Montepio

REPORT AND ACCOUNTS

1st Quarter 2017

CAIXA ECONÓMICA MONTEPIO GERAL GROUP

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

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

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

Considering the decisions that have already been taken by the Executive Board of Directors, as well as the provisions in IFRS 5, the activities developed by these subsidiaries have been deemed as discontinuing operations with reference to 2016. In the income statement, the earnings of these subsidiaries were stated under the income heading "Income from discontinuing operations" and, in the balance sheet under the headings "Non-current assets held for sale – Discontinuing operations" and "Non-current liabilities held for sale – Discontinuing operations".

For comparative purposes, these headings of the income statement and balance sheet were prepared and analysed on the same basis for the 1st quarter of 2016.

This report is the English version of the document "Relatório e Contas do 1º 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 both documents, the aforementioned Portuguese version prevails.

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KEY INDICATORS

	Mar-16*	Dec-16	Mar-17	YoY Change
ACTIVITY AND RESULTS (EUR million)				
Total assets	21 447	21 346	20 794	(3.0%)
Loans to customers (gross)	15 490	15 041	14 991	(3.2%)
Customers' deposits	12 070	12 468	11 592	(4.0%)
Net income	(20)	(86)	11	>100%
SOLVENCY (a)				
Common Equity Tier 1 ratio	10.4%	10.4%	10.2%	(0.2 p.p.)
Tier 1 ratio	10.4%	10.4%	10.2%	(0.2 p.p.)
Total Capital ratio	11.1%	10.9%	10.7%	(0.4 p.p.)
Risk-weighted assets (EUR million)	13 877	12 830	12 650	(8.8%)
LIQUIDITY RATIOS				
Loans to customers (net) / Customers' deposits (b)	117.9%	111.2%	118.8%	0.9 p.p.
Loans to customers (net) / On-balance sheet customers' resources (c)	100.5%	96.3%	102.8%	2.3 p.p.
CREDIT RISK AND COVERAGE BY IMPAIRMENTS				
Cost of credit risk	0.6%	1.2%	0.9%	0.3 p.p.
Ratio of loans and interest overdue by more than 90 days	8.8%	9.1%	9.2%	0.4 p.p.
Non-performing loans ratio (b)	10.8%	11.5%	11.6%	0.8 p.p.
Net non-performing loans ratio (b)	3.0%	3.9%	3.8%	0.8 p.p.
Coverage of loans and interest overdue by more than 90 days	92.3%	86.0%	88.7%	(3.6 p.p.)
Credit at risk ratio (b)	15.5%	15.2%	15.1%	(0.4 p.p.)
Net credit at risk ratio (b)	8.1%	8.0%	7.6%	(0.5 p.p.)
Credit at risk coverage ratio	52.3%	51.6%	53.8%	1.5 p.p.
Credit at risk coverage ratio, including related real estate collateral	122.9%	120.0%	122.1%	(0.8 p.p.)
Restructured loans as a % of total loans (d)	9.7%	8.9%	8.6%	(1.1 p.p.)
Restructured loans not included in credit at risk as a % of total loans (d)	3.7%	3.2%	3.0%	(0.7 p.p.)
PROFITABILITY AND EFFICIENCY				
Total operating income / Average total assets (b)	1.4%	1.7%	2.2%	0.8 p.p.
Net income before income tax / Average total assets (b)	(0.5%)	(0.9%)	0.3%	0.8 p.p.
Net income before income tax / Average equity (b)	(8.3%)	(12.3%)	4.5%	12.8 p.p.
Operating costs / Total operating income (cost-to-income) (b)	110.7%	76.4%	58.2%	(52.5 p.p.)
Cost-to-Income, excluding specific impacts (e)	92.6%	88.4%	62.2%	(30.4 p.p.)
Staff costs / Total operating income (b)	75.1%	44.5%	36.3%	(38.8 p.p.)
EMPLOYEES AND DISTRIBUTION NETWORK (Number)				
Employees				
Group total (f)	4 159	3 806	3 801	(358)
CEMG	3 793	3 588	3 592	(201)
Branches				
Domestic - CEMG	383	327	325	(58)
International	30	33	33	3
Finibanco Angola (g)	21	23	23	2
BTM - Banco Terra	9	10	10	1
Rep. Offices	6	6	6	-

(a) Pursuant to CRD IV / CRR (phasing-in). The capital ratios are estimated and include the cumulative net income for the period.
(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.
* March 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 a strong consecutive increase of GDP by 1.0% in the first quarter of 2017, exceeding expectations, having already grown 0.9% and 0.7% in the third and fourth quarters of 2016, respectively, representing the largest growth since the fourth quarter of 2013, having been suported by both domestic and external demand. This beginning of the year leads us to revise the growth forecast for 2017, from 2.0% to 2.3%, after the 1.4% growth in 2016, while the Government (in the Stability Programme – SP 2017/21) foresees an increase of 1.8% in 2017. After the budget deficit of 2.0% of GDP in 2016, in strong reduction compared to 4.4% in 2015, the Government estimates (SP 2017/21) a new drop to 1.5% (-1.6% in the SB 2017), reflecting improved economic growth perspectives for 2017. The unemployment rate has maintained the downward trend, evolving from 10.5% to 10.1% in the first quarter of 2017, a minimum since the second quarter of 2009, with a downward revision of the forecast for 2017, from 9.8% to 9.6%. Inflation (HIPC) stood at 1.4% at the end of the first quarter of 2017 (+0.9% at the end of the fourth quarter of 2016), with average annual inflation accelerating from 0.6% in 2016 to 1.5% this year.

Globally, the IMF has slightly revised upwards the world economy in its latest forecasts of 18 April, pointing to a growth of 3.5% in 2017 (previous +3.4% in January), considering that the global economy has been strengthening since mid-2016, when it grew 3.1%. With regard to the Euro Zone, GDP grew 0.5% in the first quarter of 2017, maintaining the growth level of the previous quarter and should grow roughly at the same pace in the second quarter of the year, at an average annual growth of 1.8% in 2017, with the economy continuing to benefit from the expansionary monetary policy adopted by the ECB. With regard to other markets where CEMG is present, in Angola, after the GDP growth by only 0.9% in 2015, it is expected to have contracted 3.0% in 2016, with a growth forecast of 1.8% for this year (under +2.1% in the GSB 2017). In Mozambique, after growth slowed down in 2015, from 7.4% to 6.6%, the GDP slowed again in 2016, to 3.3%, with an acceleration being forecasted to this year to 4.5%, below the predicted by the Government (+5.5%). Cape Verde's GDP grew 3.9% in 2016, compared to 1.1% in 2015 and representing the highest pace since 2011 (+4.0%).

The financial markets sentiment evolved with a positive trend in the first quarter of 2017, essentially underpinned by positive indications at the world economic growth level. Increases were observed in most of the major stock indices (the S&P 500 rose 5.5%, Eurostoxx 6.4% and the PSI-20 7.0%). However, the 10 year spreads of the peripheral eurozone countries debt have revealed an extension trend behavior (despite the ECB's purchase program), with only Greece showing a narrowing trend, and with corporate credit market spreads tending to be unfavourable. The yields on 10-year Portuguese debt rose from 3.764%, by the end of 2016, to 3.978% in 31 March 2017. Libor rates have risen in all periods, while the Euribor rates renewed historic lows, with this downward movement of rates to continue to reflect the expansionist policy of the ECB. Commodities dropped in general indexes, reflecting the sharp decline of energy in the first quarter of 2017 (-6.1%).

EARNINGS

Net income for the first quarter of 2017 was positive by 11.1 million euros, an improvement of 30.9 million euros evolving from a negative amount of 19.8 million euros in the first quarter of 2016. This positive performance was underpinned by the increase of Core total operating income, as a result of the increases of Net interest income and Net fees and commissions, the increment of Results from financial operations and reducing Operating costs.

The improvement of Net income in the first quarter of 2017 also incorporates the strengthening of the level of non-performing loans coverage by impairments, to which contributed the increase of endowments for Impairments and provisions in the first quarter of 2017.

SYNTHETIC INCOME STATEMENT

(EUR million)

	Mar-16*	Mar-17	Change	
			Amount	%
Net interest income	**52.4**	**71.1**	**18.7**	**35.6**
Commercial net interest income	*60.2*	*73.6*	*13.4*	*22.3*
Net fees and commissions	21.1	26.1	5.0	23.7
Core total operating income	**73.5**	**97.2**	**23.7**	**32.2**
Income from equity instruments	0.0	2.5	2.5	>100
Results from financial operations	(4.8)	7.5	12.3	>100
Other operating income	6.3	8.0	1.7	27.4
Total operating income	**75.0**	**115.2**	**40.2**	**53.5**
Staff Costs	56.3	41.8	(14.5)	(25.8)
General and administrative expenses	21.2	19.3	(1.9)	(8.9)
Amortization and depreciation	5.5	5.9	0.4	7.0
Operating costs	**83.0**	**67.0**	**(16.0)**	**(19.3)**
Comparable operating costs (a)	**73.8**	**67.0**	**(6.8)**	**(9.3)**
Net operating income before provisions and impairments	**(8.0)**	**48.2**	**56.2**	**>100**
Net provisions and impairments	23.5	35.4	11.9	50.5
Share of profit of associates under the equity method	(0.1)	0.0	0.1	-
Net income before income tax	**(31.6)**	**12.8**	**44.4**	**>100**
Income tax	8.7	(5.1)	(13.8)	(<100)
Net income after income tax from continuing operations	**(22.9)**	**7.7**	**30.6**	**>100**
Income from discontinuing operations	3.8	4.2	0.4	10.4
Non-controlling interests	0.7	0.8	0.1	14.0
Net income	**(19.8)**	**11.1**	**30.9**	**>100**

*March 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

Regarding the earnings from the commercial activity there was an increase of 25.2 million euros, evolving from 7.5 million euros recorded in the first quarter of 2016 to 32.7 million euros recorded in the first quarter of 2017, reflecting a 22.3% improvement in the Commercial net interest income, a 23.7% increase in Net fees and commission and a 9.3% reduction in Comparable operating costs.

TOTAL OPERATING INCOME

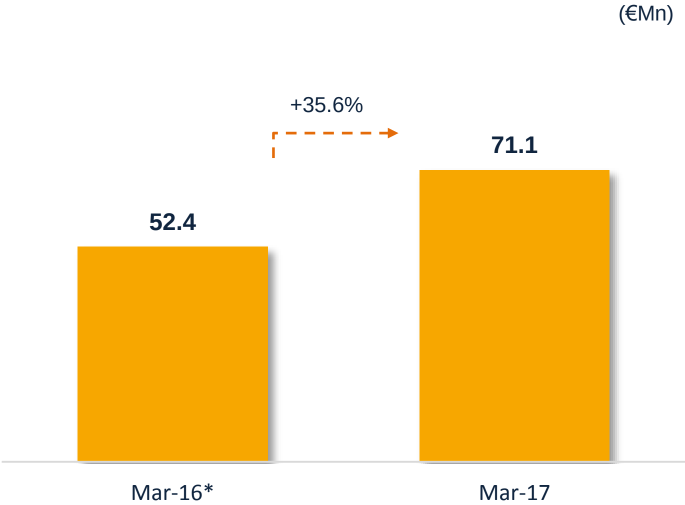
Core total operating income improved by 32.2%, having risen by 23.7 million euros from 73.5 million euros in the first quarter of 2016 to 97.2 million euros in the first quarter of 2017. This performance was determined by the favorable performances of Net interest income and Net fees and commissions, which recorded year-on-year growths of 35.6% and 23.7%, respectively.

The Total operating income evolution from 75.0 million euros in the first quarter of 2016 to 115.2 million euros in the first quarter of 2017 also incorporates the positive contribution of Income from equity instruments, Results from financial operations and Other operating income.

Net interest income

In the first quarter of 2017, Net interest income, in a context of still historically low interest rates, showed a year-on-year growth of 35.6% upon reaching 71.1 million euros, underpinned by a decrease in the cost of customers' deposits, lower costs with debt issued and repricing of the loan portfolio.

Net interest income



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Net interest income for the first quarter of 2017 benefited from the positive price effect of 19.4 million euros in Customers' deposits, showing the impacts of the average interest rate having evolved from 1.4% in the first quarter of 2016 to 0.7% in the first quarter of 2017, the continued and permanent price management in the taking of new deposits, as well as the repricing of the existing ones upon their maturity.

Senior debt has also contributed positively to the evolution of Net interest income recorded between the first quarter of 2016 and of 2017, namely by the volume effect of 2.3 million euros, given the decrease in the average balance from 2,243 million euros in the first quarter of 2016 to 1,872 million euros in the first quarter of 2017.

