to 21,226 million euros recorded in the same period of 2016 and to 21,346 million euros as at 31 December 2016. This evolution of Net assets reflects the still persistently low demand for credit transversal to the entire sector, on the one hand, and the active policy on management of the securities portfolio, on the other.

TOTAL ASSETS STRUCTURE



*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

CASH AND DEPOSITS AT CENTRAL BANKS AND OCI

The aggregate heading of Cash and deposits at central banks and Other credit institutions (OCI) includes the balances recorded under Cash and deposits at central banks and Other loans and advances to credit institutions.

As at 30 September 2017, the liquidity deposited at central banks and OCI stood at 844 million euros, compared to the 641 million euros recorded for the same period of 2016, reflecting a positive variation of 31.7%.

LOANS TO CUSTOMERS

As at 30 September 2017, Loans to customers (gross) amounted to 14,610 million euros, corresponding to a decrease of 3.5% in relation to the value stated as at 30 September 2016, continuing to reflect, on the one hand, a highly demanding policy on risk management in loan concession and repricing adjusted to risk, and on the other, the still persistently low demand for loans by economic agents.

During the first nine months of 2017, CEMG continued to fine-tune the process for approval and concession of loans with a view to reducing the cost of credit risk and, in this way, contribute to the accomplishment of the objectives defined in the Strategic Plan.

Benefiting from the implemented measures, namely the application of stricter loan concession criteria, there was a year-on-year reduction of 50.3% in the entry of new non-performing loans in the third quarter of 2017, in a context when a favourable evolution was also observed in the macroeconomic scenario.

The portfolio of loans as at 30 September 2017 continued to show a higher level of repayment of mortgage loans in relation to new operations raised, giving rise to a year-on-year decrease of 4.4%, as well as a reduction in the corporate segment of 3.0%, determined by the 3.1% decrease of loans to construction combined with a 3.0% reduction of loans for other purposes.

LOANS TO CUSTOMERS

(EUR million)

	Sep-16*	Dec-16	Sep-17	YoY Change	
				Amount	%
Individuals	**8 459**	**8 390**	**8 136**	**(323)**	**(3.8)**
Housing	7 228	7 164	6 909	(319)	(4.4)
Consumption and other purposes	1 231	1 226	1 227	(4)	(0.3)
Companies	**6 674**	**6 651**	**6 474**	**(200)**	**(3.0)**
Construction	472	449	457	(15)	(3.1)
Other purposes	6 202	6 202	6 017	(185)	(3.0)
Gross loans	**15 133**	**15 041**	**14 610**	**(523)**	**(3.5)**
Loan impairments	**1 137**	**1 180**	**1 230**	**93**	**8.2**
Net loans	**13 996**	**13 861**	**13 380**	**(616)**	**(4.4)**

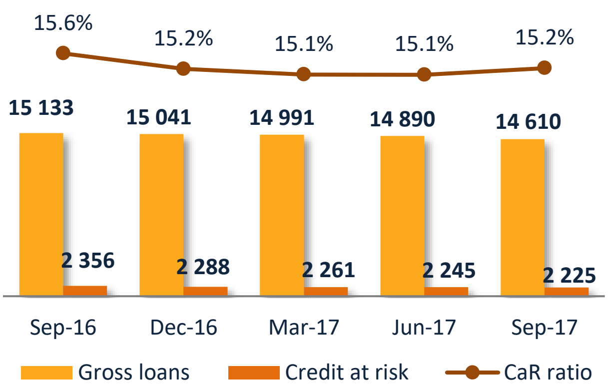
*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

In 2016 and during the first nine months of 2017, CEMG started a series of initiatives aimed at reducing the exposure in non-performing loans and in activity sectors identified as non-core, with loans to construction having fallen by 3.1% between the end of the third quarter of 2016 and 2017.

As a result of these initiatives the balance of credit at risk as at 30 September 2017 evolved favourably in relation to the same period of 2016, with the ratio of credit at risk standing at 15.2%, compared to 15.6% at the end of the third quarter of 2016, and having stabilised in relation to the end of 2016.

Evolution of Gross loans and credit at risk

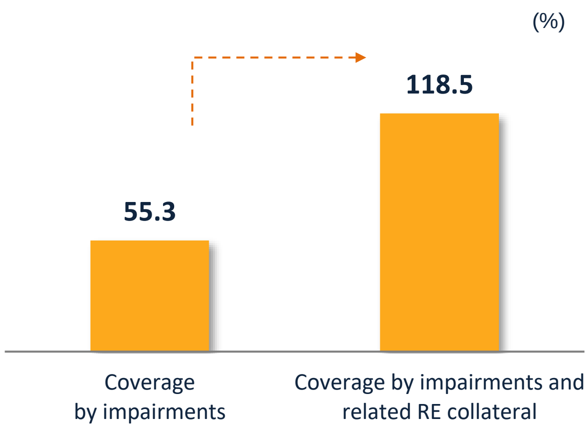
(€Mn)



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

The coverage of credit at risk by impairments and related real estate collateral reached 118.5% as at 30 September 2017, compared to 120.0% at the end of 2016, while the coverage by impairments stood at 55.3%, evolving favourably in relation to the coverage of 51.6% recorded as at 31 December 2016.

CaR coverage as at 30 September 2017



SECURITIES PORTFOLIO

Pursuing the accomplishment of the Strategic Plan for 2016-2018 and the rebalancing of the asset structure, during the first nine months of 2017, CEMG continued to identify and implement measures aimed at improving the liquidity levels and active management of the securities portfolio.

During the first semester of 2017, under the measures taken to strengthen the levels of CEMG's capital ratios, and pursuant to the International Accounting Standard IAS 39, the value of 800 million euros was transferred to the portfolio of financial assets available for sale, whose market value on the transfer date stood at 841 million euros, relative to the entirety of the portfolio of Portuguese public debt bonds that had previously been recorded in the portfolio of financial assets held to maturity. Additionally, during the first nine months of 2017, public debt securities of the value of 925 million euros were divested.

As at 30 September 2017, the securities portfolio amounted to 2,582 million euros, compared to 3,610 million euros as at 30 September 2017 and 3,604 million euros at the end of 2016.

SECURITIES PORTFOLIO

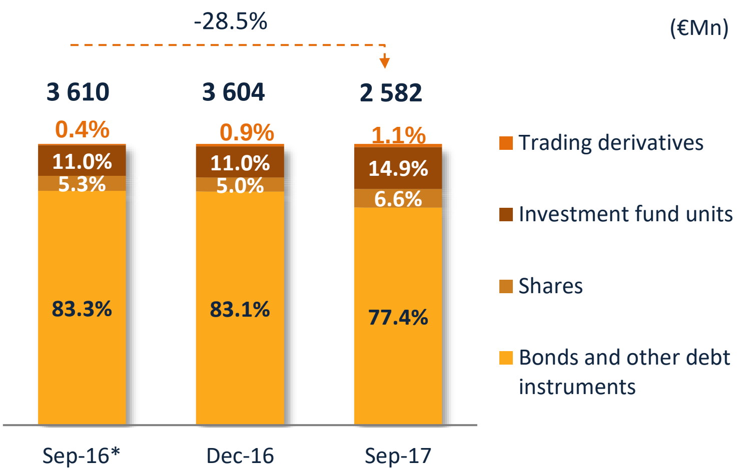
(EUR million)

	Sep-16*	Dec-16	Sep-17	YoY Change	
				Amount	%
Financial assets held for trading	45	78	57	12	25.9
Financial assets available-for-sale	2 438	2 400	2 525	87	3.6
Held to maturity investments	1 127	1 126	0	(1 127)	-
Total securities portfolio	**3 610**	**3 604**	**2 582**	**(1 028)**	**(28.5)**

*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

The securities portfolio, analysed by type of instrument, showed a year-on-year decrease of 1,009 million euros in bonds and other debt instruments, which includes national public debt that shifted from 3,009 million euros at the end of the third quarter of 2016 to 2,000 million euros as at 30 September 2017, explaining 98% of the reduction recorded in terms of the total portfolio.

Structure of the securities portfolio



*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

SECURITIES PORTFOLIO BY INSTRUMENT

(EUR million)

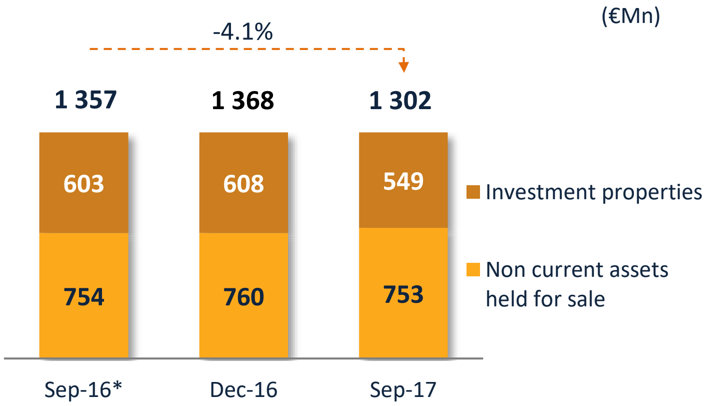
	Sep-16*	Dec-16	Sep-17	YoY Change	
				Amount	%
Bonds and other debt instruments	3 009	2 996	2 000	(1 009)	(33.5)
Shares	191	177	170	(21)	(10.6)
Investment fund units	397	398	385	(12)	(3.1)
Trading derivatives	13	33	27	14	>100
Total securities portfolio	**3 610**	**3 604**	**2 582**	**(1 028)**	**(28.5)**

*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

NON CURRENT ASSETS HELD FOR SALE AND INVESTMENT PROPERTIES

The total sum of the headings of Non-current assets held for sale and Investment properties showed a year-on-year decrease of 4.1% in evolving from 1,357 million euros as at 30 September 2016 to 1,302 million euros at the end of the third quarter of 2017, in line with the strategic orientation for the integrated management of real estate properties and the consequent reduction of exposure to this activity sector.

Reduction of the risk to the RE sector



*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

The heading of Non-current assets held for sale essentially reflects the amount associated to real estate properties derived from the dissolution of loan contracts made with customers, which decreased by 1.0% since the end of 2016, evolving from 760 million euros as at 31 December 2016 to 753 million euros at the end of the third quarter of 2017 (-0.2%

year-on-year), reflecting the effect of the settlement of various operations that had been non-performing and the good performance of the sales of real estate properties in the retail market.

In relation to Investment properties, the heading which records the real estate properties held by the real estate investment funds of the CEMG Group, decreased by 9.7% since 31 December 2016, in evolving from 608 million euros to 549 million euros at the end of the third quarter of 2017 (-8.9% year-on-year), pursuing the strategic objective of reducing the exposure to real estate risk.

NON CURRENT ASSETS HELD FOR SALE – DISCONTINUING OPERATIONS

As at 30 September 2017, the heading of Non-current assets held for sale - discontinuing operations amounted to 446 million euros, corresponding to the value of the assets recorded by the Group's operations in Angola and Mozambique, after having been adjusted for the necessary movements of the consolidation process, and was stated following the application of IFRS 5 to the subsidiaries Finibanco Angola and BTM – Banco Terra, as indicated in Note 53 of the Notes to the consolidated financial statements.

CURRENT AND DEFERRED TAX ASSETS

At the end of the third quarter of 2017, the aggregate Deferred and current tax assets amounted to 499 million euros, compared to 485 million euros as at 30 September 2016, reflecting a growth of 2.9%.

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

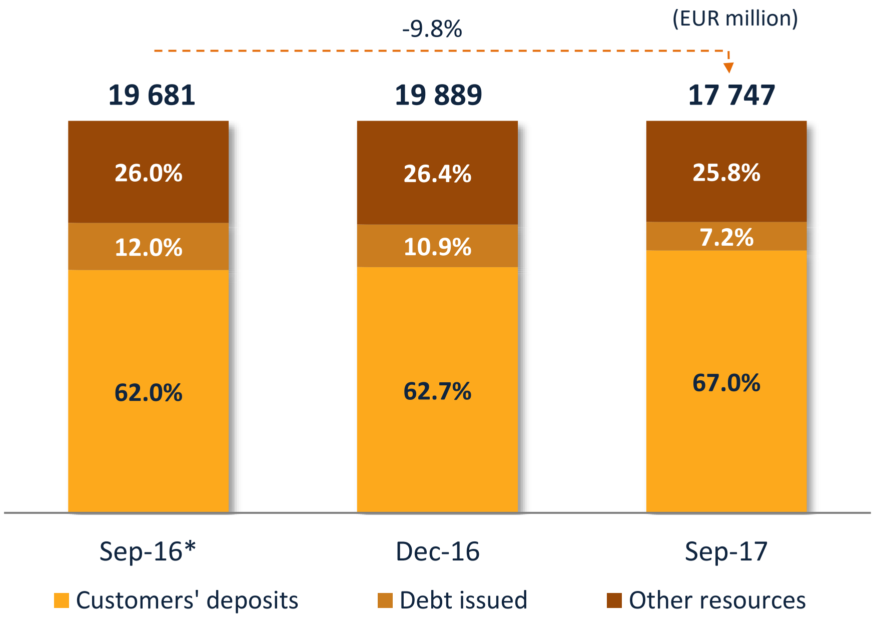
OTHER

The aggregate Other, presented in the Assets of the synthetic balance sheet, reached 457 million euros at the end of the third quarter of 2017, compared to 605 million euros recorded as at 30 September 2016 and 499 million euros at the end of 2016, and incorporates the headings of Other tangible assets, Intangible assets, Investments in associates and Other assets. The decrease recorded in this heading in the first nine months of 2017 was -8.4%, mainly due to the reduction of 35 million euros in the heading Other assets, compared to the end of 2016.

LIABILITIES

As at 30 September 2017, total Liabilities stood at 17,747 million euros, compared to the 19,681 million euros recorded for the same period of 2016, and 19,899 million euros as at 31 December 2016. At the end of the third quarter of 2017, the relative weight of Issued debt in the external funding sources declined to 7.2%, the weight of Other resources stabilised at 25.8%, while the relative weight of Customer deposits increased, remaining as the main source of funding in reaching 67.0%.

LIABILITIES' STRUCTURE



*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

DEPOSITS FROM CENTRAL BANKS AND OCI

As at 30 September 2017, the funding obtained from central banks and other credit institutions amounted to 3,922 million euros, compared to 4,422 million euros recorded at the end of the third quarter of 2016 and 4,599 million euros as at 31 December 2016.

This heading includes funds raised from the ECB, which reached 2,231 million euros as at 30 September 2017 (2,618 million euros as at 30 September 2016 and 2,323 million euros at the end of 2016), and the funding obtained from other credit institutions, in particular through repos, and which recorded a year-on-year reduction of 113 million euros, having decreased by 585 million euros since the end of 2016.

CUSTOMERS' RESOURCES

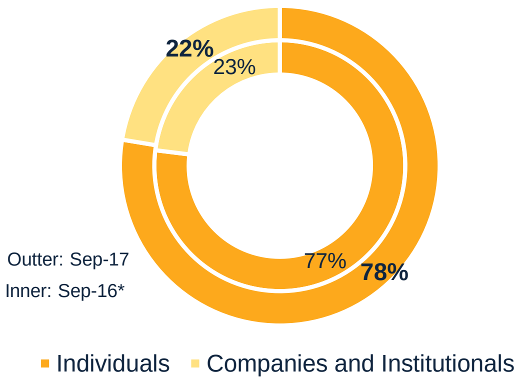
During the first nine months of 2017, CEMG developed a series of initiatives aimed at attracting and retaining customer resources, making an opportune management of the timing, for the purpose of increasing and diversifying its funding sources.

Total customer resources reached 13,348 million euros as at 30 September 2017, of which 12,643 million euros correspond to balance sheet funds, with 94.0% referring to customer deposits.

As at 30 September 2017, Customer deposits stood at 11,879 million euros, of which 78% correspond to Individual customer deposits that decreased by 1.8% in relation to the value stated as at 30 September 2016.

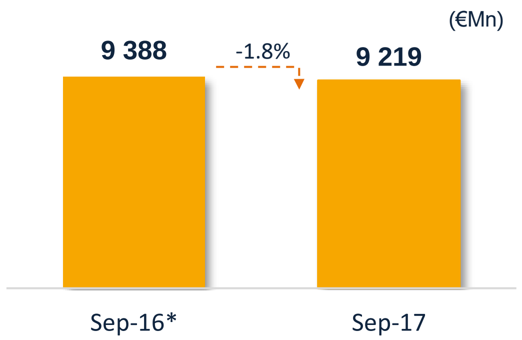
At the end of the third quarter of 2017, the heading of Securities placed with customers stood at 764 million euros, compared to 1,305 million euros in the same period of 2016, as a result of the maturity of securitised debt and its replacement by less costly market operations, in a perspective of management of funding needs.

Customers' deposits structure



*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

Deposits from Individuals



*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

CUSTOMERS' RESOURCES

(EUR million)

	Sep-16*	Dec-16	Sep-17	YoY Change	
				Amount	%
Deposits from Individuals	9 388	9 397	9 219	(169)	(1.8)
Deposits from Companies and Institutionals	2 809	3 071	2 660	(149)	(5.3)
Total Deposits	**12 197**	**12 468**	**11 879**	**(318)**	**(2.6)**
Sight Deposits	3 164	3 302	3 433	269	8.5
Term Deposits	9 033	9 166	8 446	(587)	(6.5)
Securities placed with Customers	1 305	1 327	764	(541)	(41.5)
Total On-Balance sheet resources	**13 502**	**13 795**	**12 643**	**(859)**	**(6.4)**
Off-Balance sheet resources	715	723	705	(10)	(1.3)
Total Customers' resources	**14 217**	**14 518**	**13 348**	**(869)**	**(6.1)**

*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

Off-balance sheet resources reached 705 million euros as at 30 September 2017, compared to 715 million euros at the end of the third quarter of 2016, due to the year-on-year decrease in terms of securities investment funds and capitalisation insurance.

DEBT ISSUED

The aggregate heading of Issued debt incorporates the amounts recorded in the balance sheet relative to Liabilities represented by securities and Subordinated liabilities.

As at 30 September 2017, the Issued debt amounted to 1,283 million euros, having decreased by 45.8% in relation to the 2,368 million euros stated as at 30 September 2016 and by 40.9% when compared to the value of 2,171 million euros recorded at the end of 2016. The decrease in relation to 31 December 2016 primarily reflects the 46.3% reduction observed in the heading of Liabilities represented by securities derived from the active management of funding sources.

NON CURRENT LIABILITIES HELD FOR SALE – DISCONTINUING OPERATIONS

As at 30 September 2017, the heading of Non-current liabilities held for sale - discontinuing operations amounted to 319 million euros, corresponding to the value of the liabilities recorded by the Group's operations in Angola and Mozambique, after having been adjusted for the necessary movements of the consolidation process, and was stated following the application of IFRS 5 to the subsidiaries Finibanco Angola and BTM – Banco Terra, as indicated in Note 53 of the Notes to the consolidated financial statements.

OTHER

The aggregate Other, presented in the Liabilities of the synthetic balance sheet, reached 344 million euros at the end of the third quarter of 2017, compared to 283 million euros recorded as at 30 September 2016 and 297 million euros at the end of 2016, and incorporates the headings of Financial liabilities held for trading, Provisions, Current tax liabilities and Other liabilities. The year-on-year variation of 21.7% was essentially determined by the increase of 17 million euros of Provisions and 36 million euros of Other liabilities.

EQUITY

Equity stood at 1,764 million euros as at 30 September 2017, compared to 1,457 million euros recorded at the end of 2016 and 1,545 million euros at the end of the third quarter of 2016. The favourable evolution observed in the third quarter of 2017 benefited, on the one hand, from the organic generation of capital through the positive net income of 20 million euros recorded in the first nine months of 2017 and, on the other hand, from the increase of the institutional capital carried out by Montepio Geral – Associação Mutualista, on 30 June 2017, of the value of 250 million euros.

LIQUIDITY

In the third quarter of 2017, CEMG continued to develop a series of initiatives aimed at the continuous reinforcement of its liquidity position, in line with the regulatory objectives and as defined in the Strategic Plan for 2016-2018.

At the same time, the management of CEMG's balance sheet, in particular funds raised from the European Central Bank (ECB), enabled strengthening the pool of eligible assets for collateral in funding operations in relation to that recorded at the end of 2016. The Liquidity coverage ratio (LCR), benefiting from the effects referred to above, stood at 125.1% as at 30 September 2017, 45.1 p.p. above the required minimum of 80% applicable in 2017.

The evolution of Customer deposits, on the one hand, and Loans to customers, on the other hand, led to a ratio of transformation of resources into loans of 103.6% as at 30 September 2017 and 113.0% if we consider customer loans and deposits.

LIQUIDITY RATIOS

(%)

	Sep-16*	Dec-16	Sep-17	YoY Change
Loans to customers (net) / Customers' deposits (a)	116.5	111.2	113.0	(3.5 p.p.)
Loans to customers (net) / Total on-balance sheet customers' resources (b)	97.8	96.3	103.6	5.8 p.p.

(a) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version.

(b) Total On-Balance Sheet Customers' Resources = Customers' resources + debt securities issued. Computed in accordance with the Financial Statements annexed to this report.

*September 2016 restated pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

The use of ECB funds by CEMG at the end of the third quarter of 2017 showed a year-on-year reduction of the value of 389 million euros, and 93 million euros in relation to the end of 2016. As at 30 September 2017, the use of the pool of collateral in Eurosystem operations stood at 2,230 thousand million euros, compared to 2,619 thousand million euros recorded at the end of the third quarter of 2016 and 2,323 thousand million euros recorded as at 31 December 2016. The total value of the pool of eligible assets increased by 72 million euros in relation to September 2016 and by 376 thousand million in relation to the end of 2016. The use of Eurosystem monetary policy operations falls under the support given to the economy, with a view to optimising the long-term funding, namely through participation in the TLTRO-II, in the context of the expansionary non-conventional monetary policy measures implemented by the European Central Bank.

Thus, in terms of available collateral for obtaining liquidity, the value of the eligible assets shifted from 1,223 thousand million euros at the end of 2016 to 1,215 thousand million at the end of 2016 and to 1,684 million euros as at 30 September 2017.

POOL OF ELIGIBLE ASSETS FOR REFINANCING OPERATIONS WITH THE ECB

(EUR million)

	Sep-16	Dec-16	Sep-17	YoY Change	
				Amount	%
Pool of eligible assets (a)	3 842	3 538	3 914	72	1.9
Use of the pool	2 619	2 323	2 230	(389)	(14.8)
Pool of available assets	**1 223**	**1 215**	**1 684**	**461**	**37.7**

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

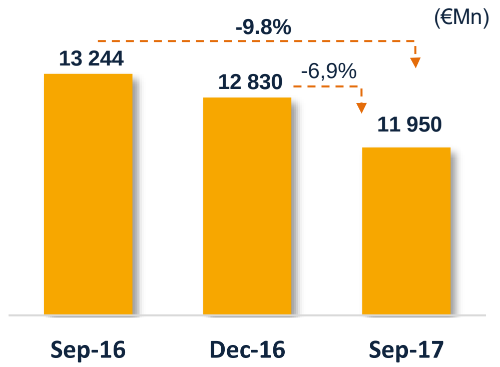
The operations carried forward presented a reduction of 813 million euros between the end of 2016 and the end of the third quarter of 2017, having shifted from 1,925 thousand million euros as at 31 December 2016 to 1,112 thousand million euros as at 30 September 2017. This reduction is the result of the assets sale process, which released the value of the haircut, on the one hand, and the realisation of financial gains, on the other.

In the interbank money market, CEMG recorded liquidity assignments of the value of 30 million euros at the end of the third quarter of 2017, at a rate of +0.04%. In the collaterised interbank market of euros (MIC) CEMG presented a neutral position, without any amount taken or assigned.

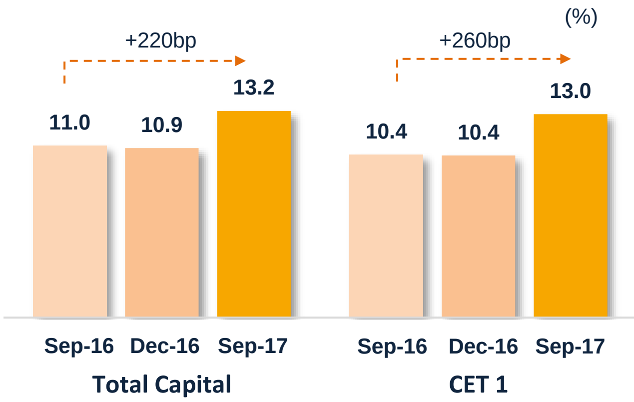
CAPITAL

The Share Capital amounted to 2,420 million euros at the end of the third quarter of 2017, benefiting from the Institutional capital increase of 250 million euros, carried out by Montepio Geral – Associação Mutualista in June 2017. Therefore, the reinforcement of Own funds by 13.6% observed in the first nine months of 2017, combined with the 880 million euros reduction of Risk-weighted assets (-6.9%), derived from the deleveraging process and an efficient management of risk allocation in the loan portfolio and debt securities portfolio, was reflected in an improvement of the capital ratios. Hence, in relation to the end of 2016, the Common Equity Tier 1 (CET1) and Total Capital ratios increased from 10.4% to 13.0% and from 10.9% to 13.2%, respectively.

Risk-weighted assets



Capital ratios



CAPITAL AND CAPITAL REQUIREMENTS

(EUR million)

	Sep-16	Dec-16	Sep-17 (1)	YoY Change		YtD Change	
				Amount	%	Amount	%
Total Capital	**1 458**	**1 392**	**1 582**	**124**	**8.5**	**190**	**13.6**
Elegible instruments to CET I	2 151	2 163	2 417	266	12.4	254	11.7
Reserves and Net Income	(652)	(743)	(687)	(35)	(5.4)	56	7.5
Regulatory deductions	117	89	172	55	47.2	83	92.3
Common Equity Tier I Capital	**1 382**	**1 331**	**1 558**	**176**	**12.7**	**227**	**17.1**
Tier I Capital	**1 382**	**1 331**	**1 558**	**176**	**12.7**	**227**	**17.1**
Tier II capital	87	74	37	(50)	(57.9)	(37)	(50.8)
Other deductions	11	13	13	2	17.1	0	(3.8)
Minimum own funds requirements	1 059	**1 026**	**956**	**(103)**	**(9.8)**	**(70)**	**(6.9)**
Risk-weighted assets	**13 244**	**12 830**	**11 950**	**(1 294)**	**(9.8)**	**(880)**	**(6.9)**
CRD IV Prudential Ratios - Phasing-in							
Common Equity Tier I	10.4%	10.4%	13.0%	260 pb		260 bp	
Tier I	10.4%	10.4%	13.0%	260 pb		260 bp	
Total Capital	11.0%	10.9%	13.2%	220 pb		230 bp	
CRD IV Prudential Ratios - Fully Implemented						bp	
Common Equity Tier I	8.2%	7.6%	11.4%	320 pb		380 bp	
Tier I	8.2%	7.6%	11.4%	320 pb		380 bp	
Total Capital	8.9%	8.2%	11.7%	280 pb		350 bp	
Leverage ratio - Phasing-in	6.4%	6.1%	7.9%	150 pb		180 bp	
Leverage ratio - Fully Implemented	5.1%	4.5%	6.9%	180 pb		240 bp	

In accordance with the phasing-in rules in effect at the reference date.