BREAKDOWN OF NET INTEREST INCOME

(EUR million)

	Mar-16*			Mar-17		
	Avg. amount	Avg. rate (%)	Interest	Avg. amount	Avg. rate (%)	Interest
Assets						
Cash and deposits	330	0.0	0.0	202	0.0	0.0
Loans and advances to OCI	160	2.4	1.0	443	0.9	1.0
Loans to customers	15 514	2.6	101.3	14 997	2.5	95.3
Securities portfolio	2 707	1.4	9.8	3 043	1.9	14.6
Other (includes derivatives)	-	-	19.2	-	-	17.3
subtotal	18 711	2.8	131.3	18 685	2.7	128.2
Liabilities						
Resources from central banks	2 676	0.1	0.4	2 471	0.0	0.1
Resources from OCI	1 683	0.7	2.9	2 269	0.4	2.0
Customers' deposits	12 072	1.4	41.1	12 086	0.7	21.7
Senior debt	2 243	2.5	13.9	1 872	2.8	13.1
Subordinated debt	321	1.3	1.1	251	1.2	0.7
Other (includes derivatives)	-	-	19.5	-	-	19.5
subtotal	18 995	1.7	78.9	18 949	1.2	57.1
Net interest income		**1.1**	**52.4**		**1.5**	**71.1**

*March 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 registered a decrease in the first quarter of 2017 in relation to the value of the first quarter of 2016 due to the ongoing deleveraging process, in particular in non-performing loans and in activity sectors considered non-core, namely the construction sector. Concerning the average interest rate, reflecting the effect of the repricing of operations in a context where the main reference rates stood at negative levels in the first quarter of 2017, an average rate of 2.5% was recorded in the first quarter of 2017 that compares to 2.6% in the first quarter of 2016, resulting in a negative price effect of 2.6 million euros.

In the first quarter of 2017, the Securities portfolio registered an average balance higher than that recorded in the first quarter of 2016, while the average interest rate showed a favourable evolution from 1.4% to 1.9% over the same period. The effects observed in Net interest income determined by the Securities portfolio, either by volume and price effects, were both positive in 1.2 million euros and 3.2 million euros, respectively.

Thus, the combination of the effects described above resulted in a 40bps increase in the Net interest margin rate, which rose from 1.1% in the first quarter of 2016, to 1.5% in the first quarter of 2017.

DETAILED EVOLUTION OF NET INTEREST INCOME BETWEEN THE 1Q* 2016 AND THE 1Q 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	1.8	(0.7)	(1.1)	0.0
Loans to customers	(3.4)	(2.6)	0.1	(5.9)
Securities portfolio	1.2	3.2	0.4	4.8
Other (includes derivatives)	0.0	0.0	(2.0)	(2.0)
subtotal	(0.4)	(0.1)	(2.6)	(3.1)
Liabilities				
Resources from central banks	0.0	(0.3)	0.0	(0.3)
Resources from OCI	1.0	(1.4)	(0.5)	(0.9)
Customers' deposits	0.0	(19.4)	0.0	(19.4)
Senior debt	(2.3)	1.7	(0.3)	(0.9)
Subordinated debt	(0.2)	(0.1)	0.0	(0.3)
Other (includes derivatives)	0.0	0.0	0.0	0.0
subtotal	(1.5)	(19.5)	(0.8)	(21.8)
Change in net interest income	**1.1**	**19.4**	**(1.8)**	**18.7**

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

Income from equity instruments

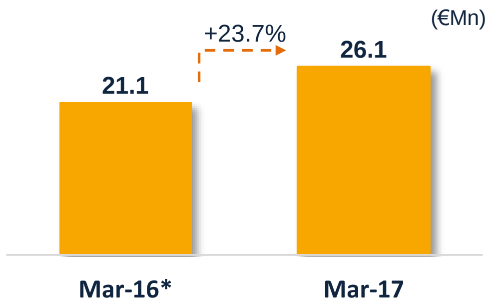
The heading Income from equity instruments includes the income associated to variable yield securities, namely shares and participation units in investment funds, related to investments stated in the portfolio of assets available for sale. The amount recorded in the first quarter of 2017 reached 2.5 million euros and compares favorably with the amount of 14.0 thousand euros registered in the first quarter of 2016, by incorporating the dividends received from investments related to the portfolio of available for sale financial assets.

Net fees and commissions

Net fees and commissions, related to services rendered to customers, reached 26.1 million euros in the first quarter of 2017, an increase of 23.7% compared to the value of 21.1 million euros in the first quarter of 2016.

The favourable evolution of Net fees and commissions in the first three months of 2017 incorporates the joint effect of the measures implemented in 2016 in order to adjust the price of the services provided to customers to the value proposition offered by CEMG.

Net fees and commissions



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In this context, the aforementioned increase incorporates the effects of pricing revisions applied to the bank services rendered, namely those related to management commissions, asset management and custody of assets fees, exemption situations, cards, maintenance of accounts and annuities, as well as the income associated with the increase of cross-selling.

Results from financial operations

The Results from financial operations amounted to 7.5 million euros in the first quarter of 2017, compared to the negative value of 4.8 million euros in the first quarter of 2016. To this improvement contributed, above all, the reversal of losses with results from assets and liabilities at fair value through profit or loss of -16.4 million euros recorded in the first quarter of 2016 to a gain of 1.2 million euros recorded in the first quarter of 2017.

RESULTS FROM FINANCIAL OPERATIONS

(EUR million)

	Mar-16*	Mar-17	Change	
			Amount	%
Results from financial assets and liabilities at fair value through profit or loss	(16.4)	1.2	17.6	>100
Results from financial assets available-for-sale	10.1	5.6	(4.5)	(44.7)
Results from currency revaluation	1.5	0.7	(0.8)	(56.9)
Results from financial operations	**(4.8)**	**7.5**	**12.3**	**>100**

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

Other results

The heading Other results incorporates the Results from the sale of other assets and Other operating income, which include, among others, the income obtained from the provision of services, the reimbursement of expenses and the assignment of employees, as well as the cost related to credit recovery services and emissions charges.

In the first quarter of 2017, Results from the sale of other assets amounted to -0.6 million euros, an improvement in relation to the value of -0.8 million euros recorded in the first quarter of 2016.

Other operating income in the first three months of 2017 stood at 8.6 million euros, which compares to 7.1 million euros recorded in the same period of 2016, determined essentially by the higher gains from the revaluation of investment properties and rents, amounting to 5.6 million euros, and income from the management of current accounts which amounted to 3.1 million euros.

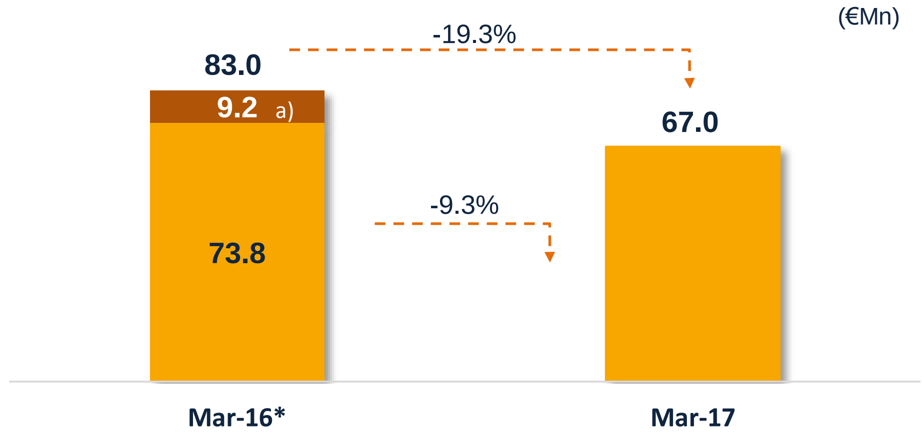
OPERATING COSTS

Operating costs in the first quarter of 2017 amounted to 67.0 million euros, representing a year-on-year decrease of 9.3% compared to the value of operating costs of 73.8 million euros, excluding the impacts of the process of redimensioning of the operating structure.

The improvement of efficiency levels set out in the Strategic Plan for 2016-2018, already observed in 2016, was continued in the first quarter of 2017 through the year-on-year decrease, on a comparable basis, of 11.4% in Staff costs and 8.9% in General and administrative expenses. These decreases were determined by the reduction of 58 branches and of 201 CEMG employees, which rises to 358 when excluding early retirements, rescissions, employees' assignment and suspension of provision of work, when compared to 31 March 2016.

In the first quarter of 2017, the efficiency ratio Cost-to-Income, excluding the results from financial operations and the effects derived from the operating structure resizing, stood at 62.2%, compared with 92.6% for the first quarter of 2016.

Operating costs



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

OPERATING COSTS

(EUR million)

	Mar-16*	Mar-17	Change Amount	Change %
Staff Costs (a)	47.1	41.8	(5.4)	(11.4)
General and administrative expenses	21.2	19.3	(1.9)	(8.9)
Amortization and depreciation	5.5	5.9	0.4	7.0
Comparable operating costs (a)	**73.8**	**67.0**	**(6.8)**	**(9.3)**
Cost arising from the operational redimensioning	9.2	-	-	-
Operating costs	**83.0**	**67.0**	**(16.0)**	**(19.3)**
Efficiency ratios				
Cost-to-Income (Operating expenses / Total operating income) (b)	110.7%	58.2%		
Cost-to-Income, excluding specific impacts (c)	92.6%	62.2%		

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

Staff costs in the first quarter of 2017 amounted to 41.8 million euros, representing a decrease of 11.4% compared to the value recorded in the first quarter of 2016 of 47.1 million euros, which excludes the impact related to the process of resizing the operating structure of 9.2 million euros for comparative purposes.

General and administrative expenses totaled 19.3 million euros in the first quarter of 2017 showing a decrease of 8.9% compared to the amount recorded in the same period of 2016, reflecting the favourable impact induced by negotiating contracts with suppliers and cost containment measures that have been implemented. The reduction of General and administrative expenses ocurred in various headings with particular emphasis on savings in rents and IT costs.

IMPAIRMENT AND PROVISIONS

Endowments to Impairments and provisions in the first quarter of 2017 reached the amount of 35.4 million euros which compares to 23.5 million euros recorded in the same period of 2016. To this increase of 11.9 million contributed the endowments to loan impairments of 10.3 million euros, evolving from 23.6 million euros in the first quarter of 2016 to 33.8 million euros in the first quarter of 2017, contributing to the strengthening of the credit at risk coverage by impairments. This trend was reflected at the cost of risk level reaching 0.9% in the first three months of 2017, compared to 0.6% in the same period of 2016 and to 1.2% in 2016, thus reflecting a reduction in the cost of risk of 30bps.

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

In the first quarter of 2017 there was a reversal of 0.4 million euros of Other financial assets impairment as compared to the endowment of 0.9 million euros recorded in the first quarter of 2016.

IMPAIRMENT AND PROVISIONS

(EUR million)

	Mar-16*	Mar-17	Change	
			Amount	%
Loan impairments	23.6	33.8	10.3	43.5
Other financial assets impairments	0.9	(0.4)	(1.3)	(<100)
Other assets impairments	3.5	1.7	(1.8)	(51.2)
Other provisions	(4.5)	0.3	4.8	>100
Total of impairment and provisions	**23.5**	**35.4**	**11.9**	**50.5**

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

Regarding the impairment of other assets, the value recorded in the first quarter of 2017 stood at 1.7 million euros, showing a decrease of 51.2% in relation to the same period of 2016, while other provisions registered an allocation of 0.3 million euros compared to a reversal of 4.5 million euros recorded in the first quarter of 2016.

TAX

Current and deferred taxes reached -5.1 million euros in the first quarter of 2017 compared to 8.7 million euros stated in the same period of 2016, having been recorded in accordance with the IAS and observing the tax framework applicable to each subsidiary of the CEMG group.

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

RESULTS FROM DISCONTINUING OPERATIONS

The heading of earnings from discontinuing operations incorporates the net income for the period of the subsidiaries Finibanco Angola, S.A. and BTM – Banco Terra, S.A. attributable to CEMG under the application of the accounting policy IFRS 5, which stood at 4.2 million euros in the first quarter of 2017.

For comparative purposes, the income statement for the first quarter of 2016 was prepared on the same accounting basis, recording the value of 3.8 million euros.

NON-CONTROLLING INTERESTS

Non-controlling interests recognized in the first three months of 2017 and of 2016, which amounted to 0.8 million euros and to 0.7 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

During the first quarter of 2017, the strategic objective to deleverage the balance sheet was pursued, on the one hand, through the reduction of non-performing loans, loans granted to activity sectors considered non-core and in reducing the exposure to real estate risk through integrated management of real estate held in the portfolio for sale, and, on the other hand, through the improvement of liquidity levels by the attraction and retention of Customers' deposits, coupled with the use of less expensive funding sources.

SYNTHETIC BALANCE SHEET

(EUR million)

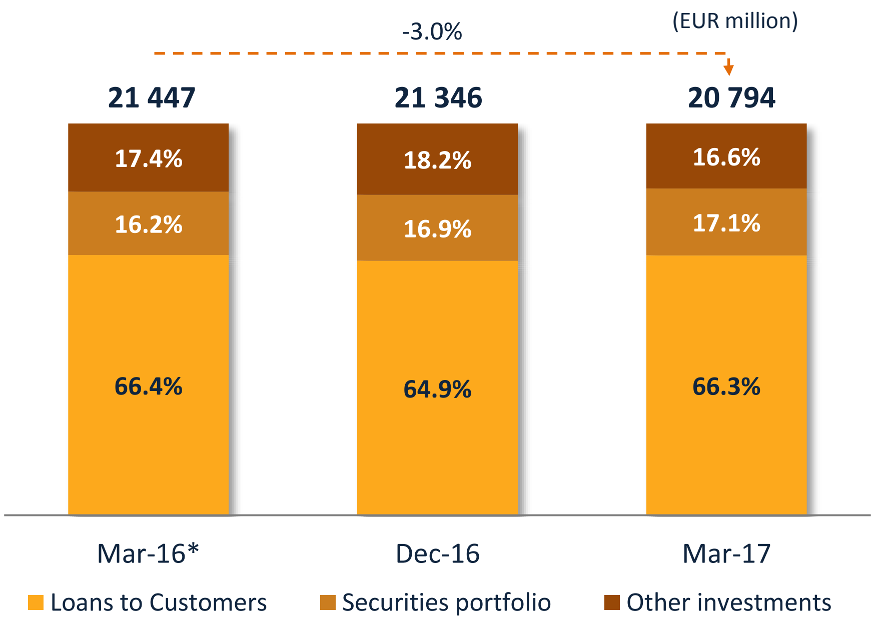
	Mar-16*	Dec-16	Mar-17	YoY Change	
				Amount	%
Cash and deposits at central banks and OCI	691	1 010	683	(8)	(1.1)
Loans to customers	14 234	13 861	13 774	(460)	(3.2)
Securities portfolio	3 465	3 604	3 564	99	2.8
Non current assets held for sale and investment properties	1 408	1 368	1 345	(63)	(4.5)
Non current assets held for sale - Discontinuing operations	539	470	458	(81)	(15.0)
Current and deferred tax assets	431	534	529	98	22.7
Other	679	499	441	(238)	(35.0)
Total assets	**21 447**	**21 346**	**20 794**	**(653)**	**(3.0)**
Deposits from central banks and OCI	4 627	4 599	5 027	400	8.6
Customers' resources	12 070	12 468	11 592	(478)	(4.0)
Issued debt	2 381	2 171	2 060	(321)	(13.5)
Non current liabilities held for sale - Discontinuing operations	402	354	332	(70)	(17.4)
Other	386	297	300	(86)	(22.2)
Total liabilities	**19 866**	**19 889**	**19 311**	**(555)**	**(2.8)**
Institutional capital and Participation fund	2 170	2 170	2 170	0	0.0
Net income	(20)	(86)	11	31	>100
Reservers, retained earnings and other	(569)	(627)	(698)	(129)	(22.7)
Total equity	**1 581**	**1 457**	**1 483**	**(98)**	**(6.2)**
Total equity and liabilities	**21 447**	**21 346**	**20 794**	**(653)**	**(3.0)**

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

ASSETS

Total assets stood at 20,794 million euros as at 31 March 2017 compared to 21,447 million euros registered in the same period of 2016 and with 21,346 million euros as at 31 December 2016. This evolution of Total assets reflects the orientation of deleveraging in activity sectors considered non-core and balance sheet diversification for different classes of financial assets with higher liquidity.

TOTAL ASSETS STRUCTURE



*March 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) comprises the balances recorded under Cash and deposits at central banks and under deposits and investments in credit institutions.

At the end of the first quarter of 2017, liquidity deposited at central banks and in OCI reached 683 million euros, which compares to 691 million euros recorded in the same period of 2016, reflecting a negative evolution of 1.1%.

LOANS TO CUSTOMERS

On 31 March 2017, Loans to customers (gross) amounted to 14,991 million euros, a decrease of 3.2% compared to the value recorded on 31 March 2016. This reflects, on the one hand, a demanding risk management policy on granting loans and risk-adjusted repricing, and, on the other hand, the still lower demand for credit by economic agents.

In the first three months of 2017, CEMG continued to improve the approval and granting loans process aiming at reducing the cost of credit risk and thus contribute to fulfil the objectives set out in the Strategic Plan.

The loan portfolio in the first quarter of 2017 continued to show a higher level of repayment of mortgage loans when compared to the new operations that were raised, giving rise to a year-on-year decrease of 4.2%, and a reduction of 1.9% in the companies segment, influenced by the decline of 8.1% of construction loans.

LOANS TO CUSTOMERS

(EUR million)

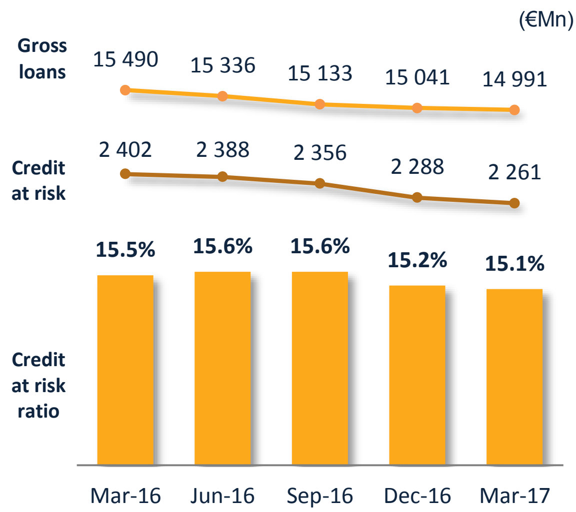
	Mar-16*	Dec-16	Mar-17	YoY Change	
				Amount	%
Individuals	**8 684**	**8 390**	**8 313**	**(371)**	**(4.3)**
Housing	7 394	7 164	7 087	(307)	(4.2)
Consumption and other purposes	1 290	1 226	1 226	(64)	(4.9)
Companies	**6 806**	**6 651**	**6 678**	**(128)**	**(1.9)**
Construction	476	449	437	(39)	(8.1)
Other purposes	6 330	6 202	6 241	(89)	(1.4)
Gross loans	**15 490**	**15 041**	**14 991**	**(499)**	**(3.2)**
Loan impairments	**1 256**	**1 180**	**1 217**	**(39)**	**(3.1)**
Net loans	**14 234**	**13 861**	**13 774**	**(460)**	**(3.2)**

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

In 2016 and in the first three months of 2017, CEMG carried out a series of initiatives aimed at reducing the exposure in non-performing loans and in activity sectors identified as non-core, with construction loans having fallen by 8.1% between the end of the first quarter of 2016 and of 2017.

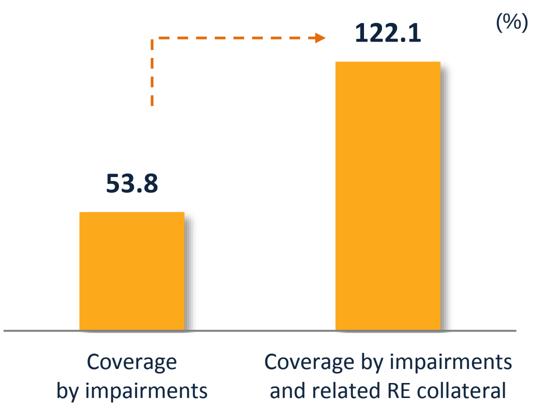
As a result of these initiatives, the balance of credit at risk showed successive quarterly reductions since the end of the first quarter of 2016, with the credit at risk ratio standing at 15.1% as at 31 March 2017, compared to 15.5% at the end of the first quarter of 2016. Compared to the end of 2016, during the first three months of 2017 the credit at risk ratio showed a drop from 15.2% to 15.1%. Credit at risk coverage by impairments and related real estate collateral reached 122.1% on 31 March 2017, compared to 120.0% at the end of 2016, while the coverage only by impairments stood at 53.8%, evolving favorably given the 51.6% coverage level recorded as at 31 December 2016.

Evolution of gross loans and credit at risk



Restated values pursuant to IFRS5 guidelines related to the accounts of Finibanco Angola and BTM subsidiaries, for comparative purposes.

CaR coverage as at 31 March 2017



SECURITIES PORTFOLIO

Pursuing the implementation of the Strategic Plan 2016-2018 and the rebalancing of asset structure in the first three months of 2017, CEMG continued to identify and implement a series of measures aiming at improving liquidity levels. Thus, the Securities portfolio increased by 99 million euros since the end of the first quarter of 2016, amounting to 3,564 million euros as at 31 March 2017, showing an increase of 2.8% compared to the value recorded in the same period of 2016 and representing 17.1% of total assets.

The abovementioned increase of the Securities portfolio resulted from the increase of Financial assets held for trading and Held to maturity investments, through the subscription of national and foreign sovereign bonds, and the decrease of the portfolio of Financial assets available for sale.

SECURITIES PORTFOLIO

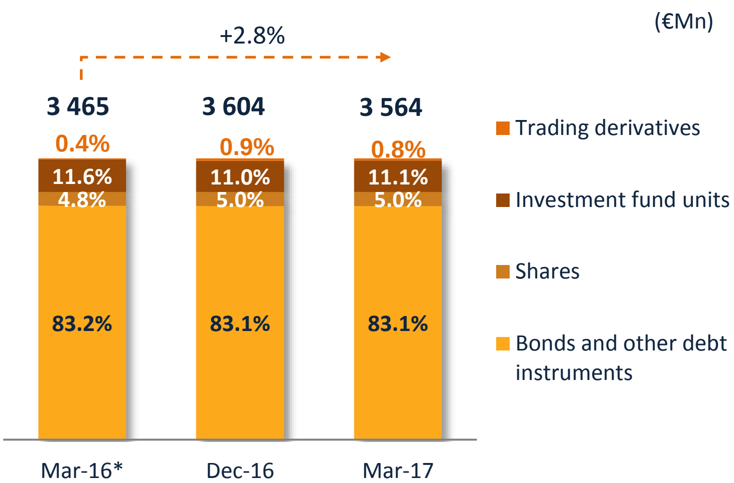
(EUR million)

	Mar-16*	Dec-16	Mar-17	YoY Change	
				Amount	%
Financial assets held for trading	27	78	84	57	>100
Financial assets available for sale	2 790	2 400	2 352	(438)	(15.7)
Held to maturity investments	648	1 126	1 128	480	74.0
Total securities portfolio	**3 465**	**3 604**	**3 564**	**99**	**2.8**

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

An analysis of the Securities portfolio by type of instrument, shows a year-on-year growth of 79 million euros in bonds and other debt instruments, which includes national sovereign debt, rising from 2,882 million euros at the end of the first quarter of 2016 to 2,961 million euros as at 31 March 2017, explaining 80% of the increase registered in terms of the total portfolio.

Structure of the securities portfolio



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

(EUR million)

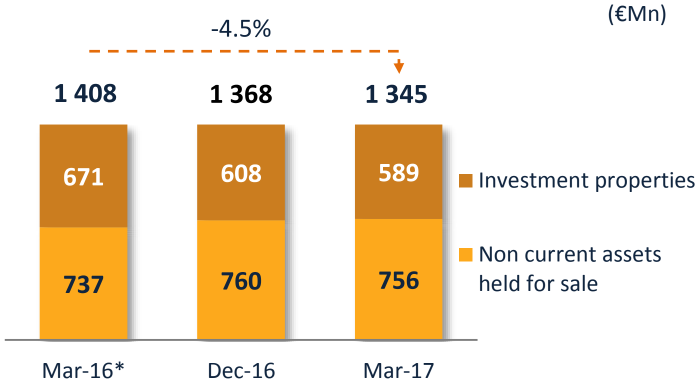
	Mar-16*	Dec-16	Mar-17	YoY Change	
				Amount	%
Bonds and other debt instruments	2 882	2 996	2 961	79	2.7
Shares	168	177	179	11	6.5
Investment fund units	402	398	394	(8)	(2.0)
Trading derivatives	13	33	30	17	>100
Total securities portfolio	**3 465**	**3 604**	**3 564**	**99**	**2.8**

*March 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 aggregate value of Non-current assets held for sale and Investment properties fell by 4.5% year-on-year, evolving from 1,408 million euros as at 31 March 2016 to 1,345 million euros at the end of the first quarter of 2017, in line with the strategic guideline of integrated management of real estate properties and consequent reduction of the exposure to this activity sector.

Reduction of the risk to the RE sector



*March 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 resulting from the dissolution of contracts involving loans to customers, which recorded a decrease since the end of 2016 of 0.5%, evolving from 760 million euros as at 31 December 2016 to 756 million euros at the end of the first quarter of 2017 (+2.6% year-on-year change), reflecting the settlement of various non-performing operations and the good performance of the sales of real estate properties carried out in the retail market.

Regarding the heading of Investment properties, which records the real estate properties held by the real estate investment funds of the CEMG Group, there has been a decrease since 31 December 2016 of 3.1%, evolving from 608 million euros to 589 million euros at the end of the first three months of 2017 (-12.1% year-on-year change), pursuing the strategic goal of reducing the exposure to real estate risk.