(1) The ratios as at 30 September 2017 include the cumulative net income for the period.

The increase of own funds recorded in the third quarter of 2017 was influenced, on the one hand, by the Institutional capital increase of 250 million euros, mentioned above, and, on the other hand, by the recording of the positive Net income of 20.4 million euros.

The reduction of Risk-weighted assets reflects the deleveraging effort in non-core assets that has progressively been accomplished, namely in non-performing loans and real estate properties, alongside the improvements made in the processes of loan approval and granting of loans with good risk and associated guarantees.

As at 30 September 2017, the estimated positive impact of adhering to the Special Regime for Deferred Tax Assets, which was approved at CEMG's Extraordinary General Meeting held on 6 July 2016, reaches approximately 48 b.p., elevating the Common Equity Tier 1 ratio to 13.5% and the Total Capital ratio to 13.7%.

CEMG's fully implemented capital ratios also evolved favourably, with the Common Equity Tier ratio having reached 11.4% and the Total Capital ratio reached 11.7%, rising to 12.7% and 13.0%, respectively, considering the estimated positive impact of adhering to the Special Regime for Deferred Tax Assets.

INTERNATIONAL ACTIVITY

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

Finibanco Angola, S.A., 81.35% held by CEMG, is a universal bank that supports small and medium-sized enterprises, individuals and Angolan foreign trade which seeks to substantiate its competitive advantage on the quality of its service with a view to achieving high customer satisfaction indices. Under this strategy, it seeks to finance and promote people and micro-enterprises with viable business initiatives and conditions of sustainability that would otherwise not have access to credit. In its support to Angolan foreign trade, CEMG favours transactions between Portugal and Angola, seeking to establish a bridge between Portuguese and Angolan entrepreneurs.

The distribution network involved 25 branches and business centres at the end of the third quarter of 2017, with its expansion having been financed by equity capital.

BTM, S.A., controlled by CEMG through a 45.78% stake in its share capital, is a commercial bank whose objective is to offer financial solutions in the retail and business areas, having been created for the purpose of contributing to poverty reduction in Mozambique. BTM primarily focuses on the retail, residential and business areas, the Agricultural sector as well as small and medium-sized enterprises (SMEs).

Under its strategy, BTM – Banco Terra, S.A. established a Public-Private Partnership aimed at providing the rural and suburban population with access to financial services in a feasible and sustainable form.

At the end of the third quarter of 2017, the distribution network of BTM – Banco Terra, S.A. covered 10 branches, distributed over the provinces of Maputo, Matola, Maxixe, Beira, Tete, Nampula, Chimoio and Malema.

Banco MG Cabo Verde, S.A., 100% held by CEMG, proposes, with its specialised offer of products and services, to offer its customers, whether individual, institutional or companies with an international vocation, diversified investment and saving solutions, as well as capital and liquidity management solutions. The international dimension of Banco MG Cabo Verde, S.A. is sustained by the geographic dispersion of its Customers, spread over various countries, in various continents.

The key indicators on the activity and results of the CEMG Group's international business is presented below:

Activity and Results (EUR million)

	Sep-16*	**Dec-16***	**Sep-17***	YoY Change
Total assets	806.7	738.6	660.0	(18.2%)
Loans to customers (net)	241.4	181.0	160.6	(33.5%)
Customers' deposits	643.7	580.4	505.5	(21.5%)
Total operating income	39.4	48.0	34.9	(11.3%)
Operating costs	18.1	24.3	19.5	7.5%
Cost to Income	46.0%	50.6%	55.8%	9.8 p.p.
Net income	9.3	10.6	9.8	5.6%

* For comparative purposes the financial statements of Finibanco Angola and BTM, relative to Sep-16, Dec-16 and Sep-17, w ere restated using the same exchange rate: AOA/EUR 185,398; MZN/EUR 72,312.

The total Assets of the CEMG Group's international business as at 30 September 2017 reached 660.0 million euros, compared to 738.6 million euros at the end of December 2016.

Loans to customers of the international business amounted to 160.6 million euros as 30 September 2017, while Deposits of customers attracted by the subsidiaries comprising the CEMG Group's international activity reached the total of 505.5 million euros.

The commercial performance of the international activity of the CEMG Group has been influenced by the recent evolution of the different economies, in particular the Angolan whose economic activity has been severely affected by the fall in the price of the barrel of oil.

The Total operating income of the international activity in the first nine months of 2017 amounted to 34.9 million euros, while the Operating costs of the international activity reached 19.5 million euros. As a result of these developments, the Cost-to-Income ratio of the international activity stood at 55.8% in the third quarter of 2017.

During the first nine months of 2017, the contribution of the international activity to consolidated net income increased by 5.6%, amounting to 9.8 million euros (9.3 million euros in the first nine months of 2016), with positive net income at Finibanco Angola (9.7 million euros) and BTM in Mozambique (139.3 thousand euros) ad negative net income at Montepio Geral in Cape Verde (-31.7 thousand euros).

RISK RATINGS

The risk ratings attributed to CEMG at the end of the third quarter of 2017 are presented in the table below:

Rating agencies	Covered Bonds (CPT[1])	Long-term	Short-term	Outlook
Fitch Ratings	A	B	B	Stable
Moody's Investors Service	A3	B3	NP	Negative
DBRS	A	BB	R-4	Stable

(1) Conditional Pass-through Covered Bond Programme.

On 16 March 2017, the financial rating agency Fitch ratings confirmed the Long-Term and Short-Term rating at 'B' and the Outlook at 'Stable'. Following the revision of the outlook of the Portuguese Republic from 'Stable' to 'Positive', the issues Pelican Mortgages No.1 Plc, Class A notes (ISIN: XS0159861078), Pelican Mortgages No.1 Plc, Class B notes (ISIN: XS0159861409), Pelican Mortgages No.1 Plc, Class C notes (ISIN: XS0159861409), Pelican Mortgages No.4 Plc, Class A notes (ISIN XS0365137990) and Pelican Mortgages No.5 Plc, Class A notes (ISIN XS0419743033) had their outlook revised upwards, shifting to 'Positive'.

On 23 June, Moody's maintained the long-term rating at 'B3' and the Outlook at 'Negative'. It should be noted that in a press release dated 10 July, the agency Moody's stressed the positive impact of the share capital increase of the value of 250,000,000 euros, made by Montepio Geral - Associação Mutualista on 30 June, as well as the transformation of CEMG into a Public Limited Company, which occurred on 14 September 2017.

On 27 September, the agency DBRS announced that it was keeping the long-term risk rating, including the classification of the new rating class - Long-Term Issuer Rating, Long-Term Senior Debt and Long-Term Deposits at 'BB' and the classification of Subordinated Debt at B (High), with the trend of the classifications having been revised downwards. Regarding Short-Term Issuer Rating, Short-Term Debt and Short-Term Deposits, the agency announced their maintenance at R-4 and the corresponding trend at stable. CEMG's intrinsic assessment (Bank Intrinsic Assessment – IA) and the external support assessment (Support Assessment) also remained stable at BB and SA3, respectively.

The issue of Covered Bonds – Series 10, successfully placed on 9 October 2017, received from the rating agencies the classifications of A3/A/A by Moody's, Fitch and DBRS, respectively.

In a press release dated 7 November, the financial rating agency Moody's Investors Service withdrew the outlook of negative evolution on Long-term Bank Deposits), changing it to 'developing'. This alteration reflects the expectation of Moody's that the implementation of the strategic plan 2016-2018 will continue to have a positive impact on CEMG's risk profile, taking into account the capital context and challenges that are foreseen in terms of improvement of asset quality.

SIGNIFICANT EVENTS IN THE 3RD QUARTER OF 2017

General and Voluntary Acquisition Offer - Chronology

On 4 July 2017, Montepio Geral Associação Mutualista (MGAM, offeror) made a preliminary announcement of the launch of a general and voluntary public acquisition offer (OPA) of participation units (UPs) representing the Participation Fund of Caixa Económica Montepio Geral (CEMG, offeree).

On 31 July 2017, CEMG disclosed the Report of the Board of Directors drawn up pursuant to number 1 of article 181 of the Securities Market Code (CVM) on the offering of the participation units representing the Participation Fund of CEMG announced by MGAM.

On 11 August 2017, MGAM announced the launch of this offering of the participation units representing the Participation Fund of CEMG, which took place from 14 August to 8 September 2017, and published the respective Prospectus.

On 11 September 2017, after the end of the offering of the participation units representing the Participation Fund of CEMG by MGAM, the outcome was disclosed, a summary of which is presented below:

- Participation Fund: 400,000,000 participation units (100.00%);
- Units held directly by the Offeror (MGAM) on the date of the Prospectus: 341,724,638 (85.43%);
- Units under Offer: 58,275,362 (14.57%);
- Total acquired by the Offeror since the publication of the prospectus and during the period of the market offering: 7,168,774 (1.79%);
- Total acquired by the Offeror since the publication of the prospectus and during the period of the offering through the Stock Exchange Centralisation Service: 44,209,580 (11.05%);
- Not acquired in the Offering: 6,897,008 (1.72%);
- Units held directly by the Offeror after the Offering: 393,102.99 (98.28%).

In view of the above, CEMG was excluded from the PSI 20 Index from 12 September 2017 onwards and the trading of Participation Units has been suspended.

Loss of Public Company Status and Consequential Stock Exchange Exit

Caixa Económica Montepio Geral, Caixa Económica Bancária, S.A., public company (CEMG) deliberated approving, at the Extraordinary General Meeting held on 9 October 2017, with 99.75% of votes in favour, representing 99.75% of CEMG's share capital, the loss of public company status, under the terms of article 27, number 1, subparagraph b) of the CVM, and the respective application to be submitted by the Executive Board of Directors to the Securities Market Commission (CMVM).

The Board of Directors of the CMVM, following the application submitted on 10 October 2017 by CEMG, deliberated, at a meeting held on 13 October 2017, to grant this requested loss of public company status, taking effect on that date.

For purposes of compliance with the provisions in number 3 of article 27 of the CVM, MGAM undertook to acquire the shares held by the shareholders that had not approved the previously mentioned deliberation, having secured the respective payment at CEMG to this end.

The publication of CMVM's decision on CEMG's loss of public company status implies, under the terms of the provisions in article 29, number 2 of the same Code, that, during the period of one year, CEMG's shares are banned from regulated markets.

On 14 September 2017, CEMG drew up the new memorandum of association, which was approved at CEMG's general meeting dated 4 April and ratified at the general meeting of Montepio Geral – Associação Mutualista (MGAM) dated 9 May 2017, and made the corresponding registration at the Commercial Registry Office, thus enforcing CEMG's transformation into a Public Limited Company.

On 15 September, as a consequence of the transformation into a Public Limited Company, the Institutional Capital was converted into share capital, represented by ordinary shares and CEMG's Participation Fund was extinguished by conversion into share capital, hence, its participation units were also converted into ordinary shares and excluded from trading.

The offer to purchase the shares held by CEMG's remaining shareholders, at the unit price of € 1.00 (one euro), shall continue in force up to 16 November 2017, with the settlement being foreseen on 17 November 2017.

MGAM states that, under the terms and for the purposes of number 3 of article 490 of the Commercial Companies Code, it shall exercise its potestative right to acquire the shares of CEMG's shareholders that do not voluntarily accept the offer to purchase referred to above, thus becoming the holder of all the shares representing CEMG's share capital.

With the commercial registration and publication of the potestative acquisition, the permanent order to purchase CEMG's shares made by MGAM shall be extinguished, in compliance with the provisions in article 27, number 3 of the CVM.

Montepio Gestão de Activos Funds´ amongst the 10 best returns

In September 2017, the Portuguese Association of Investment Funds, Pensions and Assets (APFIPP) distinguished three funds of Montepio Gestão de Activos as having the best yields of national securities investment funds. The distinction was included in the announcement of the 10 best yields of securities investment funds, where the first place was attributed to Montepio Euro Financial Services.

Three PPRs from Futuro Company amongst the top five in the last 12 months

In September 2017, the PPR PLATINUM 6.5%, PPR GERAÇÃO ACTIVA 5.2%, PPR 5 ESTRELAS 4.2% of Montepio Futuro, all with Risk level 3[1], were distinguished by the Portuguese Association of Investment Funds, Pensions and Assets (APFIPP), with these Retirement Saving Plans (PPR) being among the top 5 best of the last 12 months.

[1] Risk class: minimum 1 – maximum 7

Campaigns: Savings Solutions and Residents Abroad

During the month of August 2017, CEMG carried out two campaigns, the first, on Saving Solutions under the motto "It's impossible to predict the future, but it is possible to plan it", present at branches, on the public website and radio. The second was on "Solutions for Residents Abroad", making the most of the season that the emigrants return to Portugal, with a campaign for branches, radio and the public website, and slogan "Always on your side, wherever you are". With the concept "going further away to always be close", CEMG undertakes the role of supporting residents abroad, reinforcing its commitment to the Portuguese who decide to live abroad.

Caixa Económica Montepio Geral new institutional advertising campaign

Developed using an emotional and relational tone, the campaign aims to clarify the differences between CEMG and all the other players in the banking sector in Portugal, from the way that it forms relations with its customers (it has no standard customers, but rather different types of customers), to its intrinsic values, due to the fact that it is the bank of the social economy and the only private bank with capital that is 100% Portuguese, plus the fact that it is the only one with the colour yellow in its brand image.

'Not all of us are young, and not all of us are pretty. We don't all live in Lisbon, we don't all have a house, nor do we all have a car, and not all of us dream to have one' are some of the phrases of the campaign's television film copy which illustrate CEMG's different and inclusive profile. Along these same lines, it is also possible to give substance to the concept 'Only a different bank can take us further', the claim of the new communication of the brand presented in early 2017, which reflects the process in course of CEMG's digital transformation. The steps taken towards modernisation and innovation currently permit positioning CEMG as a brand that is modern, close, different, customer-driven, solid and able to meet the needs of all types of customers. This campaign had other embodiments, namely on mupies, on the radio, the internet and at Branches, as well as activations in the Lisbon and Porto metropolitan railway network and at selected cinemas.

With this campaign, CEMG intends to reinforce the emotional heritage of the brand, increase the values of trust, solidity, customer and youth relations, and reinforce the indicators related to customer loyalty and attractiveness.

Furthermore, CEMG's employees were challenged to wear yellow on the first day of the campaign and were invited to share images corresponding to the motto "the strength of yellow", on the internal social network, Yammer.

Employee Journey at CEMG Intranet

During the second four-month period of 2017, a project was implemented for mapping the Employee's Journey on the intranet, in which 3 standard profiles were defined. The goal was to understand the typical day of the employee and her/his interaction with CEMG's channels in order to facilitate and maximise work processes. To this end, interviews were scheduled with the employees of the commercial network and central services, combined with documental research and direct observation, aimed at obtaining relevant information for the final version of what will be the Future Workplace at CEMG.

Trainees Programme

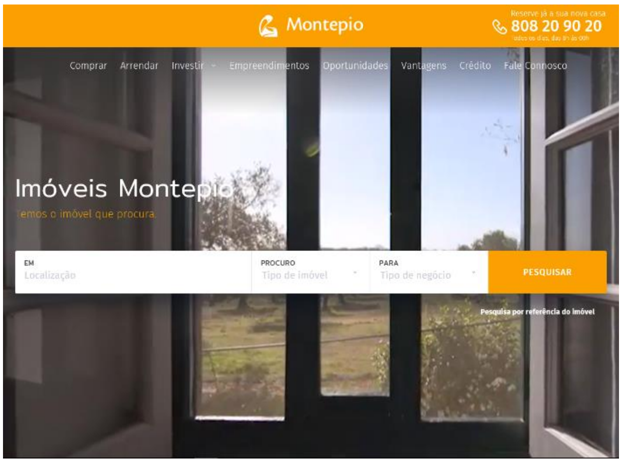
CEMG launched its first Trainee Programme throughout 2017 for the purpose of recruiting young people, preferably from the areas of Management, Economics, Finance, Accounting, Marketing, Engineering and Mathematics. During the training period, the trainees will be accompanied by tutors that will facilitate and accelerate the process of integration in CEMG. This Programme seeks to contribute to the rejuvenation of the Montepio Universe and revitalisation of the Montepio brand as an employer. The welcome session to the trainees of the first Programme took place on 18 September 2017. This group consisted of 45 recent graduates who will be integrated in different departments of the institution, namely in the areas of Marketing, Compliance, Human Resources, Risk, Commercial, Litigation, Finance and Information Systems, during a 12 month internship. The group of new trainees was received by the Chairman of the Executive Board of Directors of CEMG, who presented the internship programme and its various aspects. The new trainees were also given the opportunity to listen to the experience of other employees of the institution, and to participate in team building activities.

Branches Remodelling

Continuing the process of modernisation and digital transformation of CEMG, in September 2017, three more branches were remodelled: Almada, Ponta Delgada and Oliveira de Azeméis. The primary objective of this change is to simplify, facilitate and enhance the flexibility of the customer's experience at the Branch, and see CEMG's signature "Only a different bank can take us further" materialised in this space, contributing to the development of families, companies and social economy projects of the regions where it is implanted.

New website Imóveis Montepio

Placed within CEMG's Digital Transformation Plan, the new website Imóveis Montepio (https://imoveismontepio.pt) was launched in July 2017. This website seeks to meet the need to modernise the process of selling real estate properties, in addition to promoting the strategy of facilitation and concentration of the offer and services for customers in a single website. On the social networks, the campaign alluding to the new real estate property website achieved around 300 interactions, among likes, shares and posts, having impacted 1.5 million users.



Reformulation of the CEMG Intranet

CEMG's intranet was reformulated on 15 September 2017, accomplishing yet another step of the institution's Digital Agenda. This reformulation, in addition to meeting the regulatory requirements, aims to simplify the information that is provided and facilitate its search and presentation, in particular the business support information. The new intranet, dedicated to CEMG's employees, has a refreshed image and is accessible to all the employees of all the participated companies of the CEMG Group.

CEMG Official Page on LinkedIn

On 14 September 2017, CEMG launched its official page on LinkedIn. This platform represents yet another channel of relations of the institution, aimed at expanding the ability to recognise the brand on a social network designed for the professional area. Due to the nature of this social network, CEMG will disclose contents about the brand, events, including innovation actions, as well as non-commercial articles related to Entrepreneurship, Investment and Saving. In addition to the articles developed by CEMG, international contents on financial topics will also be shared. The presence on LinkedIn reinforces the objective of multichannel communication by CEMG, for the purpose of fostering closer relations with customers, non-customers and partners, by disclosing relevant information, in a professional environment.

Montepio sponsors III Tourism Forum

The III Tourist Forum was held on 14 September, with CEMG's support, dedicated to the theme "Where does Tourism Grow?". The event took place at Lisbon's Golf Academy, with the participation of specialists of the area who debated the impact of tourism in Portugal. Representing CEMG in the event was the Commercial Department of Companies and Institutions.

Street Football

Following up on a partnership closely endorsed since 2004 by the CAIS Association, and sponsored by CEMG, together with all the other partner entities of the Street Football project, the final match of the 14th edition of the tournament was held in the village of Batalha on 23 July 2017, after 18 local qualifying rounds. CEMG marked its presence at this event with brand activations and the distribution of gifts among the spectators, as a form of creating moments of entertainment and contact with the brand. In supporting this initiative, which seeks to fight against social exclusion by promoting access to sports and inclusion through sports, CEMG reinforces its positioning as a bank of the social economy.

CEMG participates in Greenfest Festival

CEMG was present at the 10th edition of the Greenfest Festival, the largest sustainability event in Portugal, which was held from 28 September to 1 October 2017, at Estoril Congress Centre. This event highlighted the best of what is being done in the area of sustainability, in terms of social, economic and environmental aspects. The festival gathered together companies, municipalities, schools and citizens that participated in a series of activities, from conferences, workshops, initiatives in the area of health and wellness, among others.

Representing CEMG on this occasion were the commercial teams of the Social Economy and Public Sector Commercial Department, primarily focused on strengthening its link to the social economy, in particular to the theme of entrepreneurship and social innovation, through disclosure of the Montepio Socialtech Programme.

Montepio Socialtech

Montepio Socialtech is a transversal programme of incubation, training and acceleration of social innovation projects based on technology. The programme will offer preparation, over 12 weeks, for a demo day and a pitch session with investors. The best pitch will receive ten thousand euros from CEMG, and the remaining projects may also receive 3,500 euros.

The presentation of the runners-up of the Montepio Socialtech Programme took place at an event held on 21 September 2017, at Impact Hub Lisbon's premises. The different teams revealed the story behind their projects, showing how they seek to address and overcome social challenges and contribute to a more balanced society. Representing CEMG were the Administrator responsible for Social Economy area and the Social Economy and Public Sector Commercial Director, who presented the programme and spoke about the importance of these initiatives for the growth of the social economy.

Donation account of the Portuguese Caritas in favor of the families affected by the fires

Already in October 2017, following the fires that broke out in northern and central Portugal, CEMG, in partnership with Portuguese Cáritas, joined this solidarity initiative by providing an IBAN for collection of donations. The amount raised is intended to assist families in the reconstruction of housing, as well as other situations that are indispensable for the recovery of means of subsistence.

Placement in the market of a non-performing loans portfolio securitization

On 6 November 2017, Caixa Económica Montepio Geral, caixa económica bancária, S.A. (CEMG) carried out the placement, under competitive conditions, of a portfolio of non-performing loans of the total value of 580,574,172 euros (five hundred and eighty million, five hundred and seventy-four thousand, and one hundred seventy-two euros). The operation was structured through a loan securitization named Evora Finance where J.P. Morgan operated as the exclusive structurer and placement agency.

This is the first securitization carried out in Portugal of a portfolio of non-performing loans with attribution of a risk rating, and was placed with institutional investors through a competitive process.

This operation falls under the process of reducing CEMG's non-strategic assets foreseen in the respective Strategic Plan 2016-2018.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3RD QUARTER OF 2017

Interim Consolidated Income Statement
for the nine-month period ended at 30 September 2017 and 2016

(Thousands of Euro)

	Sep 2017	Sep 2016
Interest and similar income	367 248	393 172
Interest and similar expense	165 173	214 855
Net interest income	202 075	178 317
Dividends from equity instruments	10 211	3 879
Net fees and commissions income	83 862	70 297
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss	5 835	(27 582)
Net gains/ (losses) arising from available for sale financial assets	59 476	40 861
Net gains/ (losses) arising from foreign exchange differences	1 361	2 069
Net gains/ (losses) arising from sale of other financial assets	21 080	12 747
Other operating income	(3 888)	(34 444)
Total operating income	380 012	246 144
Staff costs	126 626	168 311
General and administrative expenses	61 538	64 162
Depreciation and amortisation	18 606	18 417
	206 770	250 890
Loans impairment	106 192	119 551
Other financial assets impairment	7 262	31 860
Other assets impairment	14 741	13 188
Other provisions	13 003	(16 040)
Operating profit	32 044	(153 305)
Share of profit of associates under the equity method	248	274
Profit before income tax	32 292	(153 031)
Tax		
Current	(7 548)	(547)
Deferred	(10 406)	84 363
Profit/ (losses) after tax from continuing operations	14 338	(69 215)
Profit/ (losses) after tax from discontinuing operations	7 917	3 535
Consolidated net profit/ (losses) after tax	22 255	(65 680)
Consolidated profit/ (loss) for the period attributable to the holders of		
Share Capital	20 370	(67 483)
Non-controlling interests	1 885	1 803
Consolidated profit/ (loss) for the period	22 255	(65 680)

THE CERTIFIED ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Consolidated Interim Statement as at 30 September 2017 and 31 December 2016

(Thousands of Euro)

	Sep 2017	Dec 2016
Assets		
Cash and deposits at central banks	431 199	381 289
Loans and advances to credit institutions repayable on demand	96 581	69 568
Other loans and advances to credit institutions	315 811	559 091
Loans and advances to customers	13 380 138	13 861 034
Financial assets held for trading	56 797	78 168
Financial assets available for sale	2 525 034	2 399 504
Held-to-maturity investments	-	1 126 125
Investments in associated companies	4 015	4 042
Non-current assets held for sale	752 749	760 204
Non-current assets held for sale - discontinuing operations	445 636	470 416
Investment properties	548 951	607 968
Property and equipment	234 471	237 097
Intangible assets	31 903	34 921
Current tax assets	9 461	11 855
Deferred tax assets	489 467	521 716
Other assets	188 250	222 911
Total Assets	19 510 463	21 345 909
Liabilities		
Deposits from central banks	2 230 470	2 322 947
Deposits from other financial institutions	1 691 354	2 275 940
Deposits from customers	11 878 946	12 467 819
Debt securities issued	1 031 913	1 920 035
Financial liabilities held for trading	20 437	26 148
Financial liabilities held for sale - discontinuing operations	318 624	354 781
Provisions	30 991	21 820
Current tax liabilities	8 395	1 865
Other subordinated debt	251 168	251 028
Other liabilities	284 626	247 028
Total Liabilities	17 746 924	19 889 411
Equity		
Share capital	2 420 000	1 770 000
Participation fund	-	400 000
Other equity instruments	6 323	6 323
Treasury stock	-	(81)
Fair value reserves	33 493	(6 860)
Other reserves and retained earnings	(741 092)	(649 601)
Consolidated profit/ (loss) for the period attributable to the holders of Share Capital	20 370	(86 484)
Total equity attributable to the holders of Share Capital	1 739 094	1 433 297
Non-controlling interests	24 445	23 201
Total Equity	1 763 539	1 456 498
Total Liabilities and Equity	19 510 463	21 345 909

THE CERTIFIED ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

FINANCIAL STATEMENTS AND EXPLANATORY NOTES

FINANCIAL STATEMENTS AND CONSOLIDATED EXPLANATORY NOTES

Caixa Económica Montepio Geral

Interim Consolidated Income Statement
for the nine-month period ended at 30 September 2017 and 2016

(Thousands of Euro)