NON CURRENT ASSETS HELD FOR SALE – DISCONTINUING OPERATIONS

As at 31 March 2017, the heading of Non-current assets held for sale – discontinuing operations amounted to 458 million euros and corresponds to the value of the assets recorded by the Group's operations in Angola and Mozambique, after adjustment of the movements required for the consolidation process, having been stated following the application of IFRS 5 to the subsidiaries Finibanco Angola and BTM – Banco Terra, as described in Note 52 to the consolidated financial statements.

CURRENT AND DEFERRED TAX ASSETS

At the end of the first quarter of 2017, the aggregate value of Current and deferred tax assets reached the amount of 529 million euros, which compares to 431 million euros as at 31 March 2016, representing an increase of 22.7%.

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

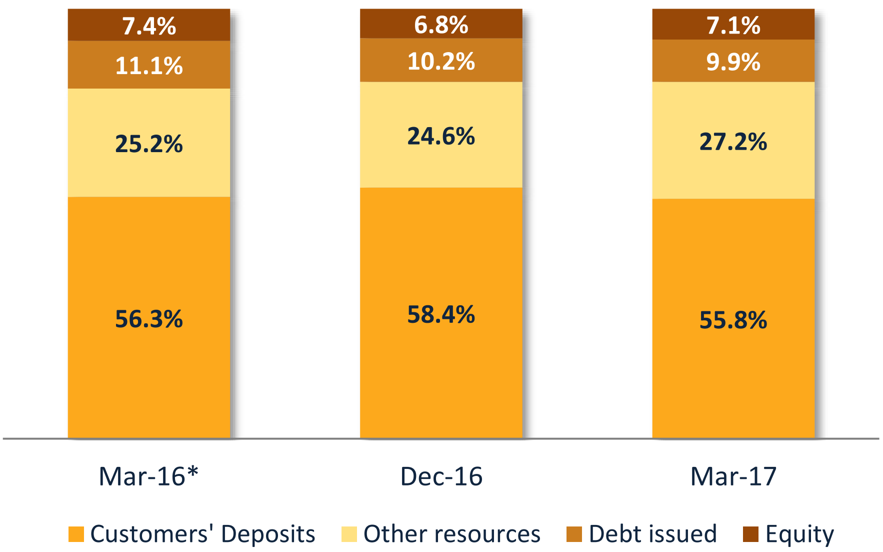
OTHER

The aggregate Other, reported on the Assets' side of the synthetic balance sheet, reached 441 million euros at the end of the first quarter of 2017, compared to 679 million euros recorded as at 31 March 2016 and 499 million euros at the end of 2016, and includes the headings Other tangible assets, Intangible assets, Investments in associates and Other assets. The 11.6% decrease recorded under this aggregate in the first three months of 2017 was mainly determined by the reduction of 57 million euros of Other assets.

LIABILITIES

As at 31 March 2017, Total liabilities stood at 19,311 million euros, which compares to 19,866 million euros recorded in the same period of 2016 and 19,889 million euros as at 31 December 2016. Thus, on 31 March 2017, Equity financed 7.1% of total assets, the relative weight of Debt issued decreased to 9.9%, while the weight of Other resources increased to 27.2% as a result of the funding sources diversification, namely through repos, while Customers' deposits, reaching 55.8%, remained as the main source of funding.

LIABILITIES AND EQUITY STRUCTURE



*March 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 31 March 2017, the funding obtained from central banks and OCI totaled 5,027 million euros, compared to 4,627 million euros recorded at the end of the first quarter of 2016 and to 4,599 million euros as at 31 December 2016.

This heading includes all the funds taken from the ECB, which amounted to 2,825 million euros at the end of the first three months of 2017 (2,923 million euros as at 31 March 2016 and 2,323 million euros at the end of 2016), and the funding obtained from other credit institutions, namely through repos operations that recorded a year-on-year increase of 29.2%.

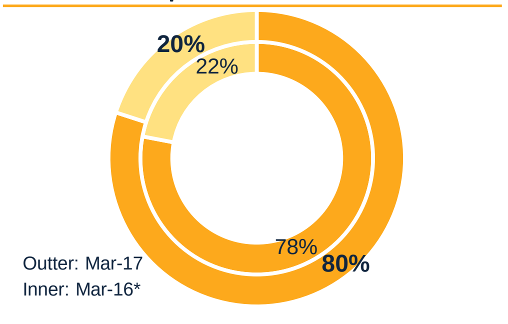
CUSTOMERS' RESOURCES

During the first quarter of 2017, CEMG carried out a series of initiatives related to the taking and retention of customers' resources, conducting an effective management of the timing in order to increase and diversify the funding sources.

Total customers' resources amounted to 13,560 million euros as at 31 March 2017, of which 12,843 million euros correspond to balance sheet funds, where 90.3% refer to customers' deposits.

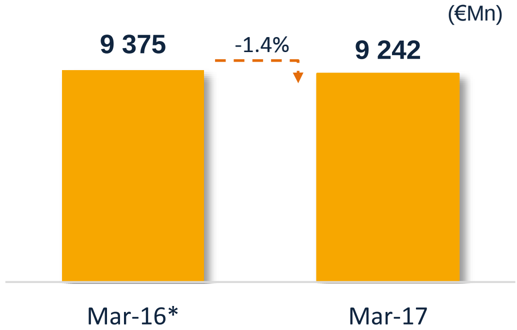
As at 31 March 2017, customers' deposits stood at 11,592 million euros, of which 80% correspond to deposits from individuals having registered a decrease of 1.4% compared to the value recorded on 31 March 2016.

Customers' deposits structure



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

Deposits from Individuals



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

CUSTOMERS' RESOURCES

(EUR million)

	Mar-16*	Dec-16	Mar-17	YoY Change Amount	YoY Change %
Deposits from Individuals	9 375	9 397	9 242	(133)	(1.4)
Deposits from Companies and Institutionals	2 695	3 071	2 350	(345)	(12.8)
Total Deposits	**12 070**	**12 468**	**11 592**	**(478)**	**(4.0)**
Sight Deposits	2 963	3 302	3 192	229	7.7
Term Deposits	9 107	9 166	8 400	(707)	(7.8)
Securities placed with Customers	1 365	1 327	1 251	(114)	(8.3)
Total On-Balance sheet resources	**13 435**	**13 795**	**12 843**	**(592)**	**(4.4)**
Off-Balance sheet resources	784	723	717	(67)	(8.5)
Total Customers' resources	**14 219**	**14 518**	**13 560**	**(659)**	**(4.6)**

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

At the end of the first quarter of 2017, the heading Securities placed with customers stood at 1,251 million euros against 1,365 million euros in the same period of 2016, as a result of the securitised debt maturities replaced by less expensive market operations, under the management of financing needs.

Off-balance sheet resources amounted to 717 million euros as at 31 March 2017, compared to 784 million euros at the end of the first quarter of 2016, mainly due to the year-on-year decrease recorded in terms of treasury funds, real estate investment funds and capitalization insurance products.

DEBT ISSUED

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

As at 31 March 2017, the amount of Debt issued totaled 2,060 million euros, having decreased by 13.5% compared to 2,381 million euros registered on 31 March 2016 and by 5.1% when compared to the amount of 2,171 million euros recorded at the end of 2016. The year-to-date decrease reflects the 5.8% and 0.2% reductions of, respectively, Debt securities issued and Subordinated liabilities.

NON CURRENT LIABILITIES HELD FOR SALE – DISCONTINUING OPERATIONS

As at 31 March 2017, the heading of Non-current liabilities held for sale - discontinuing operations amounted to 332 million euros and corresponds to the value of the liabilities recorded by the Group's operations in Angola and Mozambique, after adjustment of the movements required for the consolidation process, having been stated following the application of IFRS 5 to the subsidiaries Finibanco Angola and BTM – Banco Terra., as described in Note 52 to the consolidated financial statements

OTHER

The aggregate Other, reported on the Liabilities' side of the balance sheet, reached 300 million euros at the end of the first quarter of 2017, compared to 386 million euros recorded on 31 March 2016 and 297 million euros at the end of 2016, and includes the headings of Financial liabilities held for trading, Provisions, Current tax liabilities and Other liabilities. The year-on-year change of -22.2% was determined by the 45 million euros decrease of Financial liabilities held for trading, as a result of the reduction in derivatives, by the 11 million euros decrease of Provisions and by the 31 million euros drop in Other liabilities, mainly due to other creditors.

EQUITY

Equity amounted to 1,483 million euros as at 31 March 2017, compared to the value of 1,457 million euros recorded at the end of 2016 and to 1,581 million euros at the end of the first quarter of 2016. The favorable evolution observed in the first quarter of 2017 results from the positive net income recorded in the first three months of 2017, which amounted to 11.1 million euros.

LIQUIDITY

In the first quarter of 2017, CEMG continued to conduct a series of initiatives with a view to continue strengthening the liquidity position, in line with the Strategic Plan for 2016-2018 as well as with the regulatory objectives.

At the same time, the management of CEMG's balance sheet, in particular the taking of funds from the European Central Bank (ECB), has enabled reinforcing the pool of eligible assets for collateral in funding operations when compared to the end of 2016. The Liquidity coverage ratio (LCR), benefiting from the effects mentioned above, stood at 105.7% as at 31 March 2017, above the minimum requirement of 80% applicable in 2017.

The evolution of Customers' deposits, on the one hand, and of Loans to customers, on the other hand, resulted in a Credit-to-resources ratio of 102.8% as at 31 March 2017 and of 118.8%, when considering loans and deposits from customers.

LIQUIDITY RATIOS

(%)

	Mar-16*	Dec-16	Mar-17	YoY Change
Loans to customers (net) / Customers' deposits (a)	117.9	111.2	118.8	0.9 p.p.
Loans to customers (net) / Total on-balance sheet customers' resources (b)	100.5	96.3	102.8	2.3 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.

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

The use of Eurosystem monetary policy operations falls under the support to the economy as recommended by both the expansionary monetary policy of the ECB and by CEMG, aiming at the optimization of long-term funding, namely through the last series of the TLTRO-II, under the Quantitative Easing program of the ECB in the first quarter of 2017.

The use of the ECB resources by CEMG, at the end of the first quarter of 2017, recorded a reduction compared to the same period of 2016 in the amount of 98 million euros. As at 31 March 2017, the use of the collateral pool in Eurosystem operations totaled 2,825 million euros, which compares to 2,923 million euros recorded at the end of the first quarter of 2016. The total amount of the eligible assets also reduced since 31 March 2016, by 269 million euros, as a result of CEMG's investment portfolio management policy and the opening of the money market to other funding sources such as repo operations.

The pool of eligible assets for obtaining liquidity from the Eurosystem thus shifted from 1,106 million euros at the end of the first quarter of 2016, to 935 million euros as at 31 March 2017. At the end of the first quarter of 2017, 196 million euros of unencumbered highly liquid assets were deposited in the pool of collateral of the new-MIC (new collateralised money market), value that compares to 233 million euros recorded on 31 March 2016.

POOL OF ELIGIBLE ASSETS FOR REFINANCING OPERATIONS WITH THE ECB

(EUR million)

	Mar-16*	Dec-16	Mar-17	YoY Change	
				Amount	%
Pool of eligible assets (a)	4 029	3 538	3 760	(269)	(6.7)
Use of the pool	2 923	2 323	2 825	(98)	(3.3)
Pool of available assets	**1 106**	**1 215**	**935**	**(171)**	**(15.5)**

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

Repos showed a growth of 494 million euros between the end of the first quarter of 2017 and the same period of 2016, having increased from 996 million euros as at 31 March 2016 to 1,491 million euros as at 31 March 2017. This increase highlights a greater opening of this instrument, a sign of recovery of some normalcy in the financial markets, with CEMG having used the opportunity to increase the liquidity of assets held that are not eligible for Eurosystem operations, as well as benefiting from the negative rates of this segment.

In the interbank money market, at the end of the first quarter of 2017, CEMG recorded liquidity concessions of 32 million euros at an average rate of 0.1%. In the euro collateralised interbank market (new-MIC), as at 31 March 2017, CEMG recorded liquidity takings of 90 million euros at an average rate of -0.39%.

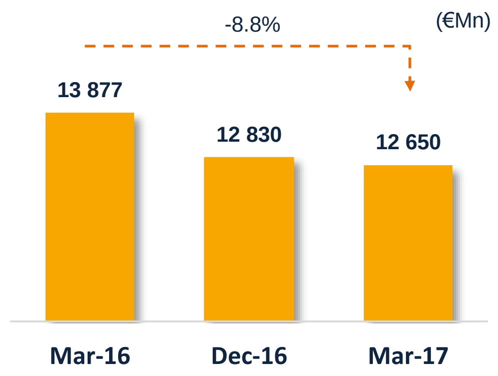
CAPITAL

The Institutional Capital and the Participation Fund of CEMG amounted to 2,170 million euros at the end of the first quarter of 2017, remaining at the same level as at 31 March 2016.

As at 31 March 2017, the Common Equity Tier 1 (CET1) and Total capital ratios stood, respectively, at 10.2% and 10.7%, compared to 10.4% and 10.9% recorded on 31 December 2016.

This evolution was positively determined by the 180 million euros year-to-date reduction of risk-weighted assets, as a result of an efficient management of the risk allocation on the credit and debt securities portfolios, and the impact in own funds related to the application of the phasing-in rules.

Risk-weighted assets



CAPITAL AND CAPITAL REQUIREMENTS

(EUR million)

	Mar-16	Dec-16	Mar-17 (1)	YoY Change		YtD Change	
				Amount	%	Amount	%
Total Capital	**1 535**	**1 392**	**1 348**	**(187)**	**(12.2)**	**(44)**	**(3.2)**
Elegible instruments to CET I	2 156	2 163	2 167	11	0.5	4	0.2
Reserves and Net Income	(621)	(743)	(718)	(97)	(15.6)	25	3.4
Regulatory deductions	98	89	155	57	58.2	66	73.5
Common Equity Tier I Capital	**1 437**	**1 331**	**1 294**	**(143)**	**(10.0)**	**(37)**	**(2.8)**
Tier I Capital	**1 437**	**1 331**	**1 294**	**(143)**	**(10.0)**	**(37)**	**(2.8)**
Tier II capital	106	74	62	(44)	(41.7)	(12)	(16.6)
Other deductions	8	13	8	0	5.1	(5)	(36.1)
Minimum own funds requirements	**1 110**	**1 026**	**1 012**	**(98)**	**(8.8)**	**(14)**	**(1.4)**
Risk-weighted assets and equivalents	**13 877**	**12 830**	**12 650**	**(1 227)**	**(8.8)**	**(180)**	**(1.4)**
CRD IV Prudential Ratios - Phasing-in							
Common Equity Tier I	10.4%	10.4%	10.2%	(20) bps		(20) bps	
Tier I	10.4%	10.4%	10.2%	(20) bps		(20) bps	
Total Capital	11.1%	10.9%	10.7%	(40) bps		(20) bps	
CRD IV Prudential Ratios - Fully Implemented							
Common Equity Tier I	8.6%	7.6%	8.0%	(60) bps		40 bps	
Tier I	8.7%	7.6%	8.0%	(70) bps		40 bps	
Total Capital	9.4%	8.2%	8.5%	(90) bps		30 bps	
Leverage ratio - Phasing-in	6.6%	6.1%	6.1%	(50) bps		0 bps	
Leverage ratio - Fully Implemented	5.6%	4.5%	4.8%	(80) bps		30 bps	

Calculations as per our interpretation to date.

(1) The ratios as at 31 March 2017 are estimated and include the cumulative net income for the period.

The reduction of risk-weighted assets, which rose from 13,877 million euros as at 31 March 2016 to 12,650 million euros at the end of the first quarter of 2017, reflects the deleveraging effort placed on non-core assets which has been progressively accomplish, namely on non-performing loans and real estate properties, alongside the improvement made to the credit approval process and in the granting of credit with good risk and associated collateral.

As at 31 March 2017, the estimated positive impact of the adoption of the Special Regime for Deferred Tax Assets, approved at CEMG's Extraordinary General Meeting held on 6 July 2016, amounts to approximately 50bps on a phasing-in framework, strengthening the Common Equity Tier 1 ratio to 10.7% and the Total capital ratio to 11.1%.

Additionally, excluding the cumulative net income for the period, CET1 and Total capital ratios reached 10.1% and 10.6%, respectively, pursuant to the phasing-in rules.

INTERNATIONAL ACTIVITY

The CEMG Group's international activity is carried out by the entities Finibanco Angola, Banco Montepio Geral Cabo Verde and BTM – Banco Terra, which operates in Mozambique.

DEPOSITS AND CREDIT

As at 31 March 2017, Customers' deposits attracted by the entities that carry out the international activity of the CEMG Group, expressed in euros, reached 544 million euros, compared to 580 million euros recorded on 31 December 2016.

The attraction of deposits in the Angolan market, at the end of the first quarter of 2017, amounted to 311 million euros, representing 57.1% of total deposits of the international activity and standing in line with the level recorded at the end of 2016.

As at 31 March 2017, total deposits of the activity in Cape Verde amounted to 210 million euros, representing 38.7% of the total deposits of the international activity.

The deposits portfolio level of BTM – Banco Terra was maintained when compared to the end of 2016, reaching 23 million euros, allowing to increase its weight in the international activity to 4.3%, at the end of the first quarter of 2017, compared to 4.0% at the end of 2016.

The Loans to customer's portfolio of the Group's international activity stood at 194 million euros, as at 31 March 2017, compared to 198 million euros at the end of 2016.

EARNINGS

The activity carried out by Finibanco Angola posted a Net income of 4.3 million euros in the first three months of 2017, against 3.9 million euros in the same period of 2016. The reduction in terms of Impairment endowments in 3.9 million euros offset the lower performance of Total operating income of 3.4 million euros when compared to the values recorded in the first quarter of 2016.

The BTM – Banco Terra recorded a negative Net income of 37 thousand euros in the first three months of 2017, 30 thousand euros higher than the value recorded at the end of the first quarter of 2016. The reduction of Operating costs of 437 thousand euros has cushioned the smaller contribution of Total operating income in the first quarter of 2017 of 378 thousand euros.

MGCV reached a positive Net income of 73 thousand euros in the first three months of 2017, compared to 186 thousand euros in the first quarter of 2016. The favourable performance of Other operating income in 70 thousand euros, partially offset the 197 thousand euros decrease of Net interest income.

RATING

At the end of the first quarter of 2017, the credit ratings assigned to CEMG were the same when compared to 31 December 2016, and 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

During the first quarter of 2017, Fitch Ratings affirmed all credit ratings assigned to CEMG, maintaining a "Stable" Outlook. DBRS issued a new rating class, named Issuer Rating, assigning a “BB” level to CEMG with a “Stable” Outlook, in line with the current credit rating assigned by the agency to CEMG’s Long-term Senior Debt.

SIGNIFICANT EVENTS IN THE 1ST QUARTER 2017

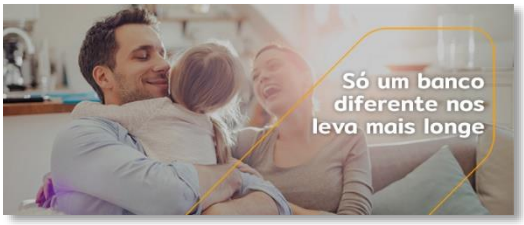
Transformation of CEMG into a PLC and amendments to the Articles of Association

In the context of the transformation of CEMG into a Public Limited Company and the respective amendments to CEMG's Articles of Association, in the extraordinary session held on 4 April 2017, CEMG's General Assembly approved the Informative report and CEMG's Articles of Association project, with the subsequent approval of the transformation into a Public Limited Company. It should be noted that the effectiveness of the decisions taken regarding the transformation into a PLC will only occur after the registration proceeding.

New Montepio.pt

In March 2017 the new Montepio web site was released, a web site intended to be simple, easy and close, to support customers to go further with their plans, delivering the products and services that best fit their needs as well as provide tools and information to support the management of everyday life.

CEMG's new image



It was released a new graphic line, with a new visual speech, a new communication device and a new photographic style, establishing a close relationship and consistent with the Bank's identity. The challenge of CEMG's new image consisted on having a concept with new elements, without losing the connection with the past and that could open horizons to the multiple sides of communication.

Protocol with the *Associação Académica de Coimbra*

CEMG established a protocol with the *Associação Académica de Coimbra* (AAC) in which it will be the marketing entity of the AAC Member card, which is also a debit card. This protocol allows to boost CEMG's offer of products and services to the AAC students and Alumni universe, namely Student loans, as well as debit and prepaid cards, all with specific image allusive to the AAC.

Impact Hub

CEMG joined Impact Hub, an incubation and cowork space, consisting in a national and international network of partners, programs and resources so as to enhance its connection and proximity to the community of entrepreneurs.

Urban rehabilitation week

CEMG has once again been present in another edition of the week of Urban Rehabilitation, an initiative co-organized by Vida Imobiliária and Promevi which brings together the public and private sectors to discuss the social impact of urban rehabilitation.

CONSOLIDATED FINANCIAL STATEMENTS

Interim Condensed Consolidated Income Statement
for the three months period ended at 31 March 2017 and 2016

(Thousands of Euro)

		Mar 2016
Interest and similar income	128 201	131 320
Interest and similar expense	57 132	78 910
Net interest income	71 069	52 410
Dividends from equity instruments	2 523	14
Fees and commissions	26 079	21 079
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss	1 205	(16 438)
Net gains/ (losses) arising from available for sale financial assets	5 587	10 106
Net gains/ (losses) arising from foreign exchange differences	664	1 539
Net gains/ (losses) arising from sale of other financial assets	(631)	(755)
Other operating income	8 667	7 063
Total operating income	115 163	75 018
Staff costs	41 764	56 315
General and administrative expenses	19 343	21 232
Depreciation and amortisation	5 907	5 519
	67 014	83 066
Loans impairment	33 842	23 581
Other financial assets impairment	(436)	887
Other assets impairment	1 702	3 485
Other provisions	319	(4 513)
Operating profit	12 722	(31 488)
Share of profit of associates under the equity method	-	(102)
Profit before income tax	12 722	(31 590)
Tax		
Current	(3 313)	(917)
Deferred	(1 775)	9 644
Profit/ (losses) after tax from continuing operations	7 634	(22 863)
Profit/ (losses) after tax from discontinuing operations	4 277	3 783
Consolidated net profit/ (losses) after tax	11 911	(19 080)
Consolidated profit/ (loss) for the period attributable to the holders of		
Institutional Capital and Participation Fund	11 136	(19 760)
Non-controlling interests	775	680
Consolidated profit/ (loss) for the period	11 911	(19 080)

THE CERTIFIED ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Interim Condensed Consolidated Statement
of financial position as at 31 March 2017 and 31 December 2016

(Thousands of Euro)

	Mar 2017	Dec 2016
Assets		
Cash and deposits at central banks	237 306	381 289
Loans and advances to credit institutions repayable on demand	53 081	69 568
Other loans and advances to credit institutions	392 835	559 091
Loans and advances to customers	13 774 333	13 861 034
Financial assets held for trading	84 061	78 168
Financial assets available for sale	2 351 643	2 399 504
Held-to-maturity investments	1 127 806	1 126 125
Investments in associated companies	4 042	4 042
Non-current assets held for sale	756 465	760 204
Non-current assets held for sale - discontinuing operations	457 753	470 416
Investment properties	589 192	607 968
Property and equipment	235 917	237 097
Intangible assets	34 590	34 921
Current tax assets	10 828	11 855
Deferred tax assets	518 173	521 716
Other assets	166 372	222 911
Total Assets	20 794 397	21 345 909
Liabilities		
Deposits from central banks	2 825 382	2 322 947
Deposits from other financial institutions	2 201 820	2 275 940
Deposits from customers	11 591 522	12 467 819
Debt securities issued	1 809 308	1 920 035
Financial liabilities held for trading	24 310	26 148
Financial liabilities held for trading - discontinuing operations	332 107	354 781
Provisions	22 139	21 820
Current tax liabilities	5 100	1 865
Other subordinated debt	250 594	251 028
Other liabilities	249 063	247 028
Total Liabilities	19 311 345	19 889 411
Equity		
Institutional capital	1 770 000	1 770 000
Participation fund	400 000	400 000
Other equity instruments	6 323	6 323
Treasury stock	(81)	(81)
Fair value reserves	(807)	(6 860)
Other reserves and retained earnings	(727 995)	(649 601)
Consolidated profit/ (loss) for the period attributable to the holders of Institutional Capital and Participation Fund	11 136	(86 484)
Total equity attributable to the holders of Institutional Capital and Participation Fund	1 458 576	1 433 297
Non-controlling interests	24 476	23 201
Total Equity	1 483 052	1 456 498
Total Liabilities and Equity	20 794 397	21 345 909

THE CERTIFIED ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Caixa Económica Montepio Geral

Interim Condensed Consolidated Income Statement
for the three months period ended at 31 March 2017 and 2016

(Thousands of Euro)

	Notes	Mar 2017	Mar 2016
Interest and similar income	3	128 201	131 320
Interest and similar expense	3	57 132	78 910
Net interest income	3	71 069	52 410
Dividends from equity instruments	4	2 523	14
Fees and commissions	5	26 079	21 079
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss	6	1 205	(16 438)
Net gains/ (losses) arising from available for sale financial assets	7	5 587	10 106
Net gains/ (losses) arising from foreign exchange differences	8	664	1 539
Net gains/ (losses) arising from sale of other financial assets	9	(631)	(755)
Other operating income	10	8 667	7 063
Total operating income		115 163	75 018
Staff costs	11	41 764	56 315
General and administrative expenses	12	19 343	21 232
Depreciation and amortisation	13	5 907	5 519
		67 014	83 066
Loans impairment	14	33 842	23 581
Other financial assets impairment	15	(436)	887
Other assets impairment	16	1 702	3 485
Other provisions	17	319	(4 513)
Operating profit		12 722	(31 488)
Share of profit of associates under the equity method	18	-	(102)
Profit before income tax		12 722	(31 590)
Tax			
Current	32	(3 313)	(917)
Deferred	32	(1 775)	9 644
Profit/ (losses) after tax from continuing operations		7 634	(22 863)
Profit/ (losses) after tax from discontinuing operations		4 277	3 783
Consolidated net profit/ (losses) after tax		11 911	(19 080)
Consolidated profit/ (loss) for the period attributable to the holders of			
Institutional Capital and Participation Fund		11 136	(19 760)
Non-controlling interests	47	775	680
Consolidated profit/ (loss) for the period		11 911	(19 080)