	Notes	Sep 2017	Sep 2016
Interest and similar income	3	367 248	393 172
Interest and similar expense	3	165 173	214 855
Net interest income	3	202 075	178 317
Dividends from equity instruments	4	10 211	3 879
Net fees and commissions income	5	83 862	70 297
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss	6	5 835	(27 582)
Net gains/ (losses) arising from available for sale financial assets	7	59 476	40 861
Net gains/ (losses) arising from foreign exchange differences	8	1 361	2 069
Net gains/ (losses) arising from sale of other financial assets	9	21 080	12 747
Other operating income	10	(3 888)	(34 444)
Total operating income		380 012	246 144
Staff costs	11	126 626	168 311
General and administrative expenses	12	61 538	64 162
Depreciation and amortisation	13	18 606	18 417
		206 770	250 890
Loans impairment	14	106 192	119 551
Other financial assets impairment	15	7 262	31 860
Other assets impairment	16	14 741	13 188
Other provisions	17	13 003	(16 040)
Operating profit		32 044	(153 305)
Share of profit of associates under the equity method	18	248	274
Profit before income tax		32 292	(153 031)
Tax			
Current	31	(7 548)	(547)
Deferred	31	(10 406)	84 363
Profit/ (losses) after tax from continuing operations		14 338	(69 215)
Profit/ (losses) after tax from discontinuing operations	53	7 917	3 535
Consolidated net profit/ (losses) after tax		22 255	(65 680)
Consolidated profit/ (loss) for the period attributable to the holders of			
Share Capital		20 370	(67 483)
Non-controlling interests	47	1 885	1 803
Consolidated profit/ (loss) for the period		22 255	(65 680)

THE CERTIFIED ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

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

Caixa Económica Montepio Geral

Consolidated Interim Statement as at 30 September 2017 and 31 December 2016

(Thousands of Euro)

	Notes	Sep 2017	Dec 2016
Assets			
Cash and deposits at central banks	19	431 199	381 289
Loans and advances to credit institutions repayable on demand	20	96 581	69 568
Other loans and advances to credit institutions	21	315 811	559 091
Loans and advances to customers	22	13 380 138	13 861 034
Financial assets held for trading	23	56 797	78 168
Financial assets available for sale	24	2 525 034	2 399 504
Held-to-maturity investments	25	-	1 126 125
Investments in associated companies	26	4 015	4 042
Non-current assets held for sale	27	752 749	760 204
Non-current assets held for sale - discontinuing operations	53	445 636	470 416
Investment properties	28	548 951	607 968
Property and equipment	29	234 471	237 097
Intangible assets	30	31 903	34 921
Current tax assets	31	9 461	11 855
Deferred tax assets	31	489 467	521 716
Other assets	32	188 250	222 911
Total Assets		19 510 463	21 345 909
Liabilities			
Deposits from central banks	33	2 230 470	2 322 947
Deposits from other financial institutions	34	1 691 354	2 275 940
Deposits from customers	35	11 878 946	12 467 819
Debt securities issued	36	1 031 913	1 920 035
Financial liabilities held for trading	23	20 437	26 148
Financial liabilities held for sale - discontinuing operations	53	318 624	354 781
Provisions	37	30 991	21 820
Current tax liabilities	31	8 395	1 865
Other subordinated debt	38	251 168	251 028
Other liabilities	39	284 626	247 028
Total Liabilities		17 746 924	19 889 411
Equity			
Share capital	40	2 420 000	1 770 000
Participation fund	41	-	400 000
Other equity instruments	42	6 323	6 323
Treasury stock	43	-	(81)
Fair value reserves	45	33 493	(6 860)
Other reserves and retained earnings	44 and 45	(741 092)	(649 601)
Consolidated profit/ (loss) for the period attributable to the holders of Share Capital		20 370	(86 484)
Total equity attributable to the holders of Share Capital		1 739 094	1 433 297
Non-controlling interests	47	24 445	23 201
Total Equity		1 763 539	1 456 498
Total Liabilities and Equity		19 510 463	21 345 909

THE CERTIFIED ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

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

Caixa Económica Montepio Geral

Interim Consolidated Income Statement
for the three-month period between 1 July and 30 September 2017 and 2016

(Thousands of Euro)

	3rd quarter 2017	3rd quarter 2016
Interest and similar income	113 078	132 142
Interest and similar expense	54 310	65 525
Net interest income	58 768	66 617
Dividends from equity instruments	2 467	1 168
Net fees and commissions income	28 644	32 531
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss	1 862	(8 451)
Net gains/ (losses) arising from available for sale financial assets	37 931	1 474
Net gains/ (losses) arising from foreign exchange differences	282	657
Net gains/ (losses) arising from sale of other financial assets	1 926	418
Other operating income	(424)	514
Total operating income	131 456	79 495
Staff costs	41 958	43 373
General and administrative expenses	21 473	17 563
Depreciation and amortisation	6 127	6 121
	69 558	67 057
Loans impairment	42 647	33 772
Other financial assets impairment	2 357	(6 196)
Other assets impairment	4 566	6 428
Other provisions	2 482	(4 227)
Operating profit	9 846	(17 339)
Share of profit of associates under the equity method	338	255
Profit before income tax	10 184	(17 084)
Tax		
Current	(3 658)	2 046
Deferred	(1 147)	12 489
Profit/ (losses) after tax from continuing operations	5 379	(2 549)
Profit/ (losses) after tax from discontinuing operations	2 483	3 385
Consolidated net profit/ (losses) after tax	7 862	836
Consolidated profit/ (loss) for the period attributable to the holders of		
Share Capital	7 321	144
Non-controlling interests	541	692
Consolidated profit/ (loss) for the period	7 862	836

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

Caixa Económica Montepio Geral

Interim Consolidated Statement of Cash Flows
for the nine-month period ended at 30 September 2017 and 2016

(Thousands of Euro)

	Sep 2017	Sep 2016
Cash flows arising from operating activities		
Interest income received	375 112	390 256
Commissions income received	109 222	100 929
Interest expense paid	(194 387)	(258 025)
Commisions expense paid	(26 255)	(25 294)
Payments to employees and suppliers	(196 213)	(230 221)
Recoveries of loans and interests	2 905	5 401
Other payments and receivables	56 817	11 621
Income tax payment	1 376	16 373
	128 577	11 040
(Increase) / decrease in operating assets		
Loans and advances to credit institutions and customers	611 599	341 052
Other assets	11 380	(48 772)
	622 979	292 280
Increase / (decrease) in operating liabilities		
Deposits from customers	(574 068)	(346 986)
Deposits from credit institutions	(582 172)	235 221
Deposits from central banks	(92 160)	342 015
	(1 248 400)	230 250
	(496 844)	533 570
Cash flows arising from investing activities		
Divesture of investments in subsidiaries and associated companies with loss of control	(1 541)	-
Dividends received	10 211	3 879
(Acquisition) / sale of financial assets held for trading	24 971	(18 546)
(Aquisition) / sale of available for sale financial assets	(19 892)	659 210
Interest received arising from available for sale financial assets	27 428	16 265
(Aquisition) / sale of held to maturity financial assets	1 119 599	(1 094 459)
(Aquisition) / sale of investments in associated companies	248	43 972
Deposits owned with the purpose of monetary control	(100 710)	61 816
(Aquisition) / sale of other fixed assets	(1 012)	(2 737)
Fixed assets and investment properties acquisition	(18 950)	(217 096)
Fixed assets and investment properties sale	65 465	52 037
	1 105 817	(495 659)
Cash flows arising from financing activities		
Own securities	-	18 302
Capital increase	250 000	270 000
Other equity instruments	(321)	(2 320)
Proceeds from issuance of bonds and subordinanted debt	500 000	-
Reimbursement of bonds and subordinated debt	(1 377 511)	(402 591)
Increase / (decrease) in other sundry liabilities	(6 290)	30 660
	(634 122)	(85 949)
Exchange effects on cash and cash equivalents	1 361	13 125
Net changes in cash and cash equivalents	(23 788)	(34 913)
Cash and cash equivalents balance at the beginning of the period		
Cash (note 19)	211 648	208 037
Loans and advances to credit institutions repayable on demand (note 20)	69 568	238 007
Cash and cash equivalents balance at the end of the period	257 428	411 131
Cash and cash equivalents balance at the end of the period includes:		
Cash (note 19)	160 847	171 748
Loans and advances to credit institutions repayable on demand (note 20)	96 581	239 383
	257 428	411 131

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

Caixa Económica Montepio Geral

Interim Consolidated Statement of Changes in Equity
for the nine-month period ended at 30 September 2017 and 2016

(Thousands of Euro)

	Share capital	Participation fund	Other equity instruments	Fair value reserves	Other reserves and retained earnings		Total equity attributable to holders of Institutional capital and Participation fund	Non-controlling interests	Total Equity
					General and special reserve	Other reserves			
Balance at 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	-	-	-	-	-	(17 581)	(17 581)	(9 061)	(26 642)
Deferred taxes related to balance sheet changes accounted for against reserves (note 31)	-	-	-	-	-	(1 990)	(1 990)	-	(1 990)
Fair value changes (note 45)	-	-	-	10 090	-	-	10 090	-	10 090
Deferred taxes related to fair value changes (note 31)	-	-	-	(3 739)	-	-	(3 739)	-	(3 739)
Consolidated profit/ (loss) for the period	-	-	-	-	-	(67 483)	(67 483)	1 803	(65 680)
Total comprehensive income for the period	-	-	-	6 351	-	(87 054)	(80 703)	(7 258)	(87 961)
Increases in institutional capital (note 40)	270 000	-	-	-	-	-	270 000	-	270 000
Acquisition of perpetual subordinated instruments (note 42)	-	-	(1 950)	-	-	-	(1 950)	-	(1 950)
Costs related to the issue of perpetual subordinated instruments (note 42)	-	-	-	-	-	(370)	(370)	-	(370)
Acquisition of participation fund	-	31 500	-	-	-	(13 198)	18 302	-	18 302
Other consolidation reserves	-	-	-	-	-	3 223	3 223	-	3 223
Balance on 30 September 2016	**1 770 000**	**399 919**	**6 323**	**6 997**	**255 805**	**(915 065)**	**1 523 979**	**21 411**	**1 545 390**
Other comprehensive income:									
Exchange difference arising from the consolidation	-	-	-	-	-	(6 661)	(6 661)	1 079	(5 582)
Actuarial losses in the period	-	-	-	-	-	(60 284)	(60 284)	-	(60 284)
Deferred taxes related to balance sheet changes accounted for against reserves (note 31)	-	-	-	-	-	15 014	15 014	-	15 014
Fair value changes (note 45)	-	-	-	(29 966)	-	-	(29 966)	-	(29 966)
Deferred taxes related to fair value changes (note 31)	-	-	-	16 109	-	-	16 109	-	16 109
Consolidated profit/ (loss) for the period	-	-	-	-	-	(19 001)	(19 001)	226	(18 775)
Total comprehensive income for the period	-	-	-	(13 857)	-	(70 932)	(84 789)	1 305	(83 484)
Other consolidation reserves	-	-	-	-	-	(5 893)	(5 893)	485	(5 408)
Balance on 31 December 2016	**1 770 000**	**399 919**	**6 323**	**(6 860)**	**255 805**	**(991 890)**	**1 433 297**	**23 201**	**1 456 498**
Other comprehensive income:									
Exchange difference arising from the consolidation	-	-	-	-	-	402	402	338	740
Dividends NCI's	-	-	-	-	-	(2 259)	(2 259)	(979)	(3 238)
Deferred taxes related to balance sheet changes accounted for against reserves (note 31)	-	-	-	-	-	(951)	(951)	-	(951)
Fair value changes (note 45)	-	-	-	61 244	-	-	61 244	-	61 244
Deferred taxes related to fair value changes (note 31)	-	-	-	(20 891)	-	-	(20 891)	-	(20 891)
Consolidated profit/ (loss) for the period	-	-	-	-	-	20 370	20 370	1 885	22 255
Total comprehensive income for the period	-	-	-	40 353	-	17 562	57 915	1 244	59 159
Institutional capital increase (note 40)	250 000	-	-	-	-	-	250 000	-	250 000
Transfer of the participation fund to share capital	400 000	(400 000)	-	-	-	-	-	-	-
Acquisition of participation fund	-	81	-	-	-	-	81	-	81
Costs related to the issue of perpetual subordinated instruments (note 42)	-	-	-	-	-	(321)	(321)	-	(321)
Other consolidation reserves	-	-	-	-	-	(1 878)	(1 878)	-	(1 878)
Balance on 30 September 2017	**2 420 000**	**-**	**6 323**	**33 493**	**255 805**	**(976 527)**	**1 739 094**	**24 445**	**1 763 539**

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

Caixa Económica Montepio Geral

Interim Consolidated Statement of Comprehensive Income
for the nine-month period ended at 30 September 2017

(Thousands of Euro)

		Sep 2017				
	Notes	Continuing operations	Discontinuing operations	Total	Holders of Institutional capital and Participation fund	Non-controlling interests
Items that may be reclassified into the Income Statement						
Fair value reserves						
Available for sale financial assets	45	61 244	-	61 244	61 244	-
Taxes	31 and 45	(20 891)	-	(20 891)	(20 891)	-
Exchange differences arising from the consolidation		740	-	740	402	338
		41 093	-	41 093	40 755	338
Items that won't be reclassified into the Income Statement						
Deferred taxes	31	(951)		(951)	(951)	-
		(951)	-	(951)	(951)	-
Other comprehensive income for the period		40 142	-	40 142	39 804	338
Consolidated profit/ (loss) for the period		12 453	9 802	22 255	20 370	1 885
Total comprehensive income for the period		52 595	9 802	62 397	60 174	2 223

Caixa Económica Montepio Geral

Interim Consolidated Statement of Comprehensive Income
for the three-month period between 1 July and 30 September 2017

(Thousands of Euro)

		3rd quarter 2017				
	Notes	Continuing operations	Discontinuing operations	Total	Holders of Institutional capital and Participation fund	Non-controlling interests
Items that may be reclassified into the Income Statement						
Fair value reserves						
Available for sale financial assets	45	(15 332)	-	(15 332)	(15 332)	-
Taxes	31 and 45	4 519	-	4 519	4 519	-
Exchange differences arising from the consolidation		(1 066)	-	(1 066)	(423)	(643)
		(11 879)	-	(11 879)	(11 236)	(643)
Items that won't be reclassified into the Income Statement						
Deferred taxes	31	(309)	-	(309)	(309)	-
		(309)	-	(309)	(309)	-
Other comprehensive income for the period		(12 188)	-	(12 188)	(11 545)	(643)
Consolidated profit/ (loss) for the period		4 838	3 024	7 862	7 321	541
Total comprehensive income for the period		(7 350)	3 024	(4 326)	(4 224)	(102)

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

Caixa Económica Montepio Geral

Interim Consolidated Statement of Comprehensive Income
for the nine-month period ended at 30 September 2016

(Thousands of Euro)

	Notes	Sep 2016				
		Continuing operations	Discontinuing operations	Total	Holders of Institutional capital and Participation fund	Non-controlling interests
Items that may be reclassified into the Income Statement						
Fair value reserves						
Available for sale financial assets	45	10 090	-	10 090	10 090	-
Taxes	31 and 45	(3 739)	-	(3 739)	(3 739)	-
Exchange differences arising from the consolidation		(26 642)	-	(26 642)	(17 581)	(9 081)
		(20 291)	-	(20 291)	(11 230)	(9 081)
Items that won't be reclassified into the Income Statement						
Deferred taxes	31	(1 990)	-	(1 990)	(1 990)	-
		(1 990)	-	(1 990)	(1 990)	-
Other comprehensive income for the period		(22 281)	-	(22 281)	(13 220)	(9 081)
Consolidated profit/ (loss) for the period		(72 821)	5 338	(67 483)	(67 483)	1 803
Total comprehensive income for the period		(95 102)	5 338	(89 764)	(80 703)	(7 278)

Caixa Económica Montepio Geral

Interim Consolidated Statement of Comprehensive Income
for the three-month period between 1 July and 30 September 2016

(Thousands of Euro)

	Notes	3rd quarter 2016				
		Continuing operations	Discontinuing operations	Total	Holders of Institutional capital and Participation fund	Non-controlling interests
Items that may be reclassified into the Income Statement						
Fair value reserves						
Available for sale financial assets	45	(22 081)	-	(22 081)	(22 081)	-
Taxes	31 and 45	5 872	-	5 872	5 872	-
Exchange differences arising from the consolidation		(4 819)	-	(4 819)	(2 461)	(2 358)
		(21 028)	-	(21 028)	(18 670)	(2 358)
Items that won't be reclassified into the Income Statement						
Actuarial losses in the period		-	-	-	-	-
Deferred taxes	31	(663)	-	(663)	(663)	-
		(663)	-	(663)	(663)	-
Other comprehensive income for the period		(21 691)	-	(21 691)	(19 333)	(2 358)
Consolidated profit/ (loss) for the period		(5 044)	4 077	(967)	(216)	692
Total comprehensive income for the period		(26 735)	4 077	(22 658)	(19 549)	(1 666)

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

1 Accounting policies

a) Basis of presentation

Caixa Económica Montepio Geral, Caixa Bancária, S.A. (hereinafter "CEMG") is a credit institution, based at Rua Áurea, 219-241, Lisbon, held by Montepio Geral – Associação Mutualista ("MGAM"), established on 24 March, 1844, and authorized to operate in accordance with Decree-Laws no. 298/92 of 31 December, and no. 136/79 of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. However, CEMG is authorised to perform 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.

As at 14 September 2017, the Deed of the bylaws was executed, transforming Caixa Económica Montepio Geral into a public limited company, changing its legal name to Caixa Económica Montepio Geral, caixa económica bancária, S.A.

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

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

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

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

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Counsel, of 19 July, 2002 and Regulation no. 5/2015 of Bank of Portugal, from 7 December, Group's consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body. The consolidated financial statements presented herein were approved by the Executive Board of Directors of CEMG on 24 October 2017. The financial statements are presented in Euro rounded to the nearest thousand.

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

The consolidated financial statements for the nine-month period ended at 30 September 2017 have been prepared in accordance with the IFRS, as adopted by the European Union and effective at that date, considering disclosures required by the standards defined in IAS 34. These financial statements also present the income statement for the third quarter of 2017 compared with the same period of the previous year. The financial statements for the nine-month period ended at 30 September 2017 do not include all the information required to be disclosed in the annual financial statements.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2017.

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

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

b) Basis of consolidation

The consolidated financial statements now presented reflect the assets, liabilities, profits and losses of CEMG and its subsidiaries ("Group"), and the results attributable to the Group by its financial investments in associates firms, for the periods ended at 31 September 2017 and 2016 and for the period ended at 31 December 2016.

Investment in subsidiaries

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

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

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

Investments in associates

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

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

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

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

Goodwill – Differences arising from consolidation

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

Costs directly related with a subsidiary acquisition is recognized directly in the income statement.

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

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

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

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

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

Purchases and dilution of non-controlling interests

The acquisition of the non-controlling interests that does not impact the control position of a subsidiary is accounted as a transaction with shareholders and, therefore, is not recognized 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 recognized 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 recognized 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 recognized 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 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 recognized 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 recognized at fair value plus any directly attributable transaction costs and fees and are subsequently measured at amortized cost using the effective interest method, less impairment losses.

Impairment

The Group’s policy consists in a regular assessment of the existence of objective evidence of impairment in the loans portfolio. Impairment losses identified are recorded in the income statement being subsequently reversed, if there is a reduction 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 its ability to generate sufficient cash flow to cover their debt obligations in the future;
- The existence, nature and estimated value of the collaterals;
- A significant downgrading in the client rating;
- The assets available on liquidation or insolvency;
- The ranking of all creditor claims; and
- The amount and timing of expected receipts and recoveries.

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

(ii) Collective assessment

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

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

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

The collective impairment loss is determined considering the following factors:

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

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

In accordance with "Carta-Circular" no. 15/2009 of the Bank of Portugal, loans and advances to customers are charged-off when there are no realistic expectation, from an economic perspective, of recovering the loan amount. For collateralized loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals for the part of the loans which is collateralized is effectively received. This charge-off is performed 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 recognized 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 recognized 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 of those financial assets and liabilities 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 recognized in profit and loss and subsequently measured at fair value through profit and loss. The accrual of interest and premium/discount (when applicable) is recognized 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 recognized as fair value reserves are recognized in the income statement. When it is not possible to estimate with reliability the fair value, the financial instruments are recognized at acquisition cost. Interest income from debt instruments is recognized in Net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends are recognized 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 the capacity to maintain until the maturity of the assets and that were not included in the category of financial assets at fair value through profit and loss or financial assets available for sale. These financial assets are initially recognized at fair value and subsequently measured at amortized cost. The interest is calculated using the effective interest rate method and recognized in Net interest income. The impairment losses are recognized 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, determines the full reclassification of this portfolio to Financial assets available for sale and the Group will not be allowed to classify any assets under this category for the following two years.

4) Loans and receivables - Loans represented by securities

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

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

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

5) Other financial liabilities

Other financial liabilities are all financial liabilities that are not recognized 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 recognized at fair value and subsequently at amortized cost. The related transaction costs are included in the effective interest rate. The interest calculated at the effective interest rate is recognized in net interest income.

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

(ii) Impairment

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

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

(iii) Embedded derivatives

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

e) Hedge accounting

(i) Hedge accounting

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

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

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

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

(ii) Fair value hedge

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

(iii) Hedge effectiveness

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

f) Reclassifications between financial instruments categories

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

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

Transfers of financial assets recognized 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 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 when the Group no longer maintains 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 recognized in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognized in equity, net of transaction costs.

Income from equity instruments (dividends) are recognized 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 recognized in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognized as a financial liability. Securities borrowed under securities borrowing agreements are not recognized. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognized 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 recognized on the balance sheet. The amounts paid are recognized 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 recognized 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 recognized 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 formalized.

The fair value is determined based on the expected selling price estimated through periodic valuations performed by external experts registered in CMVM.

The subsequent accounting of these assets is determined based on the lower of the carrying amount and the corresponding fair value net of selling costs. In case of unrealized losses, these should be recognized 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 amortization of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period end.

At the lessor's perspective, assets held under finance leases are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals are a combination of the financial income and amortization 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 amortized cost are recognized 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 recognized 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 recognized 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 whenever the amount of the outstanding principal plus accrued interest is lower than 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 recognized 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 recognized in the Fair value Option category, the interest component of the changes in their fair value is recognized under interest income or expense (Net interest income).

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

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

n) Fee and commission income

Fees and commissions are recognized according to the following criteria:

- Fees and commissions which are earned as services are provided are recognized 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 recognized 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 recognized in net interest income.

o) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognized in the Group's consolidated financial statements. Fees and commissions arising from this activity are recognized 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 recognized as a separate asset only when it is probable that future economic benefits will result for the Group. All other repairs and maintenance expenses are charged to the income statement during the financial year in which they are incurred.

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

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

Whenever there is an indication that property and equipment might be impaired, its recoverable amount is estimated and an impairment loss shall be recognized 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 recognized in profit and loss of the period.

q) Investment property

Real estate properties owned by the investment funds consolidated in the Group, are recognized 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 recognized 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 recognized 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 capitalize 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 recognized 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 recognized 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 those which are accounted under available for sale financial assets, for which the difference is recognized against equity.

v) Post-employment and long-term benefits

Defined benefit plan

CEMG is responsible for the payment of old-age, invalidity and survival pensions and health benefits and death grants to its employees, in accordance with the Collective Labor Agreement. In 2016, were made amendments to this agreement, namely the change of the retirement age, in line with the General Social Security Scheme and the award of a final career award corresponding to 1.5 times the monthly remuneration earned at the retirement date.

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

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

The contribution rate is 26.6% in which 23.6% belongs to the employer, and 3.0% to employees, replacing *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.

In December 2016, CEMG issued a new ACT, introducing several changes to the benefits of its employees, such as the change of the retirement age, in line with the General Social Security Scheme, and the award of a final premium career, in replacement of the old-age bonus that has been extinguished, according to note 50.

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 recognized against equity under other comprehensive income.

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

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

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

Defined contribution plan

As at 30 June 2017, CEMG has a defined contribution plan for employees hired after 3 March 2009. For this contributive plan, contributions are made on a monthly basis, corresponding to 1.5% of the effective remuneration payable by the company and 1.5% payable by 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 recognized 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 recognized 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 recognized in profit or loss comprises current and deferred tax effects. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly to reserves in which case it is recognized in reserves. Deferred taxes arising from the revaluation of financial assets available for sale and cash flow hedging derivatives are recognized in equity and are recognized in profit and loss in the moment the results were originated.

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

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

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

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

x) Segmental reporting

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

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

y) Provisions

Provisions are recognized 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 derecognized through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

z) Insurance and reinsurance brokerage services

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

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

Commission received for insurance brokerage services refer to:

- Commission that includes a fixed and a variable component. The fixed component is calculated by applying a predetermined rate over the amounts of subscriptions made through CEMG and a variable component calculated based on predetermined criteria, total annual fees being the sum of the fees calculated monthly;
- 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.

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, recognized in the year.

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

Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections and others, such as discount rates, pensions and wages' growth rate and mortality table, estimated return on investments, and other factors that could impact the cost and liability of the pension plan.

Changes in these assumptions could materially affect these values.

Goodwill impairment

The goodwill recoverable amount recognized 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 recognized is compared with the respective recoverable amount. A goodwill impairment loss is recognized when the carrying amount of the business unit exceeds the respective recoverable amount.

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

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

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

Provisions

The measurement of provisions considers the principles set out in IAS 37 regarding the best estimate of the expected cost, the most likely outcome of ongoing litigations and considering the risks and uncertainties of the process. Different assumptions and judgments would have an impact in determining provisions and, consequently, in consolidated financial statements.

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

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

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2017	Sep 2016
Net interest income	202 075	178 317
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss	5 835	(27 582)
Net gains/ (losses) arising from available for sale financial assets	59 476	40 861
	267 386	191 596

3 Net interest income

The amount of this account is comprised of:

(Thousand of Euro)

	Sep 2017	Sep 2016
Interest and similar income		
Interest from loans to customers	279 394	293 440
Interest from deposits and other investments	3 046	2 911
Interest from available for sale financial assets	19 609	28 214
Interest from held for trading financial assets	52 434	55 867
Interest from held-to-maturity investments	12 504	12 426
Interest from hedging derivatives	-	307
Other interest and similar income	261	7
	367 248	393 172
Interest and similar expense		
Interest from deposits of customers	64 008	104 185
Interest from loans of central banks and other financial institutions	8 624	8 879
Interest from securities issued	30 620	40 297
Interest from subordinated liabilities	2 340	3 151
Interest from held for trading financial liabilities	53 540	53 586
Interest from hedging derivatives	-	20
Other interest and similar expense	6 041	4 737
	165 173	214 855
Net interest income	202 075	178 317

The balances Interest and similar income – Interest from loans to customers and Interest and similar expenses – Other interest and similar expense include, respectively, the positive amount of Euro 15,932 thousand and the negative amount of Euro 5,261 thousand (30 September 2016: the positive amount of Euro 15,950 thousand and the negative amount of Euro 4,716 thousand), 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).

The balance Interest and similar income includes, as at 30 September 2017, the amount of Euro 47,462 thousand (30 September 2016: Euro 50,612 thousand) related to gains from customers with signs of impairment, representing 12.9% of the total balance.