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

Caixa Económica Montepio Geral

Interim Condensed Consolidated Statement of financial position as at 31 March 2017 and 31 December 2016

(Thousands of Euro)

	Notes	Mar 2017	Dec 2016
Assets			
Cash and deposits at central banks	19	237 306	381 289
Loans and advances to credit institutions repayable on demand	20	53 081	69 568
Other loans and advances to credit institutions	21	392 835	559 091
Loans and advances to customers	22	13 774 333	13 861 034
Financial assets held for trading	23	84 061	78 168
Financial assets available for sale	24	2 351 643	2 399 504
Held-to-maturity investments	25	1 127 806	1 126 125
Investments in associated companies	26	4 042	4 042
Non-current assets held for sale	27	756 465	760 204
Non-current assets held for sale - discontinuing operations	52	457 753	470 416
Investment properties	28	589 192	607 968
Property and equipment	29	235 917	237 097
Intangible assets	30	34 590	34 921
Current tax assets	31	10 828	11 855
Deferred tax assets	31	518 173	521 716
Other assets	32	166 372	222 911
Total Assets		20 794 397	21 345 909
Liabilities			
Deposits from central banks	33	2 825 382	2 322 947
Deposits from other financial institutions	34	2 201 820	2 275 940
Deposits from customers	35	11 591 522	12 467 819
Debt securities issued	36	1 809 308	1 920 035
Financial liabilities held for trading	23	24 310	26 148
Financial liabilities held for trading - discontinuing operations	52	332 107	354 781
Provisions	37	22 139	21 820
Current tax liabilities	31	5 100	1 865
Other subordinated debt	38	250 594	251 028
Other liabilities	39	249 063	247 028
Total Liabilities		19 311 345	19 889 411
Equity			
Institutional capital	40	1 770 000	1 770 000
Participation fund	41	400 000	400 000
Other equity instruments	42	6 323	6 323
Treasury stock	43	(81)	(81)
Fair value reserves	45	(807)	(6 860)
Other reserves and retained earnings	44 and 45	(727 995)	(649 601)
Consolidated profit/ (loss) for the period attributable to the holders of Institutional Capital and Participation Fund		11 136	(86 484)
Total equity attributable to the holders of Institutional Capital and Participation Fund		1 458 576	1 433 297
Non-controlling interests	47	24 476	23 201
Total Equity		1 483 052	1 456 498
Total Liabilities and Equity		20 794 397	21 345 909

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

Caixa Económica Montepio Geral

Interim Condensed Consolidated Statement of Cash Flows
for the three months period ended at 31 March 2017 and 2016

(Thousand of Euro)

	Mar 2017	Mar 2016
Cash flows arising from operating activities		
Interest income received	123 804	132 545
Commissions income received	34 262	30 430
Interest expense paid	(65 589)	(85 712)
Commisions expense paid	(8 410)	(7 841)
Payments to employees and suppliers	(68 874)	(90 282)
Recovery of loans and interests	1 443	1 691
Other payments and receivables	34 552	98 032
Income tax payment	2 646	1 965
	53 834	80 828
(Increase) / decrease in operating assets		
Loans and advances to credit institutions and customers	210 345	155 484
Other assets	76 383	(112 352)
	286 728	43 132
Increase / (decrease) in operating liabilities		
Deposits from customers	(871 386)	(516 754)
Deposits from credit institutions	(71 735)	140 404
Deposits from central banks	502 840	645 000
	(440 281)	268 650
	(99 719)	392 610
Cash flows arising from investing activities		
Divesture of instruments in subsidiaries and associates with loss of control	(6 492)	-
Dividends received	2 523	14
(Acquisition) / sale of financial assets held for trading	(7 333)	7 122
(Acquisition) / sale of available for sale financial assets	58 760	272 474
Interest received arising from available for sale financial assets	11 455	5 109
(Acquisition) / sale of held to maturity financial assets	3 497	(602 034)
(Acquisition) / sale of investments in associated companies	-	45 158
Deposits owned with the purpose of monetary control	81 627	22 119
(Acquisition) / sale of other fixed assets	(402)	(1 563)
Fixed assets and investment properties acquisition	(6 180)	(201 871)
Fixed assets and investment properties sale	19 659	11 785
	157 114	(441 687)
Cash flows arising from financing activities		
Own securities	-	49 852
Capital increase	-	270 000
Other equity instruments	(162)	(210)
Proceeds from issuance of bonds and subordinanted debt	-	(1 868)
Reimbursement of bonds and subordinated debt	(109 713)	(296 193)
Increase / (decrease) in other sundry liabilities	(27 028)	(8 098)
	(136 903)	13 483
Exchange effects on cash and cash equivalents	664	7 906
Net changes in cash and cash equivalents	(78 844)	(27 688)
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	202 372	418 356
Cash and cash equivalents balance at the end of the period includes:		
Cash (note 19)	149 291	181 807
Loans and advances to credit institutions repayable on demand (note 20)	53 081	236 549
	202 372	418 356

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

Caixa Económica Montepio Geral

Interim Condensed Consolidated Statement of Changes in Equity
for the three months period ended at 31 March 2017 and 2016

(Thousand of Euro)

	Institutional capital	Participation fund	Other equity instruments	Fair value reserves	Other reserves and retained earnings: General and special reserve	Other reserves and retained earnings: Other reserves	Total equity attributable to holders of Institutional capital and Participation fund	Non-controlling interests	Total Equity
Balance on 31 December 2015	**1 500 000**	**368 419**	**8 273**	**646**	**255 805**	**(817 666)**	**1 315 477**	**28 669**	**1 344 146**
Other comprehensive income:									
Exchange difference arising from the consolidation	-	-	-	-	-	(15 401)	(15 401)	(3 705)	(19 106)
Deferred taxes related to balance sheet changes accounted for against reserves (note 32)	-	-	-	-	-	(1 051)	(1 051)	-	(1 051)
Fair value changes (note 46)	-	-	-	(12 659)	-	-	(12 659)	-	(12 659)
Deferred taxes related to fair value changes (note 32)	-	-	-	1 065	-	-	1 065	-	1 065
Consolidate profit/ (loss) for the period	-	-	-	-	-	(19 760)	(19 760)	680	(19 080)
Total comprehensive income for the period	-	-	-	(11 594)	-	(36 212)	(47 806)	(3 025)	(50 831)
Increases in institutional capital (note 41)	270 000	-	-	-	-	-	270 000	-	270 000
Costs related to the issue of perpetual subordinated instruments (note 43)	-	-	(1 950)	-	-	(210)	(2 160)	-	(2 160)
Acquisition of participation fund	-	31 500	-	-	-	(13 198)	18 302	-	18 302
Other consolidation reserves	-	-	-	-	-	1 796	1 796	-	1 796
Balance on 31 March 2016	**1 770 000**	**399 919**	**6 323**	**(10 948)**	**255 805**	**(865 490)**	**1 555 609**	**25 644**	**1 581 253**
Other comprehensive income:									
Exchange difference arising from the consolidation	-	-	-	-	-	(8 841)	(8 841)	(4 277)	(13 118)
Actuarial losses in the period (note 51)	-	-	-	-	-	(60 284)	(60 284)	-	(60 284)
Deferred taxes related to balance sheet changes accounted for against reserves (note 32)	-	-	-	-	-	14 075	14 075	-	14 075
Fair value changes (note 46)	-	-	-	(7 217)		-	(7 217)	-	(7 217)
Deferred taxes related to fair value changes (note 32)	-	-	-	11 305	-	-	11 305	-	11 305
Consolidated profit/ (loss) for the period	-	-	-	-	-	(66 724)	(66 724)	1 349	(65 375)
Total comprehensive income for the period	-	-	-	4 088	-	(121 774)	(117 686)	(2 928)	(120 614)
Costs related to the issue of perpetual subordinated instruments (note 43)	-	-	-	-	-	(160)	(160)	-	(160)
Other consolidation reserves	-	-	-	-	-	(4 466)	(4 466)	485	(3 981)
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	-	-	-	-	-	420	420	500	920
Actuarial losses in the period (note 51)	-	-	-	-	-	7 163	7 163	-	7 163
Deferred taxes related to balance sheet changes accounted for against reserves (note 32)	-	-	-	-	-	310	310	-	310
Fair value changes (note 46)	-	-	-	8 053	-	-	8 053	-	8 053
Deferred taxes related to fair value changes (note 32)	-	-	-	(1 999)	-	-	(1 999)	-	(1 999)
Consolidated profit/ (loss) for the period	-	-	-	-	-	11 136	11 136	775	11 911
Total comprehensive income for the period	-	-	-	6 054	-	19 029	25 083	1 275	26 358
Costs related to the issue of perpetual subordinated instruments (note 43)	-	-	-	-	-	(162)	(162)	-	(162)
Other consolidation reserves	-	-	-	-	-	358	358	-	358
Balance on 31 March 2017	**1 770 000**	**399 919**	**6 323**	**(806)**	**255 805**	**(972 665)**	**1 458 576**	**24 476**	**1 483 052**

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

Caixa Económica Montepio Geral

Interim Condensed Consolidated Statement of Comprehensive Income
for the three months period ended at 31 March 2017 and 2016

(Thousand of Euro)

	Notes	Mar 2017 Continuing operations	Mar 2017 Discontinuing operations	Mar 2017 Total	Mar 2017 Holders of Institutional capital and Participation fund	Mar 2017 Non-controlling interests
Items that may be reclassified into the Income Statement						
Fair value reserves						
Available for sale financial assets	45	8 053	-	8 053	8 053	-
Taxes	31 and 45	(1 999)	-	(1 999)	(1 999)	-
Exchange differences arising from the consolidation		920	-	920	420	500
		6 974	-	6 974	6 474	500
Items that won't be reclassified into the Income Statement						
Actuarial losses in the period		7 163	-	7 163	7 163	-
Deferred taxes	31	310	-	310	310	-
		7 473	-	7 473	7 473	-
Other comprehensive income for the period		14 447	-	14 447	13 947	500
Consolidated profit/ (loss) for the period		6 859	5 052	11 911	11 136	775
Total consolidated comprehensive income for the period		21 306	5 052	26 358	25 083	1 275

(Thousands of Euro)

	Notes	Mar 2016 Continuing operations	Mar 2016 Discontinuing operations	Mar 2016 Total	Mar 2016 Holders of Institutional capital and Participation fund	Mar 2016 Non-controlling interests
Items that may be reclassified into the Income Statement						
Fair value reserves						
Available for sale financial assets	45	(12 659)	-	(12 659)	(12 659)	-
Taxes	31 and 45	1 065	-	1 065	1 065	-
Exchange difference arising from the consolidation		(19 106)	-	(19 106)	(15 401)	(3 705)
		(30 700)	-	(30 700)	(26 995)	(3 705)
Other comprehensive income for the period		(30 700)	-	(30 700)	(26 995)	(3 705)
Consolidated profit/ (loss) for the period		(23 543)	4 463	(19 080)	(19 080)	680
Total consolidated comprehensive income for the period		(54 243)	4 463	(49 780)	(46 075)	(3 025)

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

1 Accounting policies

a) Basis of presentation

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

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

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"), from 2015 onwards. IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body. The consolidated financial statements presented herein were approved by the Executive Board of Directors of CEMG on 31 May 2017. The financial statements are presented in Euro rounded to the nearest thousand.

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

The consolidated financial statements for the period ended at 31 March 2017 have been prepared in accordance with the IFRS, as adopted by the European Union and effective at that date.

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

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

The financial statements 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 hedged under hedge accounting are stated at fair value in respect of the risk that is being hedged.

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

b) Basis of consolidation

The consolidated financial statements now presented reflect the assets, liabilities, profits and losses of CEMG and its subsidiaries ("Group"), and the results attributable to the Group by its financial investments in associates firms, for the periods ended at 31 March 2017 and 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 acquires the control until the moment that the control ceases.

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

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

Investments in associates

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

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

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

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

Goodwill – Differences arising from consolidation

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

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

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

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

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

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

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

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

Loss of control

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

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

Investments in foreign subsidiaries and associates

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

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

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

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

Transactions eliminated on consolidation

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

c) Loans and advances to customers

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

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

Loans and advances to customers are initially recognised at fair value plus any directly attributable transaction costs and fees and are subsequently measured at 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 recognise losses at the balance sheet date that would not be individually identified until sometime in the future.

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

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

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

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

1a) Financial assets held for trading

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

The interest from debt instruments are recognised as interest margin.