4 Dividends from equity instruments

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

5 Net fees and commissions income

The amount of this account is comprised of:

(Thousand of Euro)

	Sep 2017	Sep 2016
Fees and commissions income		
Banking services	72 864	64 182
Transactions order by third parties	20 871	15 482
Guarantees provided	4 534	5 046
Insurance activity	4 131	5 610
Commitments to third parties	1 260	2 117
Other fee and commision income	6 456	3 004
	110 116	95 441
Fees and commissions expense		
Banking services rendered by third parties	14 218	14 264
Transactions with securities	417	394
Other fee and commission expense	11 619	10 486
	26 254	25 144
Net fees and commissions income	83 862	70 297

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)

	Sep 2017			Sep 2016		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed income securities						
Issued by public entities	10 210	9 903	307	5 226	5 044	182
Issued by other entities	53 706	50 603	3 103	2 052	-	2 052
Shares	11 073	10 576	497	7 252	7 958	(706)
Investment units	1 158	1 067	91	552	530	22
	76 147	72 149	3 998	15 082	13 532	1 550
Derivative financial instruments						
Interest rate contracts	67 106	63 244	3 862	101 550	103 102	(1 552)
Exchange rate contracts	25 161	25 722	(561)	49 380	49 458	(78)
Future contracts	2 961	3 135	(174)	4 997	4 854	143
Options contracts	1 758	1 491	267	8 961	8 420	541
Commodities contracts	-	-	-	7 751	7 716	35
Credit default contracts (CDS)	-	-	-	21 787	46 629	(24 842)
	96 986	93 592	3 394	194 426	220 179	(25 753)
Other financial assets at fair value through profit or loss						
Loans to customers	60	441	(381)	420	832	(412)
	60	441	(381)	420	832	(412)
Hedging derivatives						
Interest rate contracts	-	-	-	22	35	(13)
	-	-	-	22	35	(13)
Financial liabilities						
Deposits from other credit institutions	3	-	3	1 127	1 356	(229)
Deposits from customers	30	57	(27)	278	287	(9)
Debt securities issued	281	407	(126)	955	2 793	(1 838)
Other subordinated liabilities	-	1 026	(1 026)	-	878	(878)
	314	1 490	(1 176)	2 360	5 314	(2 954)
	173 507	167 672	5 835	212 310	239 892	(27 582)

The balance Financial liabilities, includes fair value changes related with changes in the own credit risk (spread) of operations, in the negative amount of Euro 155 thousand (30 September 2016: Euro 4,911 thousand), as described in note 23.

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

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

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

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2017			Sep 2016		
	Gains	Losses	Total	Gains	Losses	Total
Fixed income securities						
Bonds						
Issued by public entities	58 928	3 865	55 063	25 931	300	25 631
Issued by other entities	2 186	207	1 979	5 908	6 770	(862)
Shares	632	58	574	16 454	3 049	13 405
Other variable income securities	3 499	1 639	1 860	4 112	1 425	2 687
	65 245	5 769	59 476	52 405	11 544	40 861

As at 30 September 2017, the balance Fixed income securities – Bonds – Issued by public entities includes the amount of Euro 54,815 thousand related with capital gains generated with the sale of Portuguese public debt bonds. As at 30 September 2016, this balance includes the amount of Euro 22,910 thousand, related with capital gains generated with the sale of treasury bonds of the Spanish and Italian domestic debt.

As at 30 June 2016, the balance Shares includes the amount of Euro 11,294 thousand related with the capital gain generated with the sale of Visa Europe Limited shares: (i) Euro 8,421 thousand regarding the up-front consideration; (ii) Euro 2,169 thousand regarding the received preference shares; and (iii) Euro 704 thousand regarding a deferred payment to be settled in 2019, as described in note 32.

In the first half of 2017, as part of the measures taken to strengthen the Group's capital ratios, the amount of EUR 800,059 thousand was transferred to the portfolio of available-for-sale financial assets relating to the entire portfolio of Portuguese public debt bonds which was previously recorded in the portfolio of financial assets held to maturity. Part of these securities have already been sold, as described in notes 24 and 25.

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

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2017			Sep 2016		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	42 220	40 859	1 361	66 131	64 062	2 069

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 financial assets

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2017	Sep 2016
Sale of investments in associates	-	1 490
Sale of other assets	15 027	397
Sale of loans and advances to customers	2 783	13 230
Sale of non-current assets held for sale	3 270	(2 370)
	21 080	12 747

As at 30 September 2017, the balance Sale of other assets includes the amount of Euro 14,375 thousand related to the gain generated on the sale of part of the portfolio of the Portuguese public debt bonds and that was previously recorded in the portfolio of financial assets held to maturity, as described in note 24.

As at 30 September 2017, the balance Sale of loans and advances to customers includes the amount of Euro 2,783 thousand relating to a capital gain obtained through the sale of a portfolio of loans to customers which were in default and were booked outside the Statement of Financial Position. The nominal value of the loans sold amounted to Euro 215,288 thousand, as described in note 22.

As at 30 September 2016, the balance Sale of loans and advances to customers includes the amount of Euro 13,455 thousand related to the gain generated on the sale of a portfolio of loans to customers which were in default and were booked outside the Statement of Financial Position, as described in note 22.

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

10 Other operating income

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2017	Sep 2016
Other operating income		
Profits arising from investment properties revaluation	16 263	30 541
Services rendered	3 761	4 638
Profits arising from investment properties rentals	12 204	12 828
Profits arising from deposits on demand management	7 584	9 261
Staff transfer	16 001	18 643
Reimbursement of expenses	5 619	5 415
Repurchase of own securities	-	701
Other	12 763	6 538
	74 195	88 565
Other operating expense		
Contribution for the		
Banking sector	11 875	13 226
Ex-ante for the Single Resolution Fund	9 702	10 050
Resolution Fund	3 612	3 077
Deposit Guarantee Fund	13	10
Revaluation losses in investment properties	13 411	62 743
Servicing and credit recovery expenses	14 832	11 111
Issuance costs	2 580	1 535
Taxes	4 237	1 582
Donations and membership	848	671
Other	16 973	19 004
	78 083	123 009
Other net operating income/(expenses)	(3 888)	(34 444)

As at 30 September 2017, the balance Other operating income – Staff transfer includes the amount of Euro 8,776 thousand (30 September 2016: Euro 18,643 thousand) referring to the staff transfers from CEMG to Montepio Geral Associação Mutualista and to entities under its control.

As at 30 September 2016, the balance Repurchase of own securities is calculated in accordance with accounting policy described in note 1 d) and refers to the re-acquisition of Euro Medium Term Notes and cash bonds.

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

The balance Ex-ante Contribution for the Single Resolution Fund corresponds to the annual contribution, in accordance with paragraph 1, article 153-H, of the Legal Framework of Credit Institutions and Financial Companies (Regime Geral das Instituições de Crédito e Sociedades Financeiras – RGICSF) which transposed the articles 100 (4) (a) and 103 (1) of the Directive 2015/59/EU of the European Parliament and of the Council of 15 May 2014, and article 20 of the Delegated Regulation (EU) 2015/63 of 21 October 2014

(Delegated Regulation) and with the conditions provided by the Implementing Regulation 2015/81 of the Council from 19 December 2014 (Implementing Regulation).

This contribution was determined by the Bank of Portugal, in its quality of National Resolution Authority, based in the methodology defined in the Delegated Regulation in accordance with its articles 4, 13 and 20. Under the Single Resolution Mechanism this contribution must be transferred to the Single Resolution Fund until 30 June each year, in accordance with the Agreement for the Transfer and Mutualisation of the contributions to the Single Resolution Fund signed in Brussels on 21 May 2014 and approved by Resolution No. 129/2015 of the Assembly of the Republic, from 3 September, according to paragraph 4 of Article 67 of Regulation (EU) No. 806/2014 of the European Parliament and of the Council, from 15 July 2014 ("Regulation MUR").

Additionally, the Single Resolution Council ("SRB"), in close cooperation with Bank of Portugal, as a national resolution authority, is responsible for the calculation of these contributions on an annual basis, according to and for the purposes of paragraph 2, Article 70, of Regulation MUR. In 2016 and in the first half of 2017, CEMG decided to use irrevocable payment commitments in the proportion of 15% of the contribution amount, in accordance with paragraph 3, Article 8, of the Implementing Regulation. On this basis, CEMG opted for the settlement of Euro 3,475 thousand, in the form of irrevocable payment commitments booked in the caption Loans and advances to credit institutions abroad - term deposits, as described in note 21. It should be noted that only cash collateral is accepted as collateral for irrevocable payment commitments.

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

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

11 Staff costs

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2017	Sep 2016
Remunerations	89 575	98 877
Mandatory social security charges	22 693	26 310
Charges with the Pension Fund	1 715	28 019
Other staff costs	12 643	15 105
	126 626	168 311

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

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

This program was completed in 2016. As at 30 September 2016 it was recorded in the consolidated financial statements a cost of Euro 32,022 thousand. On this basis, the caption Charges with the pensions fund includes the amount of Euro 18,963 thousand and the caption Other staff costs includes the amount of Euro 13,059 thousand related with compensations and other charges, paid in the first nine months of 2016.

As at 30 September 2017, the Charges with the pension fund includes the amount of Euro 1,715 thousand (30 September 2016: Euro 7,835 thousand) regarding the current service cost.

12 General and administrative expenses

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2017	Sep 2016
Rental costs	7 177	9 718
Specialized services		
IT services	5 345	6 270
Independent work	2 153	2 014
Other specialized services	17 018	16 165
Communication costs	4 337	4 974
Advertising costs	3 010	3 977
Maintenance and related services	5 677	4 651
Water, energy and fuel	3 381	3 509
Insurance	1 673	1 416
Transportation	1 946	2 183
Travel, hotel and representation costs	806	814
Consumables	1 334	1 104
Training costs	63	179
Other	7 618	7 188
	61 538	64 162

The Rental costs balance includes the amount of Euro 5,702 thousand (30 September 2016: Euro 8,167 thousand) 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)

	Sep 2017	Sep 2016
Intangible assets		
Software	10 562	9 339
Other tangible assets		
Real estate		
For own use	3 380	2 820
Leasehold improvements	1 238	1 848
Equipment		
IT	2 018	2 585
Interior installations	779	1 023
Furniture and material	303	387
Transportation	101	115
Security	185	207
Machinery and tools	8	13
Operating lease	28	55
Other tangible assets	4	25
	8 044	9 078
	18 606	18 417

14 Loans impairment

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2017	Sep 2016
Loans and advances to customers		
Charge for the period net of reversals	109 097	124 425
Recovery of loans and interest charged-off	(2 905)	(4 874)
	106 192	119 551

The caption Loans and advances to customers related to the estimate of losses incurred, related with loans and advances to customers, determined according to the assessment of objective evidence of impairment, as referred in the accounting policy described in note 1 c).

15 Other financial assets impairment

The amount of this account is comprised of:

	(Thousands of Euro)	
	Sep 2017	**Sep 2016**
Impairment for available for sale financial assets		
Charge for the period net of reversals	7 262	31 860

As at 30 September 2017, the balance Impairment for financial assets available-for-sale – Charge for the period net of reversals includes the amount of Euro 6,501 thousand (30 September 2016: Euro 7,348 thousand) that corresponds to impairment losses recognised for investment units in a Fund specialised in the recovery of loans, acquired under the sale of loans and advances to customers.

As at 30 September 20167, this balance also includes a reversal of impairment in the amount of Euro 30,823 thousand on the position held in Fixed-income securities – Bonds issued by other entities – Foreign.

16 Other assets impairment

The amount of this account is comprised of:

	(Thousands of Euro)	
	Sep 2017	**Sep 2016**
Impairment of non-current assets held for sale		
Charge for the period	13 381	24 086
Write-back for the period	(879)	(11 439)
	12 502	12 647
Impairment for other assets		
Charge for the period	7 309	1 450
Write-back for the period	(5 070)	(909)
	2 239	541
	14 741	13 188

17 Other provisions

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2017	Sep 2016
Provisions for guarantees and commissions		
Charge for the period	13 331	5 819
Write-back for the period	(10 547)	(17 149)
	2 784	(11 330)
Provisions for other liabilities and charges		
Charge for the period	11 866	15 607
Write-back for the period	(1 647)	(20 317)
	10 219	(4 710)
	13 003	(16 040)

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)

	Sep 2017	Sep 2016
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	248	274

19 Cash and deposits at central banks

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2017	Dec 2016
Cash	160 847	211 648
Deposits at central banks		
Banco de Portugal	270 352	169 641
	431 199	381 289

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

As at 30 September 2017 and during 2016, deposits from Bank of Portugal were not remunerated.

20 Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Credit institutions in Portugal	8 318	7 480
Credit institutions abroad	18 489	13 147
Amounts due for collection	69 774	48 941
	96 581	69 568

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

21 Other loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Loans and advances to credit institutions in Portugal		
Loans and advances at central banks	-	150 000
Term deposits	1 988	2 131
Other loans and advances	-	6 010
	1 988	158 141
Loans and advances to credit institutions abroad		
Repos	5 402	25 444
CSA's	39 636	46 312
Term deposits	7 659	21 339
Subordinated investments	-	1 612
Very short term investments	30 000	30 000
Other loans and advances	231 126	276 243
	313 823	400 950
	315 811	559 091

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

The caption Loans and advances to credit institutions abroad - Term deposits includes the amount of Euro 3,475 thousand (31 December 2016: Euro 1,774 thousand) regarding the deposit performed as collateral under the ex-ante contribution to the Single Resolution Fund, as described in note 10.

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

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

On this basis, and within operations of derivative financial instruments with institutional counterparties, and as defined in the respective contracts, the Group holds an amount of Euro 39,636 thousand (31 December 2016: Euro 46,312 thousand) related to deposits in credit institutions given as collateral for the referred operations.

The caption Loans and advances to credit institutions abroad – Other loans and advances includes the amounts deposited on behalf of the vehicles incorporated for the purpose of the Group's securitization transactions.

Changes occurred in the period regarding impairment losses for credit risks on financial institutions are presented as follows:

(Thousands of Euro)

	Sep 2017	**Sep 2016**
Balance on 1 January	-	2
Charge for the period	-	-
Write-back for the period	-	-
Transfers	-	(2)
Balance on 30 September	-	-

22 Loans and advances to customers

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Corporate		
Loans not represented by securities		
Loans	2 862 611	2 903 554
Commercial lines of credit	470 789	589 750
Financial lease	462 287	467 042
Discounted bills	70 063	89 126
Factoring	126 557	115 264
Overdrafts	5 421	9 245
Other loans	747 462	783 564
Loans represented by securities		
Commercial paper	227 195	223 424
Bonds	266 822	278 749
Retail		
Mortgage loans	6 786 157	7 045 714
Finance leases	66 495	66 232
Consumer and other loans	1 007 818	1 015 024
	13 099 677	13 586 688
Correction value of assets subject to hedge operations		
Other credits	153	625
Overdue loans and interest		
Less than 90 days	85 587	81 718
More than 90 days	1 424 453	1 371 620
	1 510 040	1 453 338
	14 609 870	15 040 651
Impairment for credit risks	(1 229 732)	(1 179 617)
	13 380 138	13 861 034

As at 30 September 2017, the balance Loans and advances to customers includes de amount of Euro 2,727,456 thousand (31 December 2016: Euro 2,725,631 thousand) related to the issue of covered bonds held by the Group, as referred in note 36.

In the second quarter of 2017, CEMG carried out a sale of loans to customers that were in default and recorded off-balance sheet. The total amount of credits sold amounted to Euro 215,288 thousand and generated a gain of Euro 2,783 thousand, as described in note 9.

In the second quarter of 2016, CEMG carried out a sale of loans to customers that were in default and recorded off-balance sheet. The global amount of credits sold amounted to Euro 380,726 thousand, generating a gain of Euro 13,455 thousand, as described in note 9.

As at 30 September 2017 and within the sale of credits and real estate properties performed, it is outstanding by SilverEquation the amount of Euro 32,940 thousand (31 December 2016: Euro 101,012 thousand), as described in note 32.

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

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

Securitisation operations performed by the Group are related to mortgages credits, consumer credits, leasing, ALD and loans to firms realised through special purpose entities (SPE's). As referred in accounting policy described in note 1 b), SPE's are consolidated by full method when the substance of the relation with the entities show that the Group has control over his activities. Thus, as at 30 September 2017, the value of loans and advances to customers (net of impairment), includes the amount of Euro 41,909 thousand (31 December 2016: Euro 46,878 thousand) related to securitisation transactions where, in accordance with the accounting policy described in note 1 b), are consolidated under the full method.

As at 30 September 2017, the balance Loans and advances to customers includes the amount of Euro 3,773,082 thousand (31 December 2016: Euro 3,916,300 thousand) related with loans object of securitisation that, in accordance with accounting policy described in note 1 g), were not subject of derecogniton.

In the balance Correction value of assets subject to hedge operations is accounted the fair value of portfolio that is hedged. The valuation is accounted for in the income statement, in accordance with note 1 e). The Group periodically carries out effectiveness tests on existing hedge relationships.

The analysis of Loans and advances to customers, by type of rate, as at 30 September 2017 and 31 December 2016, is presented as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Variable interest rate contract	13 164 788	13 659 978
Fixed interest rate contract	1 445 082	1 380 673
	14 609 870	15 040 651

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

(Thousands of Euro)

	Sep 2017	Dec 2016
Asset-backed loans	958 659	925 287
Other guarantee loans	333 972	327 108
Financial leases	43 472	35 002
Secured loans	4 300	4 300
Other loans	169 637	161 641
	1 510 040	1 453 338

The balance Financial leases, as at 30 September 2017, by maturity, is analysed as follows:

(Thousands of Euro)

	Financial leases			
	Due within 1 year	1 to 5 years	Over 5 years	Total
Outstanding rents	70 073	248 177	143 260	461 510
Outstanding interests	(12 805)	(39 198)	(26 984)	(78 987)
Residual values	24 505	72 967	48 787	146 259
	81 773	281 946	165 063	528 782

The balance Financial leases, as at 31 December 2016, by maturity, is analysed as follows:

(Thousands of Euro)

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

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

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

(Thousands of Euro)

	Sep 2017	Dec 2016
Corporate		
Construction/Production	297 729	303 668
Investments	590 230	499 744
Treasury	285 010	323 421
Other loans	61 119	62 882
Retail		
Mortgage loans	122 892	117 990
Consumer credit	72 778	68 411
Other loans	80 282	77 222
	1 510 040	1 453 338

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

(Thousands of Euro)

	Sep 2017	Sep 2016
Balance on 1 January	1 179 617	1 281 738
Charge for the period net of reversals		
Continuing operations	109 097	124 425
Discontinuing operations	3 912	10 230
Loans charged-off	(58 982)	(232 566)
Transfers	-	(22 737)
Transfers associated to discontinuing operations	(3 912)	(24 171)
Balance on 30 September	1 229 732	1 136 919

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

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

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

(Thousands of Euro)

	Sep 2017	Dec 2016
Asset-backed loans	770 393	739 566
Other guaranteed loans	312 765	307 075
Unsecured loans	146 574	132 976
	1 229 732	1 179 617

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 have already been received.

This charge-off is carried out by using impairment losses when these correspond to 100% of the value of the credits considered as non-recoverable.

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

(Thousands of Euro)

	Sep 2017	Sep 2016
Asset-backed loans	12 363	50 745
Other guaranteed loans	33 251	65 483
Unsecured loans	13 368	116 338
	58 982	232 566

The total recovered loans and overdue interest, regarding the credit recovery with real guarantees, booked in the first nine months of 2017 and 2016 amounts to Euro 2,905 thousand and Euro 4,874 thousand, respectively, as described in note 14.

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

Regarding the particular forbearance measures, CEMG adopted the ones included in Instruction 32/2013 of the Bank of Portugal, in 31 December 2013, namely contractual amendments (lack of capital, extension of the final date, deferral of capital, etc.) and consolidation of debts in another contract, with conditions adjusted to the customer's current situation.

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

23 Financial assets and liabilities held for trading

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

(Thousands of Euro)

	Sep 2017	Dec 2016
Financial assets held for trading		
Securities		
Shares	9 103	6 871
Bonds	19 446	37 770
Investment fund units	885	299
	29 434	44 940
Derivatives		
Derivative financial instruments with positive fair value	27 363	33 228
	56 797	78 168
Financial liabilities held for trading		
Securities		
Short sales	1 578	1 458
Derivatives		
Derivative financial instruments with negative fair value	18 859	24 690
	20 437	26 148

The balance Derivative financial instruments with positive fair value includes, as at 30 September 2017, the amount of Euro 12,481 thousand (31 December 2016: Euro 15,905 thousand) referred to instruments associated to assets or liabilities at fair value through profit and loss and negotiation.

The balance Derivative financial instruments with negative fair value includes, as at 30 September 2017, the amount of Euro 1,551 thousand (31 December 2016: Euro 1,306 thousand) referred to embedded derivatives marked according to the accounting policy described in note 1 d).

The balance Derivatives financial instruments with negative fair value, also includes as at 30 September 2017 the amount of Euro 3,745 thousand (31 December 2016: Euro 6,651 thousand) referred to instruments associated to assets or liabilities at fair value through profit or loss and negotiation, with the exception of loans and advances to customers in the amount of Euro 232 thousand (31 December 2016: Euro 716 thousand).

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 accounting policy, assets held for trading are those which were acquired with the purpose of sale or re-acquisition on the short term regardless of its maturity.

During 2016, the Group completed an asset assignment (loans and real estate) in the amount of Euro 311,532 thousand. Within this business, CEMG acquired the right to return of a set of parameters of assigned assets.

As at 30 September 2017 and 31 December 2016, this transaction amounted to Euro 12,000 thousand and is recorded under the caption Financial instruments with positive fair value.

The balance of Derivative financial instruments as at 30 September 2017, in comparison with the assets and liabilities associated, recorded at fair value, can be analysed as follows:

(Thousands of Euro)

		Sep 2017						
		Derivative			Related asset/liability			
Derivative	Related financial asset/liability	Notional	Fair value	Fair value changes in the period (1)	Fair value	Fair value changes in the period	Book value	Reimbursement amount at maturity date
Interest rate swap	Debt securities issued	27 206	412	(528)	144	1 152	42 762	42 655
Interest rate swap	Deposits from customers	16 100	(134)	(86)	39	27	15 718	15 718
Interest rate swap	Deposits from financial institutions	-	-	(2 576)	-	(3)	-	-
Interest rate swap	Covered bonds	5 370 811	(604)	1 776	-	-	-	-
Interest rate swap	Loans	28 321	(232)	484	153	(381)	28 411	28 321
Interest rate swap	Other	3 964 152	(3 007)	1 216	-	-	-	-
Currency swap (Short)	-	48 132	58	(321)	-	-	-	-
Currency swap (Long)	-	48 171						
Futures (Short)	-	5 899	6	6	-	-	-	-
Futures (Long)	-	756						
Forwards (Short)	-	3 765	-	(4)	-	-	-	-
Forwards (Long)	-	3 777						
Options (Short)	-	95 878	12 005	(1)	-	-	-	-
Options (Long)	-	408 072						
		10 021 040	8 504	(34)	336	795	86 891	86 694

(1) Includes the profit/ (loss) arising from derivatives disclosed in note 6.

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

(Thousands of Euro)

		Dec 2016						
		Derivative			Related asset/liability			
Derivative	Related financial asset/liability	Notional	Fair value	Fair value changes in the period (1)	Fair value	Fair value changes in the period	Book value	Reimbursement amount at maturity date
Interest rate swap	Debt securities issued	90 956	940	123	(1 008)	3 020	82 921	82 469
Interest rate swap	Deposits from customers	15 900	(48)	443	12	4	15 631	15 631
Interest rate swap	Deposits from financial institutions	51 294	2 576	(3 961)	3	(518)	53 818	40 000
Interest rate swap	Covered bonds	5 456 363	(2 380)	655				-
Interest rate swap	Loans	43 520	(716)	733	534	(799)	40 713	40 562
Interest rate swap	Other	4 126 321	(4 223)	642	-	-	-	-
Currency swap (Short)	-	67 540	379	(157)	-	-	-	-
Currency swap (Long)	-	67 914						-
Futures (Short)	-	10 935	-	-	-	-	-	-
Futures (Long)	-	466	-	-	-	-	-	-
Forwards (Short)	-	4 812	4	7	-	-	-	-
Forwards (Long)	-	4 817						
Options (Short)	-	67 666	12 006	11 975	-	-	-	-
Options (Long)	-	395 019			-	-	-	-
Credit default swaps	-	-	-	35 176	-	-	-	-
		10 403 523	8 538	45 636	(459)	1 707	193 083	178 662

(1) Includes the profit/ (loss) arising from derivatives disclosed in note 6.

The fair value component of financial liabilities recognised at fair value through profit or loss attributable to the Group's credit risk is negative and the respective accumulated value amounts to Euro 24 thousand at 30 September 2017 (31 December 2016: Euro 1,437 thousand), as described in notes 6 and 34.

As at 30 September 2017, the amount of the loan obtained from EIB is collateralized by Portuguese bonds at the nominal value of Euro 5,000 thousand (31 December 2016: at the nominal value of Euro 2,500 thousand), provided as collateral and recorded under the caption Financial assets held for trading.

24 Financial assets available for sale

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2017				
	Cost (1)	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Issued by public entities					
Domestic	937 772	11 230	(1 058)	-	947 944
Foreign	953 422	2 187	(6 261)	-	949 348
Issued by other entities					
Domestic	65 719	494	(48)	(29 251)	36 914
Foreign	51 970	581	(182)	(7 000)	45 369
Variable income securities					
Shares					
Domestic	76 374	9 829	(1 625)	(1 920)	82 658
Foreign	73 641	9 572	(4 508)	(48)	78 657
Investment fund units	402 817	21 038	(1 364)	(38 347)	384 144
	2 561 715	54 931	(15 046)	(76 566)	2 525 034

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

(Thousands of Euro)

	Dec 2016				
	Cost (1)	Fair value reserve		Impairment losses	Book value
		Positive	Negative		
Fixed income securities					
Issued by public entities					
Domestic	1 420 357	3 345	(63 285)	-	1 360 417
Foreign	348 243	1 260	(8 470)	-	341 033
Issued by other entities					
Domestic	61 430	518	(49)	(29 251)	32 648
Foreign	131 893	1 755	(782)	(34 641)	98 225
Variable income securities					
Shares					
Domestic	76 159	9 814	(1 625)	(1 920)	82 428
Foreign	72 628	14 746	(24)	(77)	87 273
Investment fund units	408 666	21 801	(600)	(32 387)	397 480
	2 519 376	53 239	(74 835)	(98 276)	2 399 504

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

In the first half of 2017, the Group reclassified Portuguese public debt bonds from the portfolio of financial assets held-to-maturity to the portfolio of available-for-sale financial assets in the amount of Euro 800,059 thousand, whose market value was, at the date of transfer, of Euro 840,613 thousand, as referred in notes 7 and 25. The decision was part of the process of strengthening the Group's capital ratios, in accordance with the strategy defined by the Executive Board of Directors to respond to the challenges posed by the

ECB's prudential requirements and involved the reclassification, on the date of decision, of all Portuguese public debt bonds recorded in the held-to-maturity securities portfolio.

IAS 39 – Financial instruments: Recognition and measurement allows the reclassification of unquoted financial instruments registered in the portfolio of financial assets available for sale to loans and advances to customers. This reclassification is allowed only if the unquoted financial instruments correspond to this definition and if there is the intention and the ability to hold the debt instruments for the foreseeable future or until maturity.

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

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

- The reclassification of securities from financial assets available for sale portfolio to the loans and advances to customers category is realized at the fair value of the debt instrument at the date of reclassification;
- The fair value of securities at the reclassification date will become the new amortised cost;
- As at the date of reclassification a new effective interest rate is determined as the basis of calculation and recognition of interest and amortised cost from that moment;
- The new effective interest rate is the rate that exactly discounts estimated future cash flows over the remaining expected life of the instruments fair value at the date of reclassification;
- A subsequent change in the fair value of the debt instrument over its new amortised cost is not recognised;
- An evaluation of subsequent impairment is performed considering the new amortised cost, the new effective interest rate and the expected future cash flows; and
- Any impairment loss, measured as the difference between the new amortised cost and the present value of estimated future cash flows (excluding future credit losses that have not incurred) discounted at the new effective interest rate determined at the date of reclassification, is recognised in profit or loss.

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

The analysis of the impact of reclassifications until 30 September 2017, is presented as follows:

(Thousands of Euro)

	At the reclassification date		Sep 2017		
	Book value	Fair value	Book value	Fair value	Difference
Financial assets available for sale to:					
Loans and advances to customers	358 488	358 488	256 897	263 370	6 473
Held-to-maturity investments to:					
Financial assets available for sale	813 219	840 613	324 309	324 309	-
	1 171 707	1 199 101	581 206	587 679	6 473

The amounts recorded in profit or loss and fair value reserves as at 30 September 2017, related to financial assets reclassified in prior years, are as follows:

(Thousands of Euro)

	Profit/ (loss) in the period	Variation	
	Interests	Fair value reserves	Equity
Financial assets available for sale to:			
Loans and advances to customers	7 692	(1 615)	(1 615)
Held-to-maturity investments to:			
Financial assets available for sale	4 769	(18 908)	(18 908)
	12 461	(20 523)	(20 523)

If the reclassifications described above had not taken place, the additional amounts recognised in equity as at 30 September 2017, would be as follows:

(Thousands of Euro)

	Profit/ (loss) in the period		
	Fair value variation	Fair value reserves	Equity
Financial assets available for sale to:			
Loans and advances to customers	-	7 494	7 494
Held-to-maturity investments to:			
Financial assets available for sale	-	(18 908)	(18 908)
	-	(11 414)	(11 414)

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

(Thousands of Euro)

	At the reclassification date		Dec 2016		
	Book value	Fair value	Book value	Fair value	Difference
Financial assets available for sale to:					
Loans and advances to customers	358 488	358 488	268 706	280 840	12 134
	358 488	358 488	268 706	280 840	12 134

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

(Thousands of Euro)

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

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

(Thousands of Euro)

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

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

(Thousands of Euro)

	Sep 2017	Sep 2016
Balance on 1 January	98 276	67 309
Charge for the period		
Continuing operations	8 614	55 908
Discontinuing operations	1	18
Reversals for the period		
Continuing operations	(1 352)	(24 048)
Discontinuing operations	(3)	(14)
Loans charged-off	(28 972)	(8 454)
Transfers associated to discontinuing operations	2	(4)
Balance on 30 September	76 566	90 715

Securities pledged as collateral recorded in Available for sale financial assets, are presented as follows:

- The market value of the assets pledged as collateral to the European Central Bank under liquidity providing operations amounts to Euro 3,637,694 million as at 30 September 2017 after hair cut (31 December 2016: Euro 3,524,496 million);
- The amount of securities pledged as collateral to the Portuguese Securities Market Commission under the Investors' Compensation Fund in the nominal amount of Euro 1,000 thousand as at 30 September 2017 and 31 December 2016;

- The amount of the EIB loan obtained is collateralized by securities of Portuguese and Greek states in the nominal amount of Euro 562,716 thousand (31 December 2016: 331,855 thousand), registered in the balance Available for sale financial assets; and

- Securities pledged as collateral to the Deposit Guarantee Fund in the nominal amount of Euro 23,000 thousand as at 30 September 2017 and 31 December 2016.

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 33 and 34.

25 Held-to-maturity investments

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Fixed income securities		
Bonds issued by Portuguese public entities	-	1 126 125

In the first half of 2017, the Group reclassified Portuguese public debt bonds from the portfolio of financial assets held-to-maturity to the portfolio of available-for-sale financial assets in the amount of Euro 800,059 thousand, whose market value was, at the date of transfer, of Euro 840,613 thousand, as referred in notes 7 and 24. The decision was part of the process of strengthening the Group's capital ratios, in accordance with the strategy defined by the Executive Board of Directors to respond to the challenges posed by the ECB's prudential requirements and involved the reclassification, on the date of decision, of all Portuguese public debt bonds recorded in the held-to-maturity securities portfolio. In accordance with IAS 39 financial instruments, CEMG will not classify assets in this category until the end of 2019.

As at 31 December 2016, the Group assessed the existence of objective evidence of impairment on its held-to-maturity investments portfolio and no events with impact on the recoverable amount of the future cash flows associated with those investments were identified.

The held-to-maturity investments, as at 31 December 2016, are analysed as follows:

(Thousands of Euro)

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

The held-to-maturity investments are recognised_in accordance with the accounting policy described in note 1 d).

During 2016, the Group did not transfer from or to this assets category.

As at 31 December 2016, the amount of loans obtained from EIB is collateralized by bonds of the Portuguese State at the nominal value of Euro 303,934 thousand, provided as collateral and recorded under the caption Investments held until maturity.

26 Investments in associated companies

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 317	3 344
Montepio - Gestão de Activos Imobiliários, ACE	698	698
Naviser – Transportes Marítimos Internacionais, S.A.	150	150
	4 165	4 192
Impairment for investments in associated companies	(150)	(150)
	4 015	4 042

The subsidiaries and associates included in the consolidation perimeter are presented in note 52.

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
30 September 2017						
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	38 874	21 744	17 130	7 357	1 242	3 317
Montepio - Gestão de Ativos Imobiliários, ACE	4 655	2 205	2 450	3 430	-	698
31 December 2016						
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	39 089	22 371	16 718	9 510	1 248	3 344
Montepio - Gestão de Ativos Imobiliários, ACE	3 734	1 284	2 450	4 927	-	698

(Thousands of Euro)

	Percentage held		Book value		Associated companies net profit	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016	Sep 2017	Dec 2016
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	20.00%	20.00%	3 317	3 344	248	250
Montepio - Gestão de Activos Imobiliários, ACE	28.50%	28.50%	698	698	-	-
Naviser - Transportes Marítimos Internacionais, S.A.	20.00%	20.00%	-	-	-	-

The movement for this balance is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Balance on 1 January	4 192	5 356
Disposals	-	(1 107)
Share of profit of associates	248	250
Other reserves and retained earnings	(275)	(307)
Balance on 30 September	4 165	4 192

Impairment movements for investments in associated and other companies are analysed as follows:

(Thousands of Euro)

	Sep 2017	Sep 2016
Balance on 1 January	150	1 448
Charge for the period associated to continuing operations	-	-
Charge-off	-	(1 107)
Balance on 30 September	150	341

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

27 Non-current assets held for sale

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Investments arising from recovered loans	904 610	908 615
Impairment for non-current assets held for sale	(151 861)	(148 411)
	752 749	760 204

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

The balance Investments arising from recovered loans includes the amount of Euro 1,993 thousand (31 December 2016: Euro 2,089 thousand) related with other non-current assets held for sale resulting from the foreclosure of loans to customers' contracts, which have an associated impairment in the amount of Euro 1,917 thousand (31 December 2016: Euro 1,939 thousand).

The foreclosure of loans to customers' contracts, is originated by (i) delivery of the assets, with option to repurchase or leasing, accounted with the celebration of the contract or the promise to deliver the asset and the respective irrevocable power of attorney issued by the customer on behalf 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 pro-solvency).

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 38,636 thousand (31 December 2016: Euro 13,347 thousand).

The movements, in the end of the first nine months of 2017 and during 2016, for non-current assets held for sale are analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Balance at the beginning of the period	908 615	892 163
Acquisitions	107 433	189 249
Disposals	(110 981)	(148 773)
Transfers related to discontinuing operations	-	(575)
Transfers	-	(23 102)
Other movements	(457)	(347)
Balance at the end of the period	904 610	908 615

The movement in impairment for non-current assets held for sale balance is analysed as follows:

(Thousands of Euro)

	Sep 2017	Sep 2016
Balance on 1 January	148 411	137 265
Charge for the period associated to continuing operations	13 381	24 086
Write-back for the period associated to continuing operations	(879)	(11 439)
Charge-off	(9 052)	(17 293)
Balance on 30 September	151 861	132 619

In addition to the impairment losses, in the first nine months of 2017, the Group recognised in profit or loss, gains on real estate arising from its disposal in the amount of Euro 3,270 thousand (30 June 2016: losses in the amount of Euro 5,429 thousand), as described in note 9.

28 Investment properties

The balance Investment properties considers the real estate properties owned by "Valor Prime – 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" and "Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto" which are fully consolidated, according to the accounting policy described in note 1 b) and the real estate held by Ssagincentive – Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A. The real estate properties are measured in accordance with the accounting policy described in note 1 q), based on independent evaluations performed by experts registered in CMVM and in compliance with legal requirements.

The amount of income received related to investment properties amounts to Euro 11,734 thousand (31 December 2016: Euro 15,469 thousand) and maintenance costs of leased and not leased properties amounts to Euro 7,346 thousand (31 December 2016: Euro 9,632 thousand).

The movements in this balance are analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Balance at the beginning of the period	607 968	692 485
Acquisitions	3 545	19 078
Revaluations	4 673	(44 996)
Disposals	(67 235)	(81 701)
Transfers	-	23 102
Balance at the end of the period	548 951	607 968

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

29 Property and equipment

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Investment		
Real estate		
For own use	218 292	219 194
Leasehold improvements in rented buildings	41 476	41 545
Equipment		
IT equipment	91 250	89 098
Interior installations	21 013	20 767
Furniture and materials	18 938	18 849
Transport equipment	7 328	2 007
Security equipment	1 619	7 242
Office equipment	2 678	2 677
Other equipment	5	5
Assets in financial lease	38	38
Assets in operational lease	380	534
Works of art	2 870	2 870
Other tangible assets	2 063	2 063
Work in progress	7 253	4 515
	415 203	411 404
Accumulated depreciation		
Charge for the period	8 044	11 727
Accumulated charge in previous periods	171 288	161 180
	179 332	172 907
Impairment for property and equipment	1 400	1 400
	234 471	237 097

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

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

30 Intangible assets

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Investment		
Software	102 272	97 546
Revaluation and consolidation differences (Goodwill)	-	9
Other intangible assets	1 421	1 645
Work in progress	8 912	5 921
	112 605	105 121
Accumulated depreciation		
Charge for the period	10 562	12 543
Accumulated charge in previous periods	70 140	57 597
	80 702	70 140
Impairment for intangible assets	-	(60)
	31 903	34 921

Following the application of IFRS 5 to the financial instruments held in the subsidiaries Finibanco Angola and Banco Terra, goodwill and associated impairment were reclassified to Non-current assets held for sale - Discontinued operations, as described in note 53.

These intangible assets do not have finite useful life, and as referred in the accounting policies, notes 1 b), 1 j) 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 may afect each subsidiary, the budgets and the latest projections approved by the Executive Board of Directors for those subsidiaries and their extrapolation to future periods. The assumptions made for these valuations may vary with the change in economic conditions and in the market.

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

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

The verification of the assumptions used and the evolution of macro-economic and market conditions may result in the change of these assumptions and, consequently, in the change of the recoverable amount calculated for the subsidiaries included in this analysis, as detailed in note 53.

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

(Thousands of Euro)

	Sep 2017	Sep 2016
Balance on 1 January	60	26 572
Charge for the period		
Continuing operations	-	-
Discontinuing operations	-	5 966
Charge-off	(60)	-
Transfers associated with discontinuing operations	-	-
Balance on 30 September	-	32 538

31 Taxes

Deferred tax assets and liabilities as at 30 September 2017 and 31 December 2016 are analysed as follows:

(Thousands of Euro)

	Assets		Liabilities		Net	
	Sep 2017	Dec 2016	Sep 2017	Dec 2016	Sep 2017	Dec 2016
Financial instruments	6 549	24 924	(15 182)	(12 666)	(8 633)	12 258
Provisions / Impairment						
Impairment on loans granted	223 809	230 526	-	-	223 809	230 526
Other risks and charges	8 264	6 594	-	-	8 264	6 594
Impairment on securities, non-financial assets	53 460	49 783	-	-	53 460	49 783
Benefits to employees	40 765	45 867	-	-	40 765	45 867
Other	1 509	2 210	(116)	(229)	1 393	1 981
Tax losses carried forward	170 409	174 707	-	-	170 409	174 707
Net deferred tax assets/ (liabilities)	504 765	534 611	(15 298)	(12 895)	489 467	521 716

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 11,276 thousand (31 December 2016: Euro 13,266 thousand) related to deferred taxes of actuarial losses recognised against reserves as a result of the change in the accounting policy. This balance also includes the amount of Euro 3,239 thousand (31 December 2016: Euro 3,410 thousand) related to deferred taxes associated with the expense generated with the transfer of liabilities with pensioners to the General Social Security System.

The negative equity variation due to the change in the accounting policy performed in 2011 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 30 September 2017, deferred taxes associated with Employee benefits include the amount of Euro 12,588 thousand (31 December 2016: 13,551 thousand) related with employee benefits in excess when compared with the existing limits.

The deferred tax rate is analysed as follows:

	Sep 2017	Dec 2016
Income tax [(a)]	21,0%	21,0%
Municipal surcharge rate	1,5%	1,5%
State surcharge rate	7,0%	7,0%
Total [(b)]	29,5%	29,5%

(a) - Applicable to deferred taxes related to tax losses;
(b) - Applicable to deferred taxes related to temporary differences.

Analysis of the recoverability of deferred tax assets

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

As referred in the accounting policy described in note 1 w), and in accordance with the requirements set in IAS 12, the deferred tax assets recognised in the Group's financial statements have a high expectation of recoverability. The evaluation of the recoverability of deferred tax assets is based on the latest exercise prepared for the Funding and Capital Plan for 2017-2019, at the opportunity, to the Bank of Portugal, assuming a pre-tax income growth assumption between 2019 and 2024.

Thus, the recoverability of deferred tax assets, in particular related to tax losses carried forward is based on the Group's forecasted financial statements, prepared under the Funding and Capital Plan mentioned above, which took into account the macroeconomic and competitive environment were the Group operates, as well as the strategic priorities defined in the strategic plan for 2016-2018.

The recovery of profitability, liquidity and capital levels recommended in the strategic plan is fundamentally based in the favorable impacts of:

(i) recovery of the core banking product: by increasing the net interest income provided by the monitoring of turnover and pricing, especially the costs of deposits, as well as by the increase in commissions, benefiting from the impact of the price list update that has been implemented;

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

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

(iv) strengthening of the institutional model.

Following this evaluation and as at 30 September 2017 and 31 December 2016, the Group recognised all the deferred tax assets and, therefore, there are no deferred tax assets to be recognised.

In addition, a sensitivity analysis was developed considering a scenario in which profit and loss before tax evolved at a rate lower than 10%, considering the projections mentioned above and no impact on deferred taxes was determined.

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

(Thousands of Euro)

Expire date	Sep 2017	Dec 2016
2022	46	-
2027	45 676	50 915
2028	124 687	123 792
	170 409	174 707

Main assumptions used

Due to the lack of tax rules related to the tax regime of specific credit impairment losses for 2017 and subsequent tax periods, it was considered the tax regime in force at 31 December 2016.

Tax recognised in the income statement and reserves during the first nine months of 2017 and during 2016 is analysed as follows:

(Thousands of Euro)

	Sep 2017			Dec 2016		
	Charged to net (loss)/income	Charged to reserves and retained earnings	Other movements from discontinuing operations	Charged to net (loss)/income	Charged to reserves and retained earnings	Other movements from discontinuing operations
Financial instruments	-	20 891	-	-	12 370	-
Provisions / Impairment	(1 370)	-	-	107 139	-	-
Benefits to employees	(3 112)	(1 990)	-	3 963	703	-
Other	(587)	-	(142)	768	-	(393)
Tax losses carried forward	(5 337)	1 039	(3 214)	(13 929)	12 321	(4 732)
Deferred tax charged to profit / (loss)	(10 406)	19 940	(3 356)	97 941	25 394	(5 125)
Current taxes	(7 548)	-	-	(1 697)	-	-
	(17 954)	19 940	(3 356)	96 244	25 394	(5 125)

The reconciliation of the effective tax rate, regarding the amount recognized in the income statement, is analysed as follows:

(Thousands of Euro)

	Sep 2017		Sep 2016	
	%	Value	%	Value
Profit before taxes		32 292		(153 031)
Income tax based on the current nominal tax rate	21,0	(6 781)	21,0	32 137
Impact of municipal and state surcharges	(10,8)	(3 501)	0,1	(113)
Extraordinary contribution for the banking sector	(7,6)	(2 465)	2,0	(3 035)
Autonomous taxation	(1,5)	(495)	0,6	(983)
Other	(7,7)	(2 499)	4,2	(6 412)
Deferred taxes not previously recognized		-	(0,0)	52
Previous periods adjustments	2,5	811	(0,5)	743
Impact on tax rate differences	(5,1)	(1 651)	(16,2)	24 846
Deductions for taxable profit purposes (*)	(4,2)	(1 372)	(25,0)	38 194
Income tax for the period	(55,6)	(17 954)	(54,8)	83 816

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

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

CEMG was object of Tax Authority inspections until and including the year of 2014. The inspection regarding the year 2015 is still ongoing.

32 Other assets

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Other debtors	102 858	172 390
Other accrued income	38 180	44 405
Recoverable subsidies from Portuguese Government	5 878	5 521
Prepayments and deferred costs	3 649	1 856
Sundry debtors	74 748	36 587
	225 313	260 759
Impairment for other assets	(37 063)	(37 848)
	188 250	222 911

As at 30 September 2017 and 31 December 2016, the balance Other debtors is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
SilverEquation	32 940	101 012
Supplementary capital contributions	14 910	14 910
Public entities	6 975	6 983
Others	48 033	49 485
	102 858	172 390

The balance SilverEquation includes the receivable amounts under an operation of sale of credits and property, performed in 2014, to SilverEquation. During the first nine months of 2017 it was received an amount of Euro 68,072 thousand. It is expected to receive the remaining amount in the fourth quarter of 2017 and 2019, in the amounts of Euro 2,674 thousand and Euro 30,266 thousand, respectively.

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

As at 30 September 2017, the balance Public Entities includes amounts receivable from public entities, mostly related with courts in the context of insolvency proceedings and lodge claims.

As at 30 September 2017, the balance Others includes the amount receivable of Euro 928 thousand under the operation of sale of credits performed in the first nine months of 2017, as described in note 22.

As at 30 September and 31 December 2016, the balance Others includes the amount receivable of Euro 7,569 thousand under the operation of sale of credits performed in the first nine months of 2016, as described in note 22.

As at 30 September 2017 and 31 December 2016, the balance Other receivable includes the amount of Euro 36,000 thousand, referring to receivables related with services rendered by CEMG to Montepio Geral Associação Mutualista, which was settled during October, 2017.

The balance Recoverable subsidies from the Portuguese Government corresponds to the subsidies of mortgage loans and PME's contracts, in accordance with the legal provisions applicable to low interest loans. These amounts do not bear interest and are claimed on a monthly basis.

As at 30 September 2017 and 31 December 2016, the balance Recoverable subsidies from the Portuguese Government is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Overdue subsidies unclaimed	3 336	3 262
Recoverable subsidies from the Portuguese Government unliquidated	2 440	2 206
Subsidies unclaimed	102	53
	5 878	5 521

As at 30 September 2017, the balance Sundry debtors includes the amount of Euro 36,080 thousand (31 December 2016: Euro 424 thousand), related to outstanding securities transactions.

As at 30 September 2017 and 31 December 2016, the balance Sundry debtors includes the earn-out of Visa Inc. (deferred cash: it shall be paid soon after the third year of the conclusion of the transaction), in the amount of Euro 704 thousand.

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

(Thousands of Euro)

	Sep 2017	Sep 2016
Balance on 1 January	37 848	29 536
Charge for the period associated to continuing operations	7 309	1 450
Write-back for the period		
Continuing operations	(5 070)	(909)
Charge-off	(3 024)	(50)
Transfers	-	400
Saldo em 30 de setembro	37 063	30 427

33 Deposits from central banks

As at 30 September 2017 and 31 December 2016, this balance is related to deposits obtained with the European System of Central Banks, which are pledged by securities from the available for sale portfolio, as described in note 24.

34 Deposits from other financial institutions

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2017			Dec 2016		
	Not-interest bearing	Interest bearing	Total	Not-interest bearing	Interest bearing	Total
Deposits from credit institutions in Portugal						
Deposits repayable on demand	2 311	-	2 311	10 304	-	10 304
Term deposits	-	28 520	28 520	-	26 521	26 521
OIC's loans	-	16	16	-	25	25
Other deposits	-	-	-	-	416	416
	2 311	28 536	30 847	10 304	26 962	37 266
Deposits from credit institutions abroad						
BEI loan	-	460 483	460 483	-	460 471	460 471
Deposits repayable on demand	12 785	-	12 785	80 785	-	80 785
Term deposits	-	8 990	8 990	-	4 672	4 672
Sales operations with repurchase agreement	-	1 167 574	1 167 574	-	1 625 776	1 625 776
CSA's	1 550	-	1 550	4 340	-	4 340
Repos	-	6 895	6 895	-	5 917	5 917
Other deposits	2 230	-	2 230	2 905	53 805	56 710
	16 565	1 643 942	1 660 507	88 030	2 150 641	2 238 671
Adjustments arising from fair value option operations	-	-	-	3	-	3
	18 876	1 672 478	1 691 354	98 337	2 177 603	2 275 940

As part of derivative financial instruments operations with institutional counterparties, according to the signed contracts, CSA's has on 30 September 2017 the amount of Euro 1,550 thousand (31 December 2016: Euro 4,340 thousand) deposits from other credit institutions received as collateral for these operations.

The resources obtained under the CSA with international financial institutions are remunerated at the Eonia rate, which, since the rates have presented negative values, have not been remunerated.

The balance Deposits from credit institutions abroad – Other deposits includes emissions at fair value according to internal valuation methodologies, considering mainly market's observed data, in the amount of Euro 53,818 thousand at 31 December 2016. So, in accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are categorized in Level 2. Financial liabilities included in this balance are revaluated against results, according with the accounting policy described in note 1 d).

The amount of the EIB loan is collateralised by Portuguese and Greek states securities in the amount of Euro 567,716 thousand (31 December 2016: Euro 638,289 thousand), registered in the balance Financial assets held for trading, Financial assets available for sale and Investments held until maturity, as described in notes 23, 24 and 25, respectively.

The adjustment in fair value, as at 31 December 2016, amounts to Euro 3 thousand. Financial liabilities included in this balance are revaluated against results, according with the accounting policy described in note 1 d). At 30 September 2017, it was recognised a gain in the amount of Euro 3 thousand (31 December 2016: gain in the amount of Euro 518 thousand), related with changes in fair value, as referred in notes 6 and 23.

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

35 Deposits from customers

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2017			Dec 2016		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	3 313 964	77 955	3 391 919	3 144 799	137 699	3 282 498
Term deposits	-	8 333 033	8 333 033	-	8 751 841	8 751 841
Saving accounts	-	113 359	113 359	-	113 823	113 823
Other resources	40 596	-	40 596	19 735	299 910	319 645
Adjustments arising from fair value option operations	39	-	39	12	-	12
	3 354 599	8 524 347	11 878 946	3 164 546	9 303 273	12 467 819

In the terms of Ordinance no. 180/94, of 15 December, the Deposit Guarantee Fund was established to guarantee, within certain conditions, the reimbursement of funds deposited in credit institutions authorised to receive deposits. The criteria to calculate the annual contributions to the referred fund are defined by Regulation no. 11/94 of Bank of Portugal, from 29 December.

As at 30 September 2017, the caption Term deposits includes deposits at fair value through profit or loss, measured in accordance with internal evaluation techniques considering, mainly, observable market inputs, in the amount of Euro 15,718 thousand (31 December 2016: Euro 15,631 thousand). 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 are revalued against income statement, as referred in the accounting policy presented in note 1 d), having recognized as at 30 September 2017, a loss in the amount of Euro 27 thousand (31 December 2016: a loss of Euro 4 thousand), regarding the fair value variations resulting from the Group’s credit risk, as described in notes 6 and 23.

36 Debt securities issued

This balance Debt securities issue is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Bonds	506 200	1040 534
Covered bonds	-	265 028
Securitizations	525 713	574 560
Euro Medium Term Notes (EMTN)	-	39 913
	1031 913	1920 035

The balance Debt securities issued includes issues at fair value through profit or loss in the amount of Euro 27,078 thousand (31 December 2016: Euro 67,237 thousand), according with internal valuation techniques and considering, mainly, observable market data. According with the hierarchy of the valuation 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 30 September 2017, a loss of

Euro 126 thousand (31 December 2016: a loss of Euro 1,716 thousand) was recognized regarding the fair value variations resulting from the Group's credit risk, as described in notes 6 and 23.

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousand, the Group presents live emissions amounting to Euro 2,300,000 thousand at nominal value.