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

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

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

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

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

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

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

2) Financial assets available for sale

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

3) Investments held-to-maturity

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

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

4) Loans and receivables - Loans represented by securities

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

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

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

5) Other financial liabilities

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

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

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

(ii) Impairment

At each balance sheet date, an assessment of the existence of objective evidence of impairment, is made. A financial asset or group of financial assets are impaired when there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition, such as: (i) for listed securities, a prolonged devaluation or a significant decrease in its quotation price, and (ii) for unlisted securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reasonably. According to 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 recognised at fair value with changes through profit and loss.

e) Derivatives hedge accounting

(i) Hedge accounting

The Group designates derivatives and non-financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted 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 recognised in the category of Available for sale financial assets to Loans and receivables - Loans represented by securities and to Financial assets held-to-maturity are allowed, in determined and specific circumstances.

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

g) Derecognition

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

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

h) Equity instruments

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

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

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

i) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

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

(ii) Repurchase agreements

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

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

j) Non-current assets held for sale and discontinuing 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 discontinuing 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.

Discontinuing 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 independent 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 recognised as impairment losses against results.

k) Finance lease transactions

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

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

l) Interest income and expense

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

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

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

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

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

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

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

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

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

n) Fee and commission income

Fees and commissions are recognised according to the following criteria:

- Fees and commissions which are earned as services are provided are recognised in income over the period in which the service is being provided; or

- Fees and commissions that are earned on the execution of a significant act, are recognised as income when the service is completed; and

- Fees and commissions that are an integral part of the effective interest rate of a financial instrument, are recognised in net interest income.

o) Fiduciary activities

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

p) Property and equipment

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

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

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

q) Investment property

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

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

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

r) Intangible assets

Software

The Group accounts as intangible assets the costs associated to software acquired from external entities and depreciates them on a straight line basis by an estimated lifetime between three and 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 recognised amounts and the transactions are intended to be settled on a net basis.

u) Foreign currency transactions

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

v) Post-employment and long-term benefits

Defined benefit plan

CEMG is responsible for the payment of old-age, disability and survival pensions, health benefits and death subsidies to its employees, in accordance with the terms and conditions of the "*Acordo Colectivo de Trabalho*". In 2016, amendments to this agreement were introduced, namely the change of the retirement age, in line with the General Social Security system and the attribution of an end-of-career award corresponding to 1.5 times the monthly retribution received at the retirement date.

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

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

The contribution rate is 26.6% in which 23.6% belongs to the employer, and 3.0% to employees, replacing *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 a number of changes to employment benefits, such as the change in the retirement age, in line with the General Social Security System, and the attribution of an end-of-career award of a final premium career, in replacement of the old-age bonus that has been extinguished, as described in note 51.

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

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

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

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

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

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

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

Other benefits non-related with pensions, namely retired employees' health expenses and benefits to spouses and descendants by death and expenses with 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 31 December 2016, 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 recognised in the income statement in the period to which they relate.

w) Income taxes

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

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

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous 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 recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

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

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

y) Provisions

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

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

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

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were no longer 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 fair values.

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

Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment.

In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

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

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

Entities included in the consolidation perimeter

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

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

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

Income taxes

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

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

The Portuguese Tax and Customs Authorities are entitled to review the Bank and its Portuguese subsidiaries' determination of its annual taxable earnings, for a period of four years, 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 recognised as a Group's asset, is revised annually regardless the existence of signs of impairment.

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

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

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

Non-current assets held for sale are measured at the lower 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 the amount of 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)

	Mar 2017	Mar 2016
Net interest income	71 069	52 410
Net gains arising from assets and liabilities at fair value through profit and loss	1 205	(16 438)
Net gains arising from available-for-sale financial assets	5 587	10 106
	77 861	46 078

3 Net interest income

The amount of this account is comprised of:

		(Thousand of Euro)
	Mar 2017	**Mar 2016**
Interest and similar income		
Interest from loans to customers	95 324	101 256
Interest from deposits and other investments	1 028	988
Interest from available for sale financial assets	8 278	8 460
Interest from held for trading financial assets	17 244	19 059
Interest from held-to-maturity investments	6 201	1 245
Interest from hedging derivatives	-	307
Other interest and similar income	126	5
	128 201	131 320
Interest and similar expense		
Interest from deposits of customers	21 712	41 074
Interest from loans of central banks and other financial institutions	2 100	3 316
Interest from securities issued	13 064	13 904
Interest from subordinated liabilities	728	1 077
Interest from held for trading financial liabilities	17 608	18 322
Interest from hedging derivatives	-	20
Other interest and similar expense	1 920	1 197
	57 132	78 910
Net interest income	71 069	52 410

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 5,413 thousands and the negative amount of Euro 1,663 thousands (31 March 2016: the positive amount of Euro 5,094 thousands and the negative amount of Euro 1,195 thousands), related to commissions and other gains / losses which are accounted for under the effective interest rate method, as referred in the accounting policy, note 1 l).

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 fee and commission income

The amount of this account is comprised of:

(Thousand of Euro)

	Mar 2017	Mar 2016
Fee and commission income		
Banking services	22 705	19 275
Transactions on behalf of third parties	6 534	4 544
Guarantees provided	1 560	1 758
Insurance brokerage services	1 461	1 800
Commitments to third parties	429	574
Other fee and commision income	1 804	928
	34 493	28 879
Fee and commission expense		
Banking services rendered by third parties	4 458	4 119
Transactions with securities	112	149
Other fee and commission expense	3 844	3 532
	8 414	7 800
Net fee and commission income	26 079	21 079

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:

(Thousand of Euro)

	Mar 2017			Mar 2016		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed income securities						
Issued by public entities	7 294	7 316	(22)	3 827	3 631	196
Issued by other entities	16 876	16 126	750	-	-	-
Shares	3 220	2 861	359	2 841	3 356	(515)
Investment units	283	206	77	8	8	-
	27 673	26 509	1 164	6 676	6 995	(319)
Derivative financial instruments						
Interest rate contracts	25 070	23 734	1 336	29 599	30 657	(1 058)
Exchange rate contracts	10 343	10 732	(389)	18 497	18 824	(327)
Futures contracts	959	1 334	(375)	2 067	1 516	551
Commodities contracts	-	-	-	7 751	7 716	35
Options contracts	850	754	96	1 057	1 064	(7)
Credit default contracts (CDS)	-	-	-	4 076	17 802	(13 726)
	37 222	36 554	668	63 047	77 579	(14 532)
Other financial assets at fair value through profit or loss						
Loans to customers	-	170	(170)	269	257	12
	-	170	(170)	269	257	12
Hedging derivatives						
Interest rate contracts	-	-	-	22	35	(13)
	-	-	-	22	35	(13)
Financial liabilities at fair value through profit or loss						
Deposits from other credit institutions	3	-	3	768	1 261	(493)
Deposits from customers	11	16	(5)	16	36	(20)
Debt securities issued	21	129	(108)	847	1 664	(817)
Other subordinated liabilities	-	347	(347)	-	286	(286)
	35	492	(457)	1 631	3 247	(1 616)
	64 930	63 725	1 205	71 645	88 113	(16 468)

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 65 thousands (31 March 2016: Euro 2,630 thousands), as described in note 23.

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

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

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

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2017			Mar 2016		
	Gains	Losses	Total	Gains	Losses	Total
Fixed income securities						
Bonds						
Issued by public entities	254	1	253	10 682	299	10 383
Issued by other entities	3 359	149	3 210	398	1 492	(1 094)
Shares	306	19	287	223	268	(45)
Other variable income securities	1 848	11	1 837	862	-	862
	5 767	180	5 587	12 165	2 059	10 106

As at 31 March 2017, the balance Fixed income securities – Bonds – Issued by public entities includes the amount of Euro 253 thousands related with capital gains generated with the sale of Spanish treasury bonds. As at 31 March 2016, this balance includes the amount of Euro 7,931 thousands and Euro 2,739 thousands, related with capital gains generated with the sale of treasury bonds of Spanish, Italian and Portuguese domestic debt, respectively.

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

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2017			Mar 2016		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	15 887	15 223	664	30 213	28 674	1 539

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

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

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2017	Mar 2016
Sale of other assets	116	(288)
Sale of non-current assets held-for-sale	(747)	(467)
	(631)	(755)

The balance Sale of non-current assets held-for-sale includes essentially the result obtained with the sale of real estate properties, as described in note 27.

10 Other operating income

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2017	Mar 2016
Other operating income		
Profits arising from investment properties revaluation	4 792	12 099
Services rendered	1 279	7 978
Profits arising from investment properties rentals	3 992	4 307
Profits arising from deposits on demand management	3 112	2 815
Staff transfer	1 926	2 156
Reimbursement of expenses	1 826	1 749
Other	3 725	4 226
	20 652	35 330
Other operating expense		
Contribution for the Resolution fund	4	-
Revaluation losses in investment properties	3 198	23 001
Servicing and credit recovery expenses	399	215
Issuances costs	1 355	866
Taxes	831	380
Donations and membership	357	46
Other	5 841	3 759
	11 985	28 267
Other net operating income	8 667	7 063

As at 31 March 2016, the balance Services rendered includes a gain in the amount of Euro 6,500 thousands, related with the income charged to Montepio Geral Associação Mutualista, as described in note 32.

As at 31 March 2017, the balance Staff transfer includes the amount of Euro 1,926 thousands (31 March 2016: Euro 2,156 thousands) referring to the staff transfers from CEMG to Montepio Geral Associação Mutualista and to entities under its control.

The balance Contribution to the Resolution Fund corresponds to the mandatory periodic contributions, in accordance with Decree-Law No 24/2013. The periodic contributions are determined using a base rate, established by the Bank of Portugal through regulatory instruments, to be applied in each year and which may be adjusted to the credit institution's risk profile. The 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 Tier 1 and Tier 2 capital and from the deposits covered by the Deposit Guarantee Fund.

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

11 Staff costs

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2017	Mar 2016
Remunerations	29 465	34 110
Mandatory social security charges	7 648	9 012
Charges with the Pension fund	3 376	8 360
Other staff costs	1 275	4 833
	41 764	56 315

As at 31 March 2017, the balance Charges with the pension fund includes the amount of Euro 572 thousands, regarding the current service cost.

As at 31 March 2016, within the staff downsizing project, it was recorded in the consolidated financial statements a cost of Euro 9,179 thousands. On this basis, the caption Charges with the pension fund includes the amount of Euro 5,500 thousands and the caption Other staff costs includes the amount of Euro 3,679 thousands, related to compensations paid during the first quarter of 2016.

12 General and administrative expenses

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2017	Mar 2016
Rental costs	2 280	4 940
Specialized services		
IT services	1 312	2 493
Independent work	666	418
Other specialized services	4 970	4 183
Communication costs	1 607	1 751
Advertising costs	843	708
Maintenance and related services	2 121	1 302
Water, energy and fuel	1 194	1 097
Insurance	569	891
Transportation	591	617
Travel, hotel and representation costs	252	216
Consumables	353	354
Training costs	29	22
Other	2 556	2 240
	19 343	21 232

The balance Rental costs includes the amount of Euro 1,885 thousands (31 March 2016: Euro 4,470 thousands) related to rents paid regarding buildings used by Group as lessee.

13 Depreciation and amortisation

The amount of this account is comprised of:

	Mar 2017	Mar 2016
Intangible assets		
Software	3 452	3 210
Other tangible assets		
Real estate		
For own use	901	102
Leasehold improvements	426	631
Equipment		
IT	642	943
Interior installations	263	348
Furniture and material	104	138
Transportation	36	40
Security	65	70
Machinery and tools	3	5
Operating lease	12	22
Other tangible assets	3	10
	2 455	2 309
	5 907	5 519

14 Loans impairment

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2017	Mar 2016
Loans and advances to customers		
Charge for the period net of reversals	35 285	25 075
Recovery of loans and interest charged-off	(1 443)	(1 494)
	33 842	23 581

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)	
	Mar 2017	**Mar 2016**
Impairment for available for sale financial assets		
Charge for the period net of reversals	(436)	887

As at 31 March 2017, the balance Impairment for available for sale financial assets – Charge for the period includes the amount of Euro 100 thousands (31 March 2016: Euro 554 thousands) that corresponds to impairment losses for investment units in a Fund specialized in the recovery of loans, acquired under the sale of loans and advances to customers, as referred in note 24.

As at 31 March 2017, this balance also includes a reversal of impairment in the amount of Euro 454 thousands 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:

Impairment of non-current assets held-for-sale		
Charge for the period	2 262	6 620
Write-back for the period	(981)	(3 423)
	1 281	3 197
Impairment for other assets		
Charge for the period	833	500
Write-back for the period	(412)	(212)
	421	288
	1 702	3 485

17 Other provisions

The amount of this account is comprised of:

(Thousands of Euro)

	Mar 2017	Mar 2016
Provisions for guarantees and commitments		
Charge for the period	1 930	1 424
Write-back for the period	(1 662)	(2 914)
	268	(1 490)
Provisions for other liabilities and charges		
Charge for the period	1 024	6 347
Write-back for the period	(973)	(9 370)
	51	(3 023)
	319	(4 513)

18 Share of profit under the equity method

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

(Thousands of Euro)

	Mar 2017	Mar 2016
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	-	(102)
	-	(102)

19 Cash and deposits at central banks

This balance is analysed as follows:

(Thousands of Euro)

	Mar 2017	Dec 2016
Cash	149 291	211 648
Deposits at central banks		
Bank of Portugal	88 015	169 641
	237 306	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 31 March 2017 and 2016, deposits from Bank of Portugal are not remunerated.