As at 30 September 2017, 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 - 5S	500 000	500 124	December 2015	December 2020	quarterly	Euribor 3M + 0,80%	A3/A/A
Covered bonds - 6S	300 000	300 205	November 2016	November 2023	quarterly	Euribor 3M + 0,80%	A3/A/A
Covered bonds - 7S	500 000	500 070	December 2016	December 2022	quarterly	Euribor 3M + 0,75%	A3/A/A
Covered bonds - 8S	500 000	500 095	December 2016	December 2026	quarterly	Euribor 3M + 0,90%	A3/A/A
Covered bonds - 9S	500 000	500 282	May 2017	May 2024	quarterly	Euribor 3M + 0,85%	A3/A/A
	2 300 000	2 300 776					

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

(Thousands of Euro)

Description	Nominal value	Nominal value	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody's/Fitch/Dbrs)
Covered bonds - 4S	500 000	265 028	500 053	May 2013	May 2017	monthly	Euribor 1M + 0,75%	A3/A/A
Covered bonds - 5S	500 000	-	500 148	December 2015	December 2020	quarterly	Euribor 3M + 0,80%	A3/A/A
Covered bonds - 6S	300 000	-	300 211	November 2016	November 2023	quarterly	Euribor 3M + 0,80%	A3/A/A
Covered bonds - 7S	500 000	-	500 090	December 2016	December 2022	quarterly	Euribor 3M + 0,75%	A3/A/A
Covered bonds - 8S	500 000	-	500 122	December 2016	December 2026	quarterly	Euribor 3M + 0,90%	A3/A/A
	2 300 000	265 028	2 300 624					

The operations carried out by the Group under the Issuance of Covered Bonds CEMG Programme, during the first nine months of 2017, are presented as follows:

- May 2017: Euro 500,000 thousand Issue, within 7 years, at an interest rate of Euribor 3M plus 0.85%;
- May 2017: Euro 500,000 thousand reimbursement;
- December 2016: Euro 500,000 thousand Issue, within 6 years, at an interest rate of Euribor 3M plus 0.75%;
- December 2016: Euro 500,000 thousand Issue, within 10 years, interest rate of Euribor 3M plus 0.90%;
- December 2016: Euro 1,000,000 thousand reimbursement;
- November 2016: 300,000 thousand Issue, within 7 years, interest rate of Euribor 3M plus 0.80%;

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.

The legal and regulatory framework of these bonds is set up in Decree-Law No. 59/2006, Regulations of Bank of Portugal No. 5/2006 from 20 March, No. 6/2006 from 11 October, No. 7/2006 from 11 October, No. 8/2006 from 11 October and Instruction of Bank of Portugal No. 13/2006 from 15 November.

At 30 September 2017, the amount of credits that collateralize these issues amounts to Euro 2,727,456 thousand (31 December 2016: Euro 2,725,631 thousand), as referred in note 22.

The movements in debt securities issued during period ended at 30 September 2017 is analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Issue	Repayments	Net purchases	Other movements (a)	Balance on 30 September
Bonds	1 040 534	-	(139 500)	(384 414)	(10 420)	506 200
Covered bonds	265 028	500 000	(265 000)	(500 000)	(28)	-
Securitizations	574 560	-	(48 847)	-	-	525 713
Euro Medium Term Notes (EMTN)	39 913	-	(39 750)	-	(163)	-
	1 920 035	500 000	(493 097)	(884 414)	(10 611)	1 031 913

(a) Include the accrued interest, adjustments arising from fair value option and exchange variation.

The movements in debt securities issued during the period of 2016 is analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Issue	Repayments	Net purchases	Other movements (a)	Balance on 31 December
Bonds	1 340 138	-	(114 898)	(175 112)	(9 594)	1 040 534
Covered bonds	520 113	1 300 000	(1 000 000)	(620 000)	64 915	265 028
Securitizations	430 293	-	(87 380)	231 647	-	574 560
Euro Medium Term Notes (EMTN)	61 138	-	-	(23 000)	1 775	39 913
Commercial Paper	2 520	-	(2 520)	-	-	-
	2 354 202	1 300 000	(1 204 798)	(586 465)	57 096	1 920 035

(a) Include the issuance of 65,000 thousand Euro, accrued interest movements on the balance sheet, adjustments arising from fair value option operations and exchange variation.

As at 30 September 2017, the Group reimbursed securities in the amount of Euro 493,097 thousand (31 December 2016: Euro 1,204,798 thousand).

As at 30 September 2017, the Group issued the 9th series of covered bonds with a nominal value of Euro 500,000 thousand and reimbursed the 4th series with a nominal value of Euro 500,000 thousand.

During 2016, the Group issued three series of covered bonds: 6th (Euro 300,000 thousand), 7th (Euro 500,000 thousand) and 8th (Euro 500,000 thousand). These bonds have a global nominal value of Euro 1,300,000 thousand. The Group also reimbursed the 2nd series with a nominal value of Euro 1,000,000 thousand.

As at 31 December 2016, the Group sold covered bonds in the amount of Euro 65,000 thousand – 4th series.

In accordance with the accounting policy described in note 1 d), debt issued repurchased by the Group is withdrawn from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement. Following the purchases made in the first nine months of 2016, the Group recognised a gain of Euro 701 thousand, as described in note 10.

As at 30 September 2017, bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 2.95% and 7.48% (31 December 2016: 0.38% and 13.61%).

37 Provisions

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Provisions for guarantees and commitments	16 641	13 857
Provisions for other liabilities and charges	14 350	7 963
	30 991	21 820

The movement in Provisions for guarantees and commitments made in the first nine months of 2017 and 2016 is analysed as follows:

(Thousands of Euro)

	Sep 2017	Sep 2016
Balance on 1 January	13 857	252
Charge for the period		
Continuing operations	13 331	5 819
Discontinuing operations	383	1 219
Write-back for the period		
Continuing operations	(10 547)	(17 149)
Discontinuing operations	(178)	(584)
Transfers	-	22 337
Transfers associated to discontinuing operations	(205)	(872)
Balance on 30 September	16 641	11 022

The movements in Provisions for other risks and charges are analysed as follows:

(Thousands of Euro)

	Sep 2017	Sep 2016
Balance on 1 January	7 963	16 335
Charge for the period		
Continuing operations	11 866	15 607
Discontinuing operations	-	667
Write-back for the period		
Continuing operations	(1 647)	(20 317)
Discontinuing operations	(142)	(268)
Charge-off	(3 832)	(8 559)
Transfers	-	(648)
Transfers associated to discontinuing operations	142	-
Balance on 30 September	14 350	2 817

These provisions are calculated and recorded 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 of loss.

38 Other subordinated debt

As at 30 September 2017, the main characteristics of Other subordinated debt, are analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Issue amount	Interest rate	Book value
CEMG/08 1st series	Feb 2008	Feb 2018	150 000	Euribor 6 months+1,5%	110 973
CEMG/08 2nd series	Jul 2008	Jul 2018	150 000	Euribor 6 months+1,5%	112 817
CEMG/08 3rd series	Jun 2008	Jun 2018	28 000	Euribor 12 months+1,5%	4 185
FNB 08/18 1st/2nd series	Dec 2008	Dec 2018	10 363	Euribor 6 months+0,15% (i)	7 532
Finicrédito subordinated debt	Nov 2007	Nov 2017	17 902	Base rate+0,90% (barrier level)	15 691
					251 198
				Adjustments arising from hedging operations	(30)
					251 168

As at 31 December 2016, the main characteristics of Other subordinated debt, are analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Issue amount	Interest rate	Book value
CEMG/08 1st series	Feb 2008	Feb 2018	150 000	Euribor 6 months+1,5%	111 348
CEMG/08 2nd series	Jul 2008	Jul 2018	150 000	Euribor 6 months+1,5%	113 216
CEMG/08 3rd series	Jun 2008	Jun 2018	28 000	Euribor 12 months+1,5%	4 202
FNB 08/18 1st/2nd series	Dec 2008	Dec 2018	10 363	Euribor 6 months+0,15% (i)	7 504
Finicrédito subordinated debt	Nov 2007	Nov 2017	17 902	Base rate+0,90% (barrier level)	15 814
					252 084
				Adjustments arising from hedging operations	(1 056)
					251 028

(i) - Remuneration paid semi-annually with the first fixed coupon:

Coupon	Interest rate/range
1st coupon	6,50% (annual rate)
between 2nd and 10th coupon	Euribor 6M + 1,50% (annual rate)
11th and following	Euribor 6M + 1,75% (annual rate)

During the nine-month period ended at 30 September 2017 and 31 December 2016, the movement occurred in the balance Other subordinated debt was as follows:

(Thousands of Euro)

	Balance on 1 January 2017	Reimbursements	Net purchases	Other movements (a)	Balance on 31 September 2017
CEMG/08 1st series	111 348	-	-	(375)	110 973
CEMG/08 2nd series	113 216	-	-	(399)	112 817
CEMG/08 3rd series	4 202	-	-	(17)	4 185
FNB 08/18 1st/2nd series	7 504	-	-	28	7 532
Finicrédito subordinated debt	15 814	-	-	(123)	15 691
	252 084	-	-	(886)	251 198

(a) Include the accrued interest in the balance sheet.

(Thousands of Euro)

	Balance on 1 January 2016	Reimbursements	Net purchases	Other movements (a)	Balance on 31 December 2016
CEMG/06	26 148	(26 100)	-	(48)	-
CEMG/08 1st series	121 232	-	(9 740)	(144)	111 348
CEMG/08 2nd series	120 894	-	(7 507)	(171)	113 216
CEMG/08 3rd series	18 177	-	(13 808)	(167)	4 202
FNB 08/18 1st/2nd series	9 589	-	(2 042)	(43)	7 504
FNB Grandes empresas 07/16_ 1st series	4 753	(4 670)	-	(83)	-
FNB Grandes empresas 07/16 2nd/3rd	18 922	(18 554)	-	(368)	-
Finicrédito subordinated debt	15 684	-	-	130	15 814
	335 399	(49 324)	(33 097)	(894)	252 084

(a) Include the accrued interest in the balance sheet.

The financial assets included in this balance were revaluated through the income statement in accordance with the accounting policy described in note 1 d). As at 30 September 2017 was recognised a negative amount of Euro 1,026 thousand (31 December 2016: negative amount of Euro 1,304 thousand) related with the variations in fair value associated with the Group's credit risk, as described in notes 6 and 23.

As at 30 September 2017, the subordinated debt bears postponed interest every three and six months and its effective interest rate range is set between 1.23% and 1.49% (31 December 2016: 1.31% and 1.53%).

39 Other liabilities

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Creditors		
Suppliers	5 949	10 681
Other creditors	75 417	74 933
Administrative public sector	11 264	13 080
Holiday pay and subsidies	29 921	27 881
Other administrative costs payable	24 484	16 190
Deferred income	5 166	6 061
Other sundry liabilities	132 425	98 202
	284 626	247 028

As at 30 September 2017, the balance Holiday pay and subsidies includes the amount of Euro 127 thousand (31 December 2016: Euro 7,127 thousand), related with seniority bonus. Additionally, at 30 September 2017, this balance also includes the amount of Euro 29,794 thousand (31 December 2016: Euro 20,754 thousand), related to holidays and holiday subsidies.

As at 30 September 2017, the balance Other sundry liabilities includes the amount of Euro 9,721 thousand (31 December 2016: Euro 13,300 thousand), related with net liabilities recognised in the balance sheet, which represent the difference between the costs with pensions, health benefits and death subsidy and the assets.

As at 30 September 2017, the balance Other sundry liabilities also includes the amount of Euro 28,027 thousand (31 December 2016: Euro 3,068 thousand), referring to securities transactions to be settled.

40 Share capital

CEMG's share capital, which is fully paid, amounts to Euro 2,420,000 thousand (31 December 2016: Euro 1,770,000 thousand), 99.75% belonging to Montepio Geral Associação Mutualista.

As at 14 September 2017, CEMG was transformed into a public limited company with CEMG's Participation Fund, in the amount of Euro 400,000 thousand, becoming extinct, by conversion into share capital and its participation units were converted into common shares.

At 30 June 2017, the Group performed a capital increase subscribed by Montepio Geral Associação Mutualista, 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 250,000 thousand, as described in note 54.

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 thousand, as described in note 54.

41 Participation fund

As at 14 September 2017, the deed of the bylaws was executed, transforming Caixa Económica Montepio Geral into a public limited company. As a result of this transformation, CEMG's Participation Fund became extinct by conversion into share capital, and therefore its participation units were also converted into common shares.

As at 31 December 2016, CEMG's participation fund has a total nominal value of Euro 400,000 thousand, with the nominal unitary value of Euro 1 and which are, regarding the form of representation, registered and issued exclusively in nominative form.

As a consequence of the Executive Board of Directors decision on 29 April 2015, the resolution of the General Assembly on 30 April 2015 and the resolution of the Assembly of the Participation Units holders of CEMG Participation Funds, where was considered the withdrawal of the preference right attributed to the participation units holders of the CEMG Participation Fund held in 5 June 2015, at 26 June 2015 the entity issued representative units of CEMG Participation Fund, with a total nominative value of Euro 200,000 thousand, in cash, through a private offer, fully subscribed by Montepio Geral Associação Mutualista.

These securities are tradable instruments, according to paragraph g) of article no. 1 of Portuguese Securities Code ("Código dos Valores Mobiliários"), as they are other representative documents of homogeneous jurisdictional facts (namely the right of dividends and the right to receive the liquidation result of Caixa Económica Montepio Geral, after all debt holders are reimbursed, including the other subordinated debtors), with the possibility of being traded on the market.

Under the statutory rules of Caixa Económica Montepio Geral, theses securities do not grant the right to attend the General Shareholders Meeting or the management and the economic rights associated to the ownership of the securities includes: (i) the right to receive an annual payment when, existing sufficient results to distribute, the General Shareholders Meeting decided in that way, under a proposal of the Executive Board of Directors, (ii) the right to the reimbursement of the nominal amount only on liquidation of Caixa Económica Montepio Geral and after all debt holders are reimbursed, including the other subordinated debtors, and (iii) in case of partial reimbursement of these securities, subject to the approval of Bank of Portugal. The right to information to the owners of these securities is made through a common representative elected in General Shareholders Meeting of owner of these securities, where the owners of these securities will not have direct access to the economic and financial information of Caixa Económica Montepio Geral.

These securities are eligible for solvency purposes as Common Equity Tier 1. Under IAS 32 – Financial Instruments, 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.

As at 31 December 2016, the units in CEMG´s participation fund held by related parties are presented as follows:

	Sep 2017		Dec 2016	
	Number of Investment Fund Units held	Percentage	Number of Investment Fund Units held	Percentage
Related parties				
Montepio Geral Associação Mutualista	-	-	284 113 190	71,03%

42 Other equity instruments

This caption includes the issuance of Euro 15,000 thousand occurred in the first quarter of 2010 of Perpetual Subordinated Securities Interest conditioners made by Montepio Investimento, S.A. (previously designated as Finibanco, S.A.) and in connection with the acquisition of Montepio Holding, S.G.P.S., S.A. (previously designated as Finibanco Holding, S.G.P.S., S.A.), and its subsidiaries, was integrated in CEMG equity, as described in note 1 a).

In case of purchase of subordinated perpetual securities, they are canceled from equity and the difference between the purchase value and its book value is recognized in equity.

As at 30 September 2017 and 31 December 2016, the Group repurchased perpetual subordinated instruments in the amount of Euro 8,675 thousand. After this operation, the balance Other equity instruments amounts to Euro 6,323 thousand.

Payment

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

During the first nine months of 2017, the Group proceeded to the interest payment for this emission in the amount of Euro 321 thousand (31 December 2016: Euro 370 thousand).

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).

As at 30 September 2017 and 31 December 2016, these obligations are not seen as a positive element of the Group's Equity.

43 Treasury stock

As at 13 September 2017, the Group sold 80,918 participation units, under the general and voluntary public offering for the acquisition of participation units representing MGAM's Participation Fund.

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

As at 31 December 2016, the Group owned 80,918 units with an average unit cost of Euro 0.782 and a nominal value of Euro 81 thousand.

These units are owned by Montepio Investimento, S.A. under the established limits in CEMG Articles of Association and by the Commercial Companies Code.

44 General and special reserve

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

Under the Portuguese regulations and under the CEMG Articles of Association, the general reserve should be charged, annually, at least, in a minimum of 20% of the profit for the year. The limit of general reserve is 25% of total deposits. This reserve is not available for distribution and it can be used to improve income performances or to increase capital.

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

The variation of the general and special reserves balance is analysed in note 45.

45 Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Fair value reserves		
Fair value reserve		
Available for sale financial assets	39 881	(21 596)
Loans and advances to customers	2 244	2 477
	42 125	(19 119)
Taxes		
Available for sale financial assets	(7 971)	12 989
Loans and advances to customers	(661)	(730)
	(8 632)	12 259
Fair value reserve net of taxes	33 493	(6 860)
Other reserves and retained earnings		
General reserve	187 532	187 532
Special reserve	68 273	68 273
Deferred tax reserve	54 575	55 526
Consolidation exchange reserve	(42 954)	(43 694)
Other reserves and retained earnings	(1008 518)	(917 238)
	(741 092)	(649 601)

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

The balance Loans to customers refers to the amount, of the fair value reserve, regarding the credit portfolio reclassified from Available for sale financial assets to Loans to customers, as described in note 24.

The fair value reserves on financial assets available-for-sale, are detailed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Amortized cost of available-for-sale financial assets	2 561 715	2 519 376
Accumulated impairmente recognised	(76 566)	(98 276)
Amortized cost of available-for-sale financial assets, net of impairment	2 485 149	2 421 100
Market value of available-for-sale financial assets	2 525 034	2 399 504
Unrealized gains/ (losses) recognised in the fair value reserve	39 885	(21 596)

46 Distribution of profit

In the first nine months of 2017 and during 2016, CEMG did not distributed profits.

47 Non-controlling interests

This balance is analysed as follows:

(Thousands of Euro)

	Statement of Financial Position		Income Statement	
	Sep 2017	Dec 2016	Sep 2017	Sep 2016
Finibanco Angola, S.A.	12 867	12 121	1 808	1 725
Banco Terra, S.A.	11 578	11 080	77	78
	24 445	23 201	1 885	1 803

The movements of this balance are analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Opening balance	23 201	28 669
Exchange differences	338	(7 982)
Other reserves	(1 068)	485
Changes in the consolidation perimeter	89	-
	22 560	21 172
Net income attributable to non-controlling interests	1 885	2 029
Closing balance	24 445	23 201

			Percentage held by non-controlling interests	
Name	Headquarters	Segment	Sep 2017	Dec 2016
Finibanco Angola, S.A.	Luanda	Banca	18.65%	18.43%
Banco Terra, S.A.	Maputo	Banca	54.22%	54.22%

The summary of the financial information for the Institutions mentioned above, prepared in accordance with the IFRS, is disclosed in note 53.

In accordance with IFRS 5, these entities are classified as to be discontinued.

48 Obligations and other commitments

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Guarantees granted	498 557	491 501
Commitments to third parties	1 270 196	1 272 659
Deposit and custody of securities	8 659 262	6 893 858
	10 428 015	8 658 018

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

(Thousands of Euro)

	Sep 2017	Dec 2016
Guarantees granted		
Guarantees	443 308	432 259
Open documentary credits	54 820	58 813
Guarantees and indemnities (counter)	429	429
	498 557	491 501
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	582 691	488 069
Annual contribution to the Guarantee Deposit Fund	22 768	22 768
Potential obligation with the Investor's Indemnity System	1 499	1 592
Revocable commitments		
Revocable credit lines	663 238	760 230
	1 270 196	1 272 659

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

The balances Guarantees granted and Commitments to third parties - Irrevocable commitments – irrevocable credit lines include Euro 55,631 thousand (31 December 2016: Euro 63,655 thousand) regarding Finibanco Angola, S.A. and Banco Terra, S.A.

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

Revocable and irrevocable commitments represent contractual agreements to extend credit to the Group's customers (for example unused credit lines). These agreements are generally, contracted for fixed periods of time or with other expiring requirements, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time 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 30 September 2017 and 31 December 2016, the balance Annual contribution to the obligations of the Guarantee Deposits Fund is related with the irrevocable commitment assumed by the Group and required by law, to deliver the unrealised amounts of annual contributions required by the Fund.

As at 30 September 2017 and 31 December 2016, under the Deposit Guarantee Fund, the Group granted as pledge treasury bonds (OT 4.35% 07/2017), recorded as financial assets available for sale, with a nominal value of Euro 23,000 thousand, as described in note 24.

As at 30 September 2017 and 31 December 2016, 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.

49 Assets under management

In accordance with the legislation in force, the fund management companies and the depositary bank are jointly liable before the participants of the funds for the non-fulfilment of the obligations assumed under the terms of the Law and the management regulations of the funds.

As at 30 September 2017 and 31 December 2016, the amount of the investment funds managed by Group companies is analysed as follows:

(Thousands of Euro)

	Sep 2017	Dec 2016
Securities investment fund	171 455	177 402
Real estate investment fund	293 984	294 436
Pension Fund	210 578	205 839
Bank and insurance	29 398	45 415
	705 415	723 092

The amounts recognised in these accounts are measured at fair value determined at the balance sheet date.

50 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 private clients, companies and institutions, with emphasis on the domestic market.

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

As at 30 September 2017, the Group had a network of 325 branches in Portugal and a local bank in Cabo Verde, one financial institution in Angola with 23 branches and one financial institution in Mozambique with 10 branches.

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 also connected.

Despite the fact that the Group has its activity in Portugal, geographically, the international activity of the Group is developed by: (i) Finibanco Angola, S.A. and (ii) Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, SA and (iii) Banco Terra S.A.. Through geographical criteria, the activity and results generated in Portugal (Domestic Area), from Cabo Verde, Angola and Mozambique (International Area) can be separated.

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 these segment includes, among other products and related services such as mortgage loans, consumer credit, financing the clients' activity, deposits repayable on demand and term deposits, retirement plans and other insurance products to private customers, commissions over account management and electronic payments, the investment funds cross-selling and brokerage and custodian services.

In Angola, Mozambique and Cabo Verde the Group is represented by local financial institutions which offers a wide range of products and financial services to private customers and companies.

Corporate and Institutional

This segment includes the activity developed with small, medium and big companies, through offices network and commercial structure dedicated to this segment. It also includes the institutional clients business, mostly from the financial sector and public administration. Among the products and services provided it is emphasized the ones related with cash and investments loans, commercial discount, leasing, factoring, renting, foreign operations, documentaries loans, checks, deposits, received or paid services, credit and debit cards, as well as custodian services.

The Corporate and Institutional Banking business includes the Companies in Portugal segment which operates in the cross-selling Group's strategy, as a distribution channel of products and services from other companies of the Group.

Other segments

This segment includes all the activity developed supporting the main activities that are the core business of the two segments mentioned above, highlighting the Group's global financial management activity, the investments in instruments of capital markets (stocks and bonds), be them integrated in the negotiation portfolio, of fair value through profit and loss, available for sale or held to maturity. In this segment it is also included the impacts of the strategic decisions, the investments in minority financial participations, the activity related to interest and exchange rate risk management, management of short and long positions of financial investments which favorites 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 the 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 centers. Additionally, considering the characteristics of the business developed by these units, their assets, liabilities, equity, income and expenses are included in the respective operating segments.

Group structures dedicated to the segment

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

To prepare the financial information, the following criteria 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 calculation of the initial net interest income is performed considering the direct business volume and the interest rates for transactions negotiated with customers for each product/segment;

(iii) The calculation of the final net interest income considers the impact of each product/segment assets and liabilities transfer to a pool, before its balancing and interest adjustment, using the market interest rates at each moment, namely, Euribor for the different dates;

(iv) The allocation of direct costs from the respective structures dedicated to each segment;

(v) The allocation of indirect costs (central support and IT services), according to criteria previously defined;

(vi) The allocation of credit risk is performed in accordance with the impairment model used by the Group.

The transactions between the independent and autonomous units of the Group are made at market prices. The price of the services performed between each segment, 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 transactions are allocated to the segments in accordance with predefined criteria.

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

Interest and similar income/expense

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

Consolidated Investments under the Equity Method

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

Non-current assets

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

Post Employment Benefits

The factors that influence the amount of responsibilities and the amount of the funds' assets correspond, mainly, to variables external to the management of each segment; it is the Group policy not to include these factors on the performance evaluation of the operating segments, which activities relate to customers.

Domestic and International Areas

In the disclosure of financial information by geographical areas, the operating units that integrate the International Area are: (i) Finibanco Angola S.A., (ii) Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. and (iii) Banco Terra, S.A.

The patrimonial and financial elements related to the international area are presented in the financial statements of those units with the respective consolidation and elimination adjustments.

The report by operating segments as at 30 September 2017, is presented as follows:

(Thousands of Euro)

Income Statement	Retail	Corporate and Institutional	Other segments: Markets	Other segments: Non core assets (Real estate)	Other segments: Discontinuing operations	Other segments: Other operating segments	Total
Interest and similar income	174 301	79 096	84 547	22 304	-	7 000	**367 248**
Interest and similar expense	56 132	5 966	88 991	5 695	-	8 389	**165 173**
Net interest income	**118 169**	**73 130**	**(4 444)**	**16 609**	**-**	**(1 389)**	**202 075**
Dividends from equity instruments	-	-	10 211	-	-	-	**10 211**
Net fees and commissions income	73 091	17 443	-	-	-	(6 672)	**83 862**
Net gains/ (losses) arising from financial assets and labilities at fair value through profit or loss	-	-	5 835	-	-	-	**5 835**
Net gains/ (losses) arising from available for sale financial assets	-	-	59 476	-	-	-	**59 476**
Net gains/ (losses) arising from foreign exchange differences	-	-	1 361	-	-	-	**1 361**
Net gains/ (losses) arising from sale of other financial assets	-	-	14 375	6 053	-	652	**21 080**
Other operating income	6 850	734	(2 580)	224	-	(9 116)	**(3 888)**
Total operating income	**198 110**	**91 307**	**84 234**	**22 886**	**-**	**(16 525)**	**380 012**
Staff costs	80 071	16 230	4 263	9 874	-	16 188	**126 626**
General and administrative expenses	32 144	5 094	1 522	16 606	-	6 172	**61 538**
Depreciation and amortisation	-	-	-	-	-	18 606	**18 606**
	112 215	**21 324**	**5 785**	**26 480**	**-**	**40 966**	**206 770**
Total provisions and impairment	10 890	9 867	7 262	97 937	-	15 242	**141 198**
Total operating profit	**75 005**	**60 116**	**71 187**	**(101 531)**	**-**	**(72 733)**	**32 044**
Share of profits of associates under the equity method	**-**	**-**	**-**	**-**	**-**	**248**	**248**
Income before taxes and non-controlling interests	**75 005**	**60 116**	**71 187**	**(101 531)**	**-**	**(72 485)**	**32 292**
Current and deferred taxes	**(22 127)**	**(17 734)**	**(21 000)**	**29 952**	**-**	**12 955**	**(17 954)**
Net gains/ (losses) arising from continuing operations	**52 878**	**42 382**	**50 187**	**(71 579)**	**-**	**(59 530)**	**14 338**
Net gains/ (losses) arising from discontinuing operations	**-**	**-**	**-**	**-**	**7 917**	**-**	**7 917**
Consolidated net gains/ (losses) after taxes	**52 878**	**42 382**	**50 187**	**(71 579)**	**7 917**	**(59 530)**	**22 255**
Non-controlling interests	**-**	**-**	**-**	**-**	**1 885**	**-**	**1 885**
Consolidated net profit for the period attributable to the holders of share capital	**52 878**	**42 382**	**50 187**	**(71 579)**	**6 032**	**(59 530)**	**20 370**
Net assets	9 244 809	2 865 040	2 581 831	3 263 266	445 636	1 109 881	**19 510 463**
Liabilities	10 249 738	1 629 208	1 303 518	-	318 624	4 245 836	**17 746 924**
Investment in associates	-	-	4 015	-	-	-	**4 015**

Other segments - Discontinuing Operations includes the contribution of the subsidiaries Finibanco Angola, S.A. and Banco Terra, S.A., whose impact on the several balances of the Income Statement is disclosed in note 53.

The report by operating segments as at 30 September 2016, is presented as follows:

(Thousands of Euro)

Income Statement	Retail	Corporate and Institutional	Other segments: Markets	Other segments: Non core assets (Real estate)	Other segments: Discontinuing operations	Other segments: Other operating segments	Total
Interest and similar income	195 268	74 446	96 814	7 585	-	19 059	**393 172**
Interest and similar expense	95 183	4 204	97 054	-	-	18 414	**214 855**
Net interest income	**100 085**	**70 242**	**(240)**	**7 585**	**-**	**645**	**178 317**
Dividends from equity instruments	-	-	3 879	-	-	-	**3 879**
Net fees and commissions income	68 032	17 962	-	-	-	(15 697)	**70 297**
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss	-	-	(27 582)	-	-	-	**(27 582)**
Net gains/ (losses) arising from available for sale financial assets	-	-	40 861	-	-	-	**40 861**
Net gains/ (losses) arising from foreign exchange differences	-	-	2 069	-	-	-	**2 069**
Net gains/ (losses) arising from sale of other financial assets	-	-	1 490	10 860	-	397	**12 747**
Other operating income	8 388	873	(834)	(30 485)	-	(12 386)	**(34 444)**
Total operating income	**176 505**	**89 077**	**19 643**	**(12 040)**	**-**	**(27 041)**	**246 144**
Staff costs	93 197	21 332	9 358	14 380	-	30 044	**168 311**
General and administrative expenses	41 395	5 792	1 519	18 752	-	(3 296)	**64 162**
Depreciation and amortisation	-	-	-	-	-	18 417	**18 417**
	134 592	**27 124**	**10 877**	**33 132**	**-**	**45 165**	**250 890**
Total provisions and impairment	10 080	21 683	31 860	100 435	-	(15 499)	**148 559**
Total operating profit	**31 833**	**40 270**	**(23 094)**	**(145 607)**	**-**	**(56 707)**	**(153 305)**
Share of profits of associates under the equity method	**-**	**-**	**-**	**-**	**-**	**274**	**274**
Income before taxes and non-controlling interests	**31 833**	**40 270**	**(23 094)**	**(145 607)**	**-**	**(56 433)**	**(153 031)**
Current and deferred taxes	**(9 391)**	**(11 880)**	**6 813**	**42 954**	**-**	**55 320**	**83 816**
Net gains/ (losses) after taxes of continuing operations	**22 442**	**28 390**	**(16 281)**	**(102 653)**	**-**	**(1 113)**	**(69 215)**
Net gains/ (losses) arising from discontinuing operations	**-**	**-**	**-**	**-**	**3 535**	**-**	**3 535**
Consolidated net gains/ (losses) after taxes	**22 442**	**28 390**	**(16 281)**	**(102 653)**	**3 535**	**(1 113)**	**(65 680)**
Non-controlling interests	**-**	**-**	**-**	**-**	**1 803**	**-**	**1 803**
Consolidated net profit for the period attributable to the holders of share capital	**22 442**	**28 390**	**(16 281)**	**(102 653)**	**1 732**	**(1 113)**	**(67 483)**
Net assets	9 437 417	2 718 655	3 610 533	3 526 947	531 217	1 401 147	**21 225 917**
Liabilities	9 935 489	1 678 000	2 368 065	-	411 298	5 287 675	**19 680 526**
Investment in associates	-	-	4 097	-	-	-	**4 097**

Other segments - Discontinuing Operations includes the contribution of the subsidiaries Finibanco Angola, S.A. and Banco Terra, S.A., whose impact on the several balances of the Income Statement is disclosed in note 53.

As at 30 September 2017, the net contribution of the main geographical areas is as follows:

(Thousands of Euro)

Income Statement	Activity Domestic	Activity International	Total
Interest and similar income	364 411	2 837	367 248
Interest and similar expense	162 650	2 523	165 173
Net interest income	201 761	314	202 075
Dividends from equity instruments	10 211	-	10 211
Net fees and commissions income	83 862	-	83 862
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss	5 835	-	5 835
Net gains/ (losses) arising from available for sale financial assets	59 476	-	59 476
Net gains/ (losses) arising from foreign exchange differences	1 228	133	1 361
Net gains/ (losses) arising from sale of other financial assets	21 080	-	21 080
Other operating income	(3 886)	(2)	(3 888)
Total operating income	379 567	445	380 012
Staff costs	126 610	16	126 626
General and administrative expenses	61 381	157	61 538
Depreciation and amortisation	18 600	6	18 606
	206 591	179	206 770
Loans impairment	106 192	-	106 192
Other financial assets impairment	7 262	-	7 262
Other assets impairment	14 741	-	14 741
Other provisions	13 003	-	13 003
Total operating profit	31 778	266	32 044
Share of profits of associates under the equity method	248	-	248
Income before taxes and non-controlling interests	32 026	266	32 292
Current taxes	(7 548)	-	(7 548)
Deferred taxes	(10 406)	-	(10 406)
Profit/ (losses) after tax from discontinuing operations	-	7 917	7 917
Non-controlling interests	-	1 885	1 885
Consolidated profit/ (loss) for the period attributable to the holders of share capital	14 072	6 298	20 370

The International Activity includes in the balance Income from discontinuing operations, the contribution of the subsidiaries Finibanco Angola, S.A. and Banco Terra, S.A., whose impact on the several balances of the Income Statement is disclosed in note 53.

As at 30 September 2017, the net contribution of the main geographical areas is as follows:

(Thousands of Euro)

Statement of Financial Position	Activity		
	Domestic	International	Total
Cash and deposits at credit institutions	643 143	200 448	843 591
Loans and advances to customers	13 380 138	-	13 380 138
Investments in financial assets and associated companies	2 585 846	-	2 585 846
Non-current assets held for sale	752 749	-	752 749
Investment properties	548 951	-	548 951
Non-current assets held for sale - discontinuing operations	-	445 636	445 636
Other assets	953 469	83	953 552
Total Assets	18 864 296	646 167	19 510 463
Deposits from central banks and other financial institutions	3 921 824	-	3 921 824
Deposits from customers	11 689 771	189 175	11 878 946
Debt securities and subordinated liabilities issued	1 283 079	2	1 283 081
Financial liabilities held for sale - discontinuing operations	-	318 624	318 624
Other liabilities	342 712	1 737	344 449
Total Liabilities	17 237 386	509 538	17 746 924
Non-controlling interests	-	24 445	24 445
Total Equity attributable to the holders of share capital	1 626 910	112 184	1 739 094
Total Equity	1 626 910	136 629	1 763 539
Total Liabilities and Equity	18 864 296	646 167	19 510 463

The International Activity includes in the balances Non-current assets and liabilities held for sale – discontinuing operations, the contribution of the subsidiaries Finibanco Angola, S.A. and Banco Terra, S.A., whose impact on the several balances of the Income Statement is disclosed in note 53.

As at 30 September 2016, the net contribution of the main geographical areas is as follows:

(Thousands of Euro)

Income Statement	Activity Domestic	Activity International	Total
Interest and similar income	387 148	6 024	393 172
Interest and similar expense	209 407	5 448	214 855
Net interest income	177 741	576	178 317
Dividends from equity instruments	3 879	-	3 879
Net fees and commissions income	70 297	-	70 297
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit and loss	(27 582)	-	(27 582)
Net gains/ (losses) arising from available for sale financial assets	40 861	-	40 861
Net gains/ (losses) arising from foreign exchange differences	2 065	4	2 069
Net gains/ (losses) arising from sale of other financial assets	12 747	-	12 747
Other operating income	(35 704)	1 260	(34 444)
Total operating income	244 304	1 840	246 144
Staff costs	168 255	56	168 311
General and administrative expenses	63 818	344	64 162
Depreciation and amortisation	18 405	12	18 417
	250 478	412	250 890
Loans impairment	119 551	-	119 551
Other financial assets impairment	31 860	-	31 860
Other assets impairment	13 188	-	13 188
Other provisions	(16 040)	-	(16 040)
Total operating profit	(154 733)	1 428	(153 305)
Share of profits of associates under the equity method	274	-	274
Income before taxes and non-controlling interests	(154 459)	1 428	(153 031)
Current taxes	(547)	-	(547)
Deferred taxes	84 363	-	84 363
Profit/ (losses) after tax from discontinuing operations	-	3 535	3 535
Non-controlling interests	-	1 803	1 803
Consolidated profit/ (loss) for the period attributable to the holders of share capital	(70 643)	3 160	(67 483)

The International Activity includes in the balance Income from discontinuing operations, the contribution of the subsidiaries Finibanco Angola, S.A. and Banco Terra, S.A., whose impact on the several balances of the Income Statement is disclosed in note 53.

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

(Thousands of Euro)

Statement of Financial Position	Activity		
	Domestic	International	Total
Cash and deposits at credit institutions	731 510	278 438	1 009 948
Loans and advances to customers	13 861 034	-	13 861 034
Investments in financial assets and associated companies	3 607 839	-	3 607 839
Non-current assets held for sale	760 204	-	760 204
Investment properties	607 968	-	607 968
Non-current assets held for sale - discontinuing operations	-	458 297	458 297
Other assets	1 040 533	86	1 040 619
Total Assets	20 609 088	736 821	21 345 909
Deposits from central banks and other financial institutions	4 577 338	21 549	4 598 887
Deposits from customers	12 232 282	235 537	12 467 819
Debt securities and subordinated liabilities issued	2 143 759	27 304	2 171 063
Financial liabilities held for sale - discontinuing operations	-	354 781	354 781
Other liabilities	295 076	1 785	296 861
Total Liabilities	19 248 455	640 956	19 889 411
Non-controlling interests	-	23 201	23 201
Total Equity attributable to the holders of share capital	1 360 633	72 664	1 433 297
Total Equity	1 360 633	95 865	1 456 498
Total Liabilities and Equity	20 609 088	736 821	21 345 909

The International Activity includes in the balances Non-current assets and liabilities held for sale – discontinuing operations, the contribution of the subsidiaries Finibanco Angola, S.A. and Banco Terra, S.A., whose impact on the several balances of the Income Statement is disclosed in note 53.

51 Contingencies

Resolution Fund

Banco Espírito Santo, S.A. (BES) resolution measure

At 3 August 2014, the Bank of Portugal applied a resolution measure in Banco Espírito Santo, S.A., according to paragraph 1-b of article 145 C of the General Regime of Credit Institutions and Financial Companies (RGICSF), in the form of partial transfer of assets, liabilities, off-balance sheet items and assets under management to a transition bank, Novo Banco, S.A. (*Novo Banco*). Under this process, the Resolution Fund performed a new capital inflow in *Novo Banco*, in the amount of Euro 4,900,000 thousand, being the only shareholder. It also contracted loans in the amount of Euro 4,600,000 thousand, from which Euro 3,900,000 thousand were granted by the State and Euro 700,000 thousand by a group of credit institutions, from which approximately Euro 70,000 thousand were granted by the Group.

As at 29 December 2015, the Bank of Portugal transferred for the Resolution Fund the responsibilities from possible negative effects arising from future decisions, within the resolution process, resulting in liabilities or contingencies.

At 7 July 2016, the Resolution Fund stated that it would review and assess the steps to be taken following the publication of the report on the results of the independent evaluation exercise, which was performed in order to estimate the level of credit recovery for each class of creditors in the hypothetical scenario of a normal BES insolvency proceedings at 3 August 2014.

Thus, under the applicable law, and if at the time of the settlement of BES it is verified that creditors whose loans have not been transferred to *Novo Banco*, assume a loss higher than would have been hypothetically estimated if BES had entered into settlement immediately prior to the application of the resolution measure, these creditors are entitled to receive the difference from the Resolution Fund. At the date, there is a relevant body of legal proceedings underway against the Resolution Fund.

The Bank of Portugal announced on 20 February 2017 that it has decided to select the potential investor Lone Star for a definitive phase of negotiations and in conditions of exclusivity in order to conclude the terms in which the sale of the Resolution Fund's participation *in Novo Banco, S.A.* and, on 31 March 2017, it was issued a new statement:

"The Bank of Portugal selected today Lone Star to complete the sale of *Novo Banco* and the Resolution Fund signed the contract documents.

Under the terms of the agreement, Lone Star will perform capital injections in *Novo Banco* in a total amount of Euro 1,000,000 thousand: Euro 750,000 thousand at the time of the transaction conclusion and Euro 250,000 thousand within a period up to 3 years.

Through the capital injection to be performed, Lone Star will hold 75% of *Novo Banco*'s equity and the Resolution Fund will maintain its 25%.

The conditions agreed also include the existence of a contingent capitalization mechanism, under which the Resolution Fund, as a shareholder, undertakes to perform capital injections in case of certain cumulative conditions, related to: i) the performance of a delimited set of assets of *Novo Banco* and ii) with the evolution of the capitalization levels of the bank.

Any capital injections to be performed in accordance with this contingent mechanism benefit from a capital injection resulting from the injection to be performed under the terms of the operation and are subject to a maximum absolute limit.

The agreed conditions also provide for mechanisms to safeguard the interests of the Resolution Fund, alignment of incentives and monitoring, notwithstanding the limitations arising from the application of State aid rules.

The conclusion of the sale depends on the usual regulatory authorizations (including authorizations from the European Central Bank and the European Commission) and also from the liability management exercise, subject to bondholders adhesion, which will cover non-subordinated bonds from *Novo Banco* and which, through the offering of new bonds, allows generating at least Euro 500 million of own funds eligible for the calculation of the CET1 ratio."

Banif resolution measure – Banco Internacional do Funchal, S.A. (Banif)

At 19 December 2015, the Board of Directors of Bank of Portugal decided to declare that Banif was "at risk or insolvency" and initiate an urgent resolution of the institution through partial or total disposal of its activity, and which materialized, at 20 December 2015, in the sale of rights and obligations to Banco Santander Totta S.A. (BST), constituting assets, liabilities, off-balance sheet assets and assets under management of Banif.

Most of the assets that were not disposed of were transferred to an asset management vehicle called Oitante, S.A. (Oitante), created specifically for this purpose, which has as sole shareholder the Resolution Fund. Oitante issued debt obligations in the amount of Euro 746,000 thousand and demanded a guarantee provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

The operation involved a public support (Euro 489,000 thousand from the Resolution Fund). This amount was financed through a mutual agreement granted by the State.

Other relevant conditions

The mentioned above resolution measures, applied to BES and Banif, determined that, as at 31 December 2016, the Resolution Fund held the entire equity of *Novo Banco* and Oitante, at the same time as the Resolution borrowed and assumed other liabilities and contingent liabilities, namely:

- Effects of the application of the principle that no creditor of the credit institution under resolution may incur a loss higher than it would if it had entered into liquidation.
- Negative effects arising from the resolution process resulting in additional liabilities or contingencies for *Novo Banco*, S.A. that have to be neutralized by the Resolution Fund.
- Legal proceedings against the Resolution Fund.
- Guarantee provided to the bonds issued by Oitante S.A., in the amount of Euro 746,000 thousand, counter-guaranteed by the Portuguese State, in respect of which Oitante, S.A. performed an early redemption of Euro 90,000 thousand.

To comply with the responsibilities of the Resolution Fund, namely to reimburse the loans obtained and to meet other responsibilities that may arise, the Resolution Fund essentially has revenues from the initial and periodic contributions of the participating institutions and from the banking sector, established by Law No. 55-A/2010. In this regard, it is also envisaged that the Government may establish, through an Ordinance, special contributions from the participating institutions, in the situations provided for in the applicable legislation, especially if the Resolution Fund does not have its own resources to comply its obligations.

Since 2013, the Group has made the mandatory contributions, as provided for in Decree-Law No. 24/2013 of 19 February, which establishes the method to determine the initial, periodic and special contribution of the Resolution Fund, provided for in the RGICSF.

On 3 November 2015, the Bank of Portugal issued a Circular Letter which clarifies 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 the mentioned above Decree-Law. CEMG is recognizing as a cost the contribution to the RF in the year in which it becomes due

The Resolution Fund issued, on 15 November 2015, a public statement declaring: "…it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to Banco Espírito Santo, S.A., ('BES'). Therefore, the eventual collection of a special contribution appears to be unlikely".

According to Decree-Law No. 24/2013, the Bank of Portugal shall determine, by instruction, the rate to be applied in each year based on the objective incidence of periodic contributions. Instruction No. 19/2015 of Bank of Portugal, published on 29 December, stipulates that Portuguese banks paid contributions to the Resolution Fund in 2016, calculated at a base rate of 0.02%. Instruction No. 21/2016 of Bank of Portugal, published on 26 December, establishes a base rate of 0.0291%, to be effective in 2017 for the determination of periodic contributions to the Resolution Fund.

In 2016, the Group performed regular contributions to the Resolution Fund in the amount of Euro 3,005 thousand and paid the contribution to the banking sector in the amount of Euro 13,226 thousand, recognizing these amounts as cost in the months of April and June, in accordance with IFRIC No. 21 - Rates.

Under the Single European Resolution Fund (FUR), the Group performed an initial contribution of Euro 8,590 thousand in 2015, which, under the Intergovernmental Agreement on the transfer of the mutualisation of contributions to the FUR, Was not transferred to the FUR but used for the fulfillment of obligations of the Resolution Fund resulting from the application of resolution measures prior to the date of application of the Agreement. This amount will have to be replenished over a period of 8 years (starting in 2016) through periodic contributions to the FUR. The total amount of the contribution relating to the year 2016 attributable to the Group was Euro 11,895 thousand, of which the Group delivered Euro 10,121 thousand and the remainder was made in the form of an irrevocable commitment of payment, according to the note. The FUR does not cover situations in progress on 31 December 2015 with the National Resolution Fund.

At 28 September 2016, the Resolution Fund announced that it had agreed with the Ministry of Finance to review the loan of Euro 3,900,000 thousand originally granted by the State to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the maturity of the loan was intended to ensure the ability of the Resolution Fund to meet its obligations through its regular revenues, regardless of the contingencies to which the Resolution Fund is exposed. On the same day, the Office of the Minister of Finance announced that increases in liabilities arising from materialization of future contingencies will determine the maturity adjustment of State and Bank loans to the Resolution Fund in order to maintain the required contribution to the banking sector at current levels.

As at 21 March 2017, the Resolution Fund stated that:

- "The conditions of the loans obtained by the Fund for the financing of the resolution measures applied to Banco Espírito Santo, S.A. and Banif - Banco Internacional do Funchal, S.A. were altered. "These loans amounted to Euro 4,953,000 thousand, of which Euro 4,253,000 thousand were granted by the State and Euro 700 000 thousand were granted by a set of banks.
- "Those loans now mature in December 2046, without prejudice to the possibility of early repayment based on the use of proceeds from the Resolution Fund. The maturity will be adjusted in terms that guarantee the ability of the Resolution Fund to fully meet its obligations based on regular income and without the need for recourse to special contributions or any other extraordinary contributions. The liabilities arising from the contracts obtained by the Resolution Fund with the State and the banks, following the resolution measures of BES and Banif, compete *pari passu* among themselves.
- "The revision of the loan conditions was aimed at ensuring the sustainability and financial balance of the Resolution Fund".
- "The new conditions allow for full payment of the Resolution Fund's liabilities as well as their remuneration, without the need for recourse to special contributions or any other extraordinary contributions from the banking sector".

Following these changes to the loans contracted by the Resolution Fund, as at 30 September 2017, the amount of credit and interest owed to the Group in the amount of Euro 71,283 thousand.

In this context, taking into account the above-mentioned exposure, it is not possible at this date to estimate the effects on the Resolution Fund arising from: (i) the partial sale of the *Novo Banco* holding pursuant to the Bank of Portugal statement of 31 March 2017; (ii) the application of the principle that no creditor of the credit institution under resolution may incur greater injury than it would if it had entered into liquidation; (iii) additional liabilities or contingencies for the Novo Banco, S.A. that have to be neutralized by the Resolution Fund; (iv) legal proceedings against the Resolution Fund, including the so-called BES process; And (v) the guarantee given to the obligations issued by Oitante.

Therefore and notwithstanding the possibility provided for in the applicable legislation for the collection of special contributions, given the recent developments regarding the renegotiation of the conditions of loans granted to the Resolution Fund by the State and by a group of banks, in which CEMG And to the public announcements made by the Resolution Fund and by the Office of the Minister of Finance which state that this possibility will not be used, the financial statements as at 31 December 2016 reflect CEMG's expectation that the participating institutions will not be required In the Resolution Fund special contributions or any other type of extraordinary contributions to finance the resolution measures applied to BES and Banif.

The announcement of the Bank of Portugal at the completion of the sale of Novo Banco, on 18 October 2017, states that:

- "Today, the Bank of Portugal and the Resolution Fund, completed the sale of Novo Banco to Lone Star through the injection of Euro 750 million by the new shareholder, which will be followed by a new capital injection of Euro 250 million, taking place by the end of 2017. "
- "The conclusion of this operation entails a complex process of negotiations with the new shareholder, the European institutions and other national institutions, in close cooperation with the Government."
- "The completion of the operation announced on 31 March enables a very significant strengthening of the capital of Novo Banco and ceases the transition status applicable to the bank since its inception."
- "As of this date, Novo Banco will be held by Lone Star and the Resolution Fund, with shareholdings of 75% and 25%, respectively, and will be empowered with the means necessary to execute a plan assuring that the bank will continue to play its decisive role in the funding of domestic economy. "

52 Subsidiary and associated companies

As at 30 September 2017, the companies under full consolidation method in the Group are presented as follows:

Subsidiary Company	Head Office	Share Capital	Currency	Activity	Group % of control	Group % of effective part.
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	Praia	992 000 000	Escudo Cabo Verdiano	Banking	100.00%	100.00%
Montepio Holding, S.G.P.S., S.A.	Lisboa	175 000 000	Euro	Holding company	100.00%	100.00%
Montepio Investimento, S.A.	Lisboa	180 000 000	Euro	Banking	100.00%	100.00%
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Porto	30 000 000	Euro	Financial lease	100.00%	100.00%
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.	Lisboa	1 550 000	Euro	Investment fund management	100.00%	100.00%
Finibanco Angola, S.A.	Luanda	4 181 999 740	Kwanza	Banking	81.35%	81.35%
Banco Terra, S.A.	Maputo	2 686 458 998	Metical	Banking	45.78%	45.78%
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.	Lisboa	100 000	Euro	Real estate management	100.00%	100.00%
EAM - Évora *Asset Management*, S.A.	Lisboa	50 000	Euro	Real estate management	100.00%	100.00%

As at 30 September 2017, the companies accounted under the equity method are as follows:

Subsidiary company	Head office	Share Capital	Activity	% Held
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	Ilha de São Miguel	Euro 10 000 000	Tourism	20.00%
Montepio Gestão de Activos Imobiliários, A.C.E.	Lisboa	Euro 2 449 707	Real estate holding company	28.50%

The presented percentage reflects the economic interest of the Group.

At 22 June 2016 was approved the settlement of Montepio Recuperação de Crédito, A.C.E., in the General Meeting of this company.

At 24 June 2016 was approved, by the General Meeting of Shareholders of Montepio Investimento, S.A., the settlement of Montepio Capital de Risco, S.C.R., S.A.

These settlements arise from the implementation of the Strategic Plan 2016 - 2018 and is included in the streamlining of operational processes of CEMG Group, where the repositioning of the credit recovery activity in the structures of CEMG will achieve higher levels of efficiency and greater responsiveness to banking core business requirements.

As at 16 June 2016, the Group established the company SSAGINCENTIVE, *Sociedade de Serviços Auxiliares e de Gestão Imóveis, S.A.,* with a share capital of Euro 50 thousand. The purpose of this company is the transaction and management of real estate essential to the installation and operation of credit institutions and/or financial companies, its shareholders and/or companies that are in a controlling or group relationship, as well as the management and purchase For resale of properties acquired by its shareholders and/or companies that are in a domain or group relationship as a result of the repayment of their own credit.

In December 2016, the Group acquired 100% of the share capital of the company *Semelhanças e Coincidências S.A.*, which was renamed EAM – Évora Asset Management, S.A., for the amount of Euro 24 thousand. This company is engaged in the purchase and sale of real estate and the resale of those acquired for this purpose, as well as the management of property owned by the company, including its lease, as well as any other acts or transactions directly related to said activity.

In 2015, a contract was signed for the sale of 1,727,782 shares of Finibanco Angola S.A., representing 30.57% of the share capital, for US 26,346,178 million.

The Group analysed the effectiveness of regulatory and legal compliance, and concluded not to recognize the sale of the financial participation until the financial settlement is made. As at 30 September 2017, 12,545 shares were sold, for Euro 162 thousand. On this basis, until the financial settlement of the transaction, the Group will continue to control the participation. Thus, at 31 December 2016, the Group controls 81.35% of the subsidiary Finibanco Angola, S.A.

As at 30 September 2017, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidiary Company	Establishment year	Purchase year	Headquarters	% of economic interest	Consolidation method
Pelican Mortgages No. 1 PLC	2002	2002	Dublin	100%	Full
Valor Prime - Fundo de Investimento Imobiliário Aberto	1997	2012	Lisbon	87.60%	Full
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2011	2011	Lisbon	100%	Full
Montepio Arrendamento II – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional II (FIIAH)	2013	2013	Lisbon	100%	Full
Montepio Arrendamento III – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2013	2013	Lisbon	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisbon	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisbon	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisbon	100%	Full

As at 14 December 2016, the Group settled the Pelican Mortgages No. 2 PLC.

In 26 February 2016, the Group settled Fundo de Capital de Risco Montepio Crescimento..

In 2014, considering the IFRS 10 and the commitments of CEMG in the aim of the activity management of Banco Terra S.A., that gives the ability to manage the main activities, having the ability to face the power and responsibilities of Chief Executive Officer, that will be appointed by the Group, to influence the remaining areas, the shareholding was consolidated by the full consolidation method. This situation remained unchanged during the first half of 2017.

53 Discontinued or discontinuing operations

CEMG is in a negotiating process with a group of investors with a view to refocusing the approach to the African market in view of the deconsolidation of the current financial holdings held in Finibanco Angola SA and BTM - Banco Terra, S.A.

Considering the deliberations already taken by the Executive Board of Directors, as well as the provisions of IFRS 5, the activities performed by these subsidiaries were considered as discontinuing operations in 2016.

At the level of the income statement, the results of these subsidiaries were recognized in a balance denominated "Results from discontinuing operations" and, at the balance sheet level, under "Non-current assets held for sale - Discontinuing operations" and "Non-current liabilities held for sale - Discontinuing operations".

For comparative purposes, the operating account was prepared on the same basis for the nine-month period ended at 30 September 2016.

In this context, the Group restated the consolidated income statement and the consolidated statement of comprehensive income for the period from 1 January to 30 June 2016, in accordance with IFRS 5 – Non-current assets held for sale. As at 30 June 2017 and 2016, the costs and income for the period were presented in a single line called Discontinued Operations.

This restatement implied changes in the way in which the contribution of Finibanco Angola, S.A. and Banco Terra, S.A. during 2016 is presented in the statement, and had no impact on the consolidated net income or the consolidated comprehensive income of the Group for the three-month period ended 30 June 2016. At the level of the Consolidated Balance Sheet, the statement of assets and liabilities was not altered.

In accordance with paragraph 33-a) of IFRS 5, net cash flows attributable to operating, investing and financing activities of discontinued operations shall be disclosed, but shall not be mandatory for groups of newly acquired assets held for sale that meet the criteria for classification as available for sale in the acquisition.

As at 30 September 2017, the balance sheet of Finibanco Angola, S.A. and Banco Terra, S.A. is as follows:

(Thousands of Euro)

	Sep 2017			
	Finibanco Angola	Banco Terra	Adjustments	Total
Cash and deposits at central banks and credit institutions	42 468	6 537	(9 566)	39 439
Other loans and advances to credit institutions	30 621	19	(14 428)	16 212
Loans and advances to customers	127 370	33 237	-	160 607
Securities portfolio and derivatives	153 881	3 117	-	156 998
Intangible assets	627	448	10 200	11 275
Other assets	55 277	5 828	-	61 105
Total Assets	**410 244**	**49 186**	**(13 794)**	**445 636**
Deposits from other financial institutions	11 674	5 365	(11 047)	5 992
Deposits from customers	294 791	21 526	(12 848)	303 469
Other subordinated debt	27 866	-	(26 374)	1 492
Provisions	2 252	48	-	2 300
Other liabilities	4 667	892	(188)	5 371
Total Liabilities	**341 250**	**27 831**	**(50 457)**	**318 624**
Total Equity	**68 994**	**21 355**	**-**	**90 349**
Total Liabilities and Equity	**410 244**	**49 186**	**(50 457)**	**408 973**

As at 31 December 2016, the balance sheet of Finibanco Angola, S.A. and Banco Terra, S.A. is as follows:

(Thousands of Euro)

	Dec 2016			
	Finibanco Angola	Banco Terra	Adjustments	Total
Cash and deposits at central banks and credit institutions	55 740	6 780	(20 926)	41 594
Other loans and advances to credit institutions	52 553	1 297	(23 722)	30 128
Loans and advances to customers	145 772	33 915	-	179 687
Securities portfolio and derivatives	144 980	654	-	145 634
Intangible assets	3 856	187	12 121	16 164
Other assets	51 614	5 595	-	57 209
Total Assets	**454 515**	**48 428**	**(32 527)**	**470 416**
Deposits from other financial institutions	21 557	2 004	(24 587)	(1 026)
Deposits from customers	333 928	23 119	(10 011)	347 036
Other subordinated debt	27 330	-	(27 302)	28
Provisions	633	192	-	825
Other liabilities	5 287	2 677	(46)	7 918
Total Liabilities	**388 735**	**27 992**	**(61 946)**	**354 781**
Total Equity	**65 780**	**20 436**	**-**	**86 216**
Total Liabilities and Equity	**454 515**	**48 428**	**(61 946)**	**440 997**

The main income statement items related to this discontinued operation are analysed as follows:

(Thousands of Euro)

	Sep 2017				Sep 2016			
	Finibanco Angola	Banco Terra	Adjustment	Total	Finibanco Angola	Banco Terra	Adjustment	Total
Net interest income	20 035	4 671	-	24 706	19 343	3 450	-	22 793
Dividends from equity instruments	-	-	-	-	-	-	-	-
Net fees and commissions income	6 635	386	-	7 021	5 124	450	-	5 574
Net gains/ (losses) arising from financial operations	3 715	(196)	-	3 519	10 693	340	-	11 033
Other operating income / (expenses	(821)	102	-	(719)	(725)	1 769	-	1 044
Total operating income	**29 564**	**4 963**	**-**	**34 527**	**34 435**	**6 009**	**-**	**40 444**
Staff costs	6 161	2 508	-	8 669	5 470	2 607	-	8 077
General and administrative expenses	6 920	1 834	-	8 754	6 626	2 141	-	8 767
Depreciation and amortisation	1 220	407	-	1 627	1 224	465	(104)	1 585
Total operating expenses	**14 301**	**4 749**	**-**	**19 050**	**13 320**	**5 213**	**(104)**	**18 429**
Impairment of loans, other assets and provisions	3 901	72	1 919	5 892	10 088	652	5 966	16 706
Total operating profit	**11 362**	**142**	**(1.919)**	**9 585**	**11 027**	**144**	**(5.862)**	**5 309**
Profit before taxes	**11 362**	**142**	**(1.919)**	**9 585**	**11 027**	**144**	**(5.862)**	**5 309**
Taxes	1 668	-	-	1 668	1 665	-	109	1 774
Profi/ (loss) for the period	**9 694**	**142**	**(1.919)**	**7 917**	**9 362**	**144**	**(5.971)**	**3 535**

Finibanco Angola

The evaluation performed for Finibanco Angola was based on a study made an external consultant who considered the average of three valuation methodologies: market multiples (average evaluation values resulting from the market P/B and P/E), comparable transactions and discounted dividend method.

On this basis, the valuation of 81.35% position held by Montepio Holding in Finibanco Angola stood at USD 79,653 thousand, approximately Euro 69,610 thousand.

BTM - Banco Terra

The fair value estimate of BTM - Banco Terra was determined based on a study made by an external consultant who considered two different valuation methodologies: market multiples (P/B) and comparable transactions.

The valuation of 45.78% held by Montepio Holding in BTM - Banco Terra, obtained based on the above mentioned study, resulted in a 45.78% valuation of the position in Banco Terra at USD 12,104 thousand, approximately Euro 10,606 thousand.

As at 30 September 2017, the amounts registered in the balance sheet, related to goodwill and consolidation differences, correspond to the difference between the cost of acquisition and the total fair value of the assets and liabilities and contingent liabilities of: (i) Finibanco Angola, S.A. acquired at 31 March 2011 from Montepio Geral Associação Mutualista, as described in note 1 a), in the amount of Euro 53,024 thousand with associated impairment of Euro 42,863 thousand (31 December 2016: Euro 42,863 thousand) and; (ii) of Banco Terra, acquired in December 2014, in the amount of Euro 3,280 thousand, with an associated impairment of Euro 3,280 thousand.

54 Relevant Facts

Capital increase

As at 30 June 2017, the Group proceeded to an institutional capital increase carried out by Montepio Geral Associação Mutualista (MGAM), in accordance with the statutory deliberations of the General Council of MGAM, the General and Supervisory Board and Executive Board of Directors of CEMG.

The aforementioned capital increase was fulfilled by MGAM by conducting institutional capital in cash in the amount of Euro 250,000 thousand.

As at 18 March 2016, CEMG proceeded to an institutional capital increase carried out by Montepio Geral Associação Mutualista (MGAM), in accordance with the statutory deliberations of the General Council of MGAM, the General and Supervisory Board and Executive Board of Directors of CEMG.

The above mentioned capital increase was fulfilled by MGAM by conducting institutional capital in cash in the amount of Euro 270,000 thousand.

On the same date occurred the disposal of 31,500,000 of investment units held by Montepio Investimento SA with a nominal value of Euro 31,500 thousand.

Additionally, and in accordance with the resolutions mentioned above, CEMG acquired from MGAM a group of real estate and securities by the amount of Euro 199,444 thousand and Euro 69,929 thousand, respectively.

Legal transformation into a public limited company

Due to an asset higher than Euro 50,000.000, Caixa Económica Montepio Geral was automatically considered as Caixa Económica Bancária, in accordance with the provisions of Article 6 no. 1 of Decree-Law No. 190/2015 of 10 September.

Pursuant to paragraph 2 of the above legal provision, the Bank of Portugal decided to transform CEMG into a public limited company, which, through its letter dated 21 November 2016, addressed to the Executive Board of Directors of CEMG , stated as follows: "We inform you that under the terms and for the purposes of articles 111 and 114 of the Administrative Procedure Code, which the Board of Directors of the Bank of Portugal deliberated on 21 November 2016, in accordance with the competence conferred by Article 6 (2) of the Decree-Law No. 190/2015, of 10 September, the transformation of Caixa Económica Montepio Geral into a limited company, under the terms and grounds set out in the enclosed decision."

In addition, and in accordance with Article 6 (3) of Decree-Law No. 190/2015, the Portuguese Securities Market Commission was duly consulted by the Bank of Portugal.

The Executive Board of Directors of CEMG prepared an information report which set out the grounds for the transformation and presented a proposal of by-laws that submitted the approval of the Bank of Portugal, in accordance with Article 6 (4.a) of the Decree- Law No. 190/2015.

The Bank of Portugal has issued a favorable opinion on the compliance of the information report and the proposed amendment to CEMG's by-laws, authorizing, as proposed, the transformation of this bank into a public limited company, under the terms and for the purposes of Article 6 (4.b) of the Decree-Law No. 190/2015.

At the meeting held on 4 April 2017, the General Meeting of Caixa Económica Montepio Geral approved: i) the Caixa Económica Montepio Geral by-laws, Caixa Económica Bancária, S.A.; ii) the Information Report presented by the Executive Board of Directors; iii) the transformation of Caixa Económica Montepio Geral, which was a bank with a foundational nature, into an anonymous commercial company, reaffirming the decision already taken at the General Meeting of 13 December 2016, all without prejudice to the necessary Ratification by the General Meeting of Montepio Geral - Associação Mutualista; and iv) the company resulting from the transformation will be governed by the by-laws already approved at that session.

The above mentioned resolutions adopted by the General Meeting of CEMG need to be ratified by resolution of the General Meeting of Montepio Geral - Associação Mutualista, held in extraordinary session on 9 May 2017, in accordance with Article 6 (4.g) of the Decree-Law No. 190/2015, Articles 32 and 33 of the CEMG's by-laws and Article 25 (g) of the Montepio Geral - Associação Mutualista's by-laws.

Under the terms and for the purposes of articles 175 and 176 of the Portuguese Securities Code ("*Código VM*"), Montepio Geral - Associação Mutualista, launched a general and voluntary public offering for the acquisition of participation units representing the Caixa Económica Montepio Geral Participation Fund, which form (atypical) securities for the purposes of article 1 (g) of the Portuguese Securities Code ("Offering").

As a result of this operation, Montepio Geral – Associação Mutualista held 393,102,992 participation units (98.28%) of the Caixa Económica Montepio Geral Participation Fund.

In accordance with article 248-A of the Portuguese Securities Code, CEMG informs that, by letter dated 11 September 2017, MGAM notified them of the entry into force, on 15 September 2017, of the standing purchase order of the common shares outside the regulated market, for the unit price of Euro 1.00, payable in cash, that will be issued in the meantime, replacing the institutional capital and the representative participation units of the Participation Fund, as a consequence of the transformation of CEMG into a public limited company. This standing purchase order will be in force until the release of CMVM's decision on CEMG's request for loss of status as a public company.

As at 14 September 2017, the Deed of the bylaws was executed, transforming Caixa Económica Montepio Geral into a public limited company, changing its legal name to Caixa Económica Montepio Geral, caixa económica bancária, S.A.

As a result of this transformation into public limited company, CEMG's Participation Fund, in the amount of Euro 400,000, became extinct by conversion into share capital, and therefore its participation units were also converted into common shares.

Status of public company

At the meeting held on 9 October 2017, the Extraordinary Shareholders' Meeting of Caixa Económica Montepio Geral, decided with 99.75% of votes in favor, representing 99.75% of CEMG's share capital, to approve (i) the loss of public company status under the terms and for the purposes of Article 27 (1) (b) of the Portuguese Securities Code and (ii) the request to be submitted by the Board of Directors to CMVM.

Following a request made on 10 October 2017 by Caixa Económica Montepio Geral, Caixa Económica Bancária, SA (CEMG), the Board of Directors of the Securities Market Commission (CMVM) decided to aprove, at a meeting held on 13 October 2017, with effect upon this date, the request submitted for the loss of the publich company status.

The release of CMVM's decision on CEMG's loss of status as a public company implies, pursuant to the provisions of article 29 (2) of the Portuguese Securities Code, that, within the period of one year, the admission of CEMG's shares on a regulated market is forbidden.

For the purposes of complying with the provisions of article 27 (3) of the Portuguese Securities Code, Montepio Geral Associação Mutualista was obliged to buy the shares held by shareholders who did not approve that decision, having to this end covered its payment to Caixa Económica Montepio Geral, Caixa económica bancária, S.A.. The total amount of the contribution is available for a three-month period between 16 October 2017 and 16 January 2018, for the unit price of one euro each, resulting from the summoning of the criteria set forth in article 188, applicable by virtue of article 27 (4), both of the Portuguese Securities Code. The offer remained in force until 16 November 2017.

Montepio Geral Associação Mutualista now holds 2,415,256,113 (two thousand, four hundred and fifteen million, two hundred and fifty-six thousand, one hundred and thirteen) shares of Caixa Económica Montepio Geral, as a result of the shares already held, of the outcome of the offer under of article 490 (2) of the Portuguese Commercial Companies Code and of the purchases made from the standing purchase order, under the provisions of article 27 (3) of the Portuguese Securities Code.

Under the terms and for the purposes of article 490 (3) of the Portuguese Commercial Companies Code, Montepio Geral Associação Mutualista, exercised its protest right to acquire the remaining 4,743,887 (four million, seven hundred and forty-three thousand eight hundred and eighty-seven) shares held by the shareholders of Caixa Económica Montepio Geral who did not voluntarily accept the purchase offer mentioned above, holding 2,420,000,000 (two thousand, four hundred and twenty million) shares representing the entire share capital of Caixa Económica Montepio Geral.

For the purpose of the events referred above, Montepio Geral Associação Mutualista proceeded to the commercial registration and release of the protest acquisition, extinguishing on this date (17 November 2017) the standing purchase order of Caixa Económica Montepio Geral shares made by Montepio Geral Associação Mutualista in compliance with the provisions of article 27 (3) of the Portuguese Securities Code.

Issuance of covered bonds

As at 9 October 2017, CEMG returned to the market and placed an issuance of covered bonds, included in the program for the issuance of covered bonds registered and approved by the Central Bank of Ireland.

This issuance, in the amount of Euro 750,000 thousand, has a term of five years, an issuance price of 99.922% and an interest rate of 0.875% a year, which was translated into a spread of sixty-five basis points over the five-year mid-swap rate.

At the placement of the issuance, CEMG had the collaboration of three institutions with proven experience in the offering of this class of assets, J.P. Morgan, NatWest Markets and UniCredit.

55 Subsequent events

In addition to the information disclosed in this document, there were no significant transactions and / or relevant events to be disclosed.

ALTERNATIVE PERFORMANCE MEASURES

On 5 October 2015, the European Securities and Markets Authority published a set of guidelines – ESMA/2015/1415 – addressing the disclosure of information by entities, other than States, whose securities are admitted to trading on a regulated market and to which is required the disclosure of information as set out by the Transparency Directive 2004/109/EC of the European Parliament and of the Council.

The aforementioned guidelines aim to promote transparency and clarify the relevance of the indicators disclosed by those entities to measure their performance – Alternative Performance Measures (APM) – contributing to improve comparability, credibility and understanding of the APM.

This chapter serves the purpose of complying with the ESMA guidelines on APM related to the financial reporting of the 3rd Quarter 2017, with references to the various chapters of this Report.

Caption: FS - Financial Statements. *September 2016 restated in accordance with IFRS5 guidelines related to the accounts of Finibanco Angola and BTM.

BALANCE SHEET AND EXTRAPATRIMONIALS

SECURITIES PORTFOLIO (PAGE 17, 19, 20)

Definition	Sum of the items "Financial assets held for trading", "Financial assets available for sale" and "Held to maturity investments".
Relevance	Assess the relative weight of this item from an assets' structure perspective.
Reference to FS	Page 40, 90, 92, 96
Components and calculus	

(thousand euros)

		Dec-16	Sep-17
(a)	Financial assets held for trading	78 168	56 797
(b)	Financial assets available for sale	2 399 504	2 525 034
(c)	Held to maturity investments	1 126 125	0
(d)	**Securities portfolio (a + b + c)**	3 603 797	2 581 831
(e)	Total net assets	21 345 909	19 510 463
	% of securities portfolio (d / e)	**16.9%**	**13.2%**

OTHER INVESTMENTS (PAGE 17)

Definition	Total assets excluding "Loans to customers", "Financial assets held for trading", "Financial assets available for sale" and "Held to maturity investments".
Relevance	Assess the relative weight of this item compared to Loans to customers and Securities portfolio from an assets' structure perspective.
Reference to FS	Page 40, 85, 90, 92, 96
Components and calculus	

(thousand euros)

		Dec-16	Sep-17
(a)	Total net assets	21 345 909	19 510 463
(b)	Net loans to customers	13 861 034	13 380 138
(c)	Financial assets held for trading	78 168	56 797
(d)	Financial assets available for sale	2 399 504	2 525 034
(e)	Held to maturity instruments	1 126 125	0
(f)	**Other investments (a - b - c - d - e)**	3 881 078	3 548 494
	% of other investments (f / a)	**18.2%**	**18.2%**

DEBT ISSUED (PAGE 22, 24)

Definition	Sum of the balance sheet items "Debt securities issued" and "Other subordinated debt".
Relevance	Assess the relative weight of this item from a funding structure perspective.
Reference to FS	Page 40, 110, 114
Components and calculus	

(thousand euros)

		Dec-16	Sep-17
(a)	Debt securities issued	1 920 035	1 031 913
(b)	Other subordinated debt	251 028	251 168
(c)	**Issued debt (a + b)**	2 171 063	1 283 081
(d)	Total liabilities	19 889 411	17 746 924
	% of issued debt (c / d)	**10.9%**	**7.2%**

OTHER RESOURCES (PAGE 22)

Definition	Total liabilities excluding "Customers' resources", "Debt securities issued" and "Other subordinated debt".
Relevance	Assess the relative weight of this item compared to Customers' resources and Issued debt from a funding structure perspective.
Reference to FS	Page 40, 110, 114
Components and calculus	

(thousand euros)

		Dec-16	Sep-17
(a)	Total liabilities	19 889 411	17 746 924
(b)	Deposits from customers	12 467 819	11 878 946
(c)	Debt securities issued	1 920 035	1 031 913
(d)	Other subordinated debt	251 028	251 168
(e)	**Complementary resources (a - b - c - d)**	5 250 529	4 584 897
	% of Other resources (e / a)	**26.4%**	**25.8%**

OFF-BALANCE SHEET RESOURCES (PAGE 23)

Definition	Assets under management by the Groups' subsidiaries being a constituent part of Total customers' resources.
Relevance	Contribute to the analysis of the evolution of total customers' resources.
Components and calculus	

(thousand euros)

		Dec-16	Sep-17
(a)	Securities investment fund	177 402	171 455
(b)	Real estate investment fund	294 437	293 984
(c)	Pensions fund	205 839	210 578
(d)	Bancassurance	45 415	29 398
	Off-balance sheet resources (a + b + c + d)	**723 093**	**705 415**

INCOME STATEMENT

COMMERCIAL NET INTEREST INCOME (PAGE 8)

Definition: Results arising from interest received on loans granted to customers and interest paid on customers' resources.

Relevance: Assess the evolution of the banking activity of financial intermediation between granting loans and deposit taking.

Reference to FS: Page 39, 72

Components and calculus

(thousand euros)

		Sep-16*	Sep-17
(a)	Interest received from loans to customers	293 440	279 394
(b)	Interest paid on customers' deposits	104 185	64 008
	Commercial net interest income (a - b)	**189 255**	**215 386**

COMPARABLE OPERATING COSTS (PAGE 8, 13)

Definition: Sum of staff costs, general and administrative expenses and depreciation and amortisations, deducted by the impacts with the process of redimensioning of the operating structure.

Relevance: Assess the evolution of the operating costs underlying the banking activity, deducted by specific measures such as the process of redimensioning the operating structure.

Reference to FS: Page 39, 78, 79, 80

Components and calculus

(thousand euros)

		Sep-16*	Sep-17
(a)	Staff costs	168 311	126 626
(b)	General and administrative expenses	64 162	61538
(c)	Depreciation and amortisation	18 417	18 606
(d)	Costs related to the re-dimensioning of the operating structure	32 023	0
	Operating costs, excluding costs related to the redimensioning of the operating structure (a + b + c + d)	**218 867**	**206 770**

RESULTS FROM THE COMMERCIAL ACTIVITY (PAGE 8)

Definition: Sum of the commercial net interest income and Net fees and commissions, subtracted by the operating costs excluding specific measures such as the process of redimensioning the operating structure.

Relevance: Assess the evolution of the core banking activity, excluding specific measures such as the process of redimensioning the operating structure.

Reference to FS: Page 39, 72, 73

Components and calculus

(thousand euros)

		Sep-16*	Sep-17
(a)	Commercial net banking income	189 255	215 386
(b)	Net commissions	70 297	83 862
(c)	Operating costs, excluding costs related to the redimensioning of the operating structure	218 867	206 770
	Results from the commercial activity (a + b - c)	**40 685**	**92 478**

RATIOS

CTD RATIO: NET LOANS TO CUSTOMERS / ON-BALANCE SHEET CUSTOMERS' RESOURCES (PAGE 4, 25)

Definition	Percentage of net loans to customers funded by the total amount of on-balance sheet resources from customers.
Relevance	Asses the leverage degree of the banking activity through the relationship between funds raised with customers and loans granted to customers.
Reference to FS	Page 39, 85, 110, 110
Components and calculus	

(thousand euros)

		Dec-16	Sep-17
(a)	Net loans to customers	13 861 034	13 380 138
(b)	Customers' deposits	12 467 819	11 878 946
(c)	Debt securities issued	1 920 035	1 031 913
	Net loans to customers / On-balance sheet customers' resources (a / (b + c))	**96.3%**	**103.6%**

EFFICIENCY RATIO: COST TO INCOME, WITHOUT SPECIFIC IMPACTS (PAGE 4, 13)

Definition	Operating efficiency ratio measured by the portion of the total operating income that is absorbed by operating costs, excluding results from financial operations and costs related to the process of redimensioning of the operating structure, given the greater volatility of the first and the specificity of the latter.
Relevance	Assess the evolution of operating efficiency underlying the banking activity, removing the volatility effect of results from financial operations and the specific impact of costs related to the process of redimensioning of the operating structure.
Reference to FS	Page 39, 74, 75, 75, 78, 79, 80
Components and calculus	

(thousand euros)

		Sep-16*	Sep-17
(a)	Net banking income	246 144	380 012
(b)	Results from financial operations (i + ii + iii)	15 348	66 672
(i)	Net gains / (losses) from finacial assets and liabilities at fair value through profit or loss	(27 582)	5 835
(ii)	Net gains / (losses) from available for sale financial assets	40 861	59 476
(iii)	Net gains / (losses) from foreign exchange differences	2 069	1 361
(c)	Operating costs	250 890	206 770
(d)	Costs related to the re-dimensioning of the operating structure	32 023	-
	Cost to Income, excluding results from financial operations and costs related to the redimensioning of the operating structure ((c - d) / (a - b))	**94.8%**	**66.0%**

COST OF CREDIT RISK (PAGE 4, 14)

Definition	Ratio that measures the cost recognized in the period, recorded as loan impairments in the income statement, to cover the risk of default of loans granted to customers.
Relevance	Assess the quality of the loan portfolio given the cost borne with the risk of loan default.
Reference to FS	Page 80, 85
Components and calculus	

(thousand euros)

		Dec-16	Sep-17
(a)	Loan impairments (annualized[1])	182 479	106 192
(b)	Average gross loans to customers[2]	15 318 362	14 887 178
	Cost of credit risk (a / b)	**1.2%**	**1.0%**

1) Annualized values considering the total number of days elapsed and total days of the year. 2) Average balance for period (2016: 366 days/2017: 273 days)

Ratio of loans and interest overdue by more than 90 days (page 4)

Definition	Quality ratio of the loan portfolio that measures the proportion of loans and interest overdue by more than 90 days in relation to the total loan portfolio.
Relevance	Assess the loan quality evolution.
Reference to FS	Page 85
Components and calculus	(thousand euros)

		Dec-16	Sep-17
(a)	Loans and interest overdue by more than 90 days	1 371 620	1 424 453
(b)	Gross loans to customers	15 040 651	14 609 870
	Ratio of loans and interest overdue by more than 90 days (a / b)	**9.1%**	**9.7%**

Coverage of loans and interest overdue by more than 90 days (page 4)

Definition	Ratio that measures the proportion of impairment for loans in the balance sheet in relation to the total amount of loans and interest overdue by more than 90 days.
Relevance	Assess the institution's ability to absorb potential losses arising from loans and interest overdue by more than 90 days.
Reference to FS	Page 85
Components and calculus	(thousand euros)

		Dec-16	Sep-17
(a)	Impairment for loans (Balance sheet)	1 179 617	1 229 732
(b)	Loans and interest overdue by more than 90 days	1 371 620	1 424 453
	Coverage of loans and interest overdue by more than 90 days (a / b)	**86.0%**	**86.3%**

Credit at risk coverage ratio (page 4, 19)

Definition	Ratio that measures the proportion of impairment for loans in the balance sheet in relation to the total amount of credit at risk.
Relevance	Assess the institution's ability to absorb potential losses arising from credit at risk.
Reference to FS	Page 85
Components and calculus	(thousand euros)

		Dec-16	Sep-17
(a)	Impairment for loans (Balance sheet)	1 179 617	1 229 732
(b)	Credit at risk	2 287 575	2 224 914
	Credit at risk coverage ratio (a / b)	**51.6%**	**55.3%**

Credit at risk coverage ratio, factoring-in related real estate collateral (page 4, 19)

Definition	Ratio that measures the proportion between the sum of impairment for loans in the balance sheet and real estate collateral related to contracts with credit at risk, in relation to the total amount of credit at risk.
Relevance	Assess the institution's ability to absorb potential losses arising from credit at risk, given the impairment for loans in the balance sheet and real estate collateral related to contracts with credit at risk.
Reference to FS	Page 85
Components and calculus	(thousand euros)

		Dec-16	Sep-17
(a)	Impairment for loans (Balance sheet)	1 179 617	1 229 732
(b)	Real estate collateral related to contracts with credit at risk	1 566 349	1 405 813
(c)	Credit at risk	2 287 575	2 224 914
	Credit at risk coverage ratio, factoring-in related real estate collateral ((a + b) / c)	**120.0%**	**118.5%**

Montepio

Valores que crescem consigo.

CAIXA ECONÓMICA MONTEPIO GERAL

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