20 Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of Euro)

	Mar 2017	Dec 2016
Credit institutions in Portugal	7 509	7 480
Credit institutions abroad	23 170	13 147
Amounts due for collection	22 402	48 941
	53 081	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)

	Mar 2017	Dec 2016
Loans and advances to credit institutions in Portugal		
Loans and advances at central banks	-	150 000
Term deposits	1 986	2 131
Other loans and advances	2 001	6 010
	3 987	158 141
Loans and advances to credit institutions abroad		
Repos	29 866	25 444
CSA's	43 438	46 312
Term deposits	14 855	21 339
Subordinated investments	1 213	1 612
Very short term investments	30 000	30 000
Other loans and advances	26 670	276 243
	388 848	400 950
	392 835	559 091

As at 31 December 2016, the balance Loans and advances to credit institutions in Portugal – Loans and advances to central banks includes the amount of Euro 150.000 thousands, regarding an investment made in the Bank of Portugal with maturity in the beginning of January 2017.

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

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

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

On this basis, and within operations of derivative financial instruments with institutional counterparties, and as defined in the respective contracts, the Group holds an amount of Euro 43,438 thousands (31 December 2016: Euro 46,312 thousands) related to deposits in credit institutions given as collateral for the referred operations.

The balance 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 securitisation transactions.

22 Loans and advances to customers

This balance is analysed as follows:

(Thousands of Euro)

	Mar 2017	Dec 2016
Corporate		
Loans not represented by securities		
Loans	2 929 571	2 903 554
Commercial lines of credit	552 493	589 750
Finance leases	471 339	467 042
Discounted bills	86 088	89 126
Factoring	113 265	115 264
Overdrafts	6 404	9 245
Other loans	814 202	783 564
Loans represented by securities		
Commercial paper	249 692	223 424
Bonds	265 887	278 749
Retail		
Mortgage loans	6 968 775	7 045 714
Finance leases	65 707	66 232
Consumer and other loans	1 011 620	1 015 024
	13 535 043	13 586 688
Correction value of assets subject to hedge operations		
Other credits	365	625
Overdue loans and interest		
Less than 90 days	83 265	81 718
More than 90 days	1 371 903	1 371 620
	1 455 168	1 453 338
	14 990 576	15 040 651
Impairment for credit risks	(1 216 243)	(1 179 617)
	13 774 333	13 861 034

As at 31 March 2017, the balance Loans and advances to customers includes the amount of Euro 2,725,499 thousands (31 December 2016: Euro 2,725,631 thousands) related to the issue of covered bonds held by the Group, as described in note 36.

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

As at 31 March 2017 and within the sale of credits and real estate properties performed, it is outstanding by SilverEquation the amount of Euro 33,613 thousands (31 December 2016: Euro 101,012 thousands), as described in note 32.

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

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

Securitisation operations performed by the Group are related to mortgages credits, consumer credits, leasings and loans to firms realized through special purpose entities (SPE's). As referred in accounting policy described in note 1 b), the SPE's are consolidated by full method when the substance of the relation with the entities show that the Group has control over his activities. As at 31 March 2017, the value of loans and advances to customers (net of impairment), includes the amount of Euro 45,187 thousands (31 December 2016: Euro 46,878 thousands) related to securitisation transactions where, in accordance with the accounting policy described in note 1 b), are consolidated under the full method.

As at 31 March 2017, the balance Loans and advances to customers includes the amount of Euro 3,877,221 thousands (31 December 2016: Euro 3,916,300 thousands) related with loans object of securitisation that, in accordance with note 1 g), were not object of derecognition.

In the balance Correction value of assets subject to hedge operations is accounted the fair value of the portfolio that is hedged. The valuation is accounted for in the income statement, in accordance with note 1 e). The Group evaluates on an ongoing basis the effectiveness of the existing hedge operations.

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

(Thousands of Euro)

	Mar 2017	Dec 2016
Variable interest rate contract	13 487 493	13 659 978
Fixed interest rate contract	1 503 083	1 380 673
	14 990 576	15 040 651

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

(Thousands of Euro)

	Mar 2017	Dec 2016
Asset-backed loans	933 245	925 287
Other guarantee loans	323 179	327 108
Finance leases	36 711	35 002
Secured loans	4 300	4 300
Other loans	157 733	161 641
	1 455 168	1 453 338

The balance Finance leases, as at 31 March 2017, by maturity, is analysed as follows:

(Thousands of Euro)

	Finance leases			
	Due within 1 year	1 to 5 years	Over 5 years	Total
Outstanding rents	70 936	258 558	150 667	480 161
Outstanding interests	(13 201)	(37 272)	(31 585)	(82 058)
Residual values	19 455	67 645	51 843	138 943
	77 190	288 931	170 925	537 046

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

(Thousands of Euro)

	Finance leases			
	Due within 1 year	1 to 5 years	Over 5 years	Total
Outstanding rents	71 860	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 client and purpose, is presented as follows:

(Thousands of Euro)

	Mar 2017	Dec 2016
Corporate		
Construction/Production	298 576	303 668
Investments	519 944	499 744
Treasury	308 452	323 421
Other loans	61 617	62 882
Retail		
Mortgage loans	117 928	117 990
Consumer credit	70 102	68 411
Other loans	78 549	77 222
	1 455 168	1 453 338

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

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

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

(Thousands of Euro)

	Mar 2017	Dec 2016
Asset-backed loans	747 654	739 566
Other guaranteed loans	322 047	307 075
Unsecured loans	146 542	132 976
	1 216 243	1 179 617

In compliance with note 1 c), loans and advances to customers are charged-off when there are no expectations, from an economic point of view, of recovering the loan amount and for collateralized loans, when the funds arising from the execution of the respective collaterals were already received.

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

The total recovered loans and overdue interest, regarding the credit recovery with real guarantees, booked during the three-months period ended at 31 March 2017 and 2016, amounts to Euro 1,443 thousands and Euro 1,494 thousands, 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 forbearance measures, the Group adopted the ones included in Instruction No. 32/2013 of the Bank of Portugal from 15 January 2014, namely contractual amendments (lack of capital, extension of the final date, deferral of capital, etc.) and consolidation of debts in another contract, with conditions adjusted to the customer's current situation.

The 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)

	Mar 2017	Dec 2016
Financial assets held for trading		
Securities		
Shares	8 419	6 871
Bonds	46 148	37 770
Investment fund units	609	299
	55 176	44 940
Derivatives		
Derivative financial instruments with positive fair value	28 885	33 228
	84 061	78 168
Financial liabilities held for trading		
Securities		
Short sales	1 699	1 458
Derivatives		
Derivative financial instruments with negative fair value	22 611	24 690
	24 310	26 148

The balance Derivative financial instruments with positive fair value, includes as at 31 March 2017 the amount of Euro 12,434 thousands (31 December 2016: 15,905 thousands) referred to instruments associated to assets or liabilities at fair value through profit or loss and for trading.

The balance Derivative financial instruments with negative fair value, includes as at 31 March 2017 the valuation of the embedded derivatives separated from the host contract in accordance with the accounting policy described in Note 1 d), in the amount of Euro 1,440 thousands (31 December 2016: Euro 1,306 thousands).

The balance Derivative financial instruments with negative fair value, also includes as at 31 March 2017 the amount of Euro 5,625 thousands (31 December 2015: Euro 6,651 thousands) referred to instruments associated to assets or liabilities at fair value through profit or loss and for trading, with the exception of loans and advances to customers in the amount of Euro 508 thousands (31 December 2016: Euro 716 thousands).

The trading portfolio is recorded at fair value through profit and loss, in accordance with the accounting policy described in note 1 d). As referred in this note, assets held for trading are those which were acquired with the purpose of sale or re-acquisition on the short term regardless of its maturity.

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

The balance of Derivative financial instruments as at 31 March 2017, in comparison with the related assets and liabilities recorded at fair value, can be analysed as follows:

(milhares de euros)

		Mar 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	23 906	(20)	(960)	(553)	455	42 722	42 719
Interest rate swap	Deposits from customers	15 900	(96)	(48)	17	5	15 534	15 534
Interest rate swap	Deposits from other financial institutions	23 300	334	(2 242)	-	(3)	-	-
Interest rate swap	Covered bonds	5 417 144	(1 834)	546	-	-	-	-
Interest rate swap	Loans and advances to customers	39 902	(508)	208	364	(170)	37 024	36 897
Interest rate swap	Other	4 104 086	(3 684)	539	-	-	-	-
Currency swap (Short)	-	63 378	80	(299)	-	-	-	-
Currency swap (Long)	-	63 454	-	-	-	-	-	-
Futures (Short)	-	18 650	-	-	-	-	-	-
Futures (Long)	-	7 549	-	-	-	-	-	-
Forwards (Short)	-	2 718	(18)	(22)	-	-	-	-
Forwards (Long)	-	2 722						
Options (Short)	-	97 730	12 020	14	-	-	-	-
Options (Long)	-	97 407						
Credit default swaps	-	-	-	-	-	-	-	-
		9 977 846	6 274	(2 264)	(172)	287	95 280	95 150

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

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

		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 other 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 and advances to customers	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 646 thousands at 31 March 2017 (31 December 2016: Euro 1,437 thousands), as described in notes 6 and 34.

As at 31 March 2017, the loan obtained from EIB is collateralized by Portuguese bonds at a nominal amount of Euro 1,159 thousands (31 December 2016: Euro 2,500 thousands), provided as collateral and registered under Financial assets held for trading.

24 Financial assets available for sale

This balance is analysed as follows:

	Mar 2017				
	Cost [1]	Fair value reserve Positive	Fair value reserve Negative	Impairment losses	Book value
Fixed income securities					
Issued by public entities					
Domestic	1 409 683	5 203	(51 411)	-	1 363 475
Foreign	334 435	868	(10 408)	-	324 895
Issued by other entities					
Domestic	61 751	598	(69)	(29 251)	33 029
Foreign	99 956	566	(381)	(34 187)	65 954
Variable income securities					
Shares					
Domestic	76 261	9 819	(1 625)	(1 920)	82 535
Foreign	72 681	15 813	(13)	(77)	88 404
Investment fund units	407 947	19 205	(1 672)	(32 129)	393 351
	2 462 714	52 072	(65 579)	(97 564)	2 351 643

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

(Thousands of Euro)

	Dec 2016				
	Cost [1]	Fair value reserve Positive	Fair value reserve Negative	Impairment losses	Book value
Fixed income securities					
Issued by public entities					
Domestic	1 420 357	3 345	(63 285)	-	1 360 417
Foreign	348 243	1 260	(8 470)	-	341 033
Issued by other entities					
Domestic	61 430	518	(49)	(29 251)	32 648
Foreign	131 893	1 755	(782)	(34 641)	98 225
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.

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 realised at the fair value of the debt instrument at the date of reclassification;
- The fair value of securities at the reclassification date will become the new amortized cost;
- As at the date of reclassification a new effective interest rate is determined as the basis of calculation and recognition of interest and amortised cost from that moment;
- The new effective interest rate is the rate that exactly discounts estimated future cash flows over the remaining expected life of the instruments fair value at the date of reclassification;
- A subsequent change in the fair value of the debt instrument over its new amortised cost is not recognised;
- It's performed a review of subsequent impairment taking into consideration the new amortised cost, the new effective interest rate and the expected future cash flows; 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, the Group reclassified securities portfolio from financial Assets available for sale to loans and advances to customers, in the amount of Euro 358,488 thousands and impairment in the amount of Euro 1,565 thousands, as described in note 22. The fair value reserve of the securities transferred amounted, at the date of reclassification, to Euro 3,858 thousands.

The impact of the reclassifications performed until 31 March 2017, is as follows:

(Thousands of Euro)

	At the reclassification date		Mar 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	265 888	277 203	11 315
	358 488	358 488	265 888	277 203	11 315

The amounts recognised in profit or loss and in fair value reserves, as at 31 March 2017, regarding the financial assets reclassified in previous periods, 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	2 749	(35)	35
	2 749	(35)	35

If the reclassifications mentioned above have not been performed, the additional amounts recognised in equity, as at 31 March 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	11 315	11 350	11 350
	11 315	11 350	11 350

As at 31 December 2016, the analysis of the impact of this reclassifications is 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 recognised in profit or loss and in fair value reserves, as at 31 December 2016, regarding the financial assets reclassified in previous periods, 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 mentioned above have not been performed, 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 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 3,448 million at 31 March 2017, after hair cut (31 December 2016: Euro 3,508 million);
- The securities pledged as collateral to the Portuguese Securities Market Commission under the Investors' Compensation Fund amounts to the nominal value of Euro 1,000 thousands at 31 March 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 232,855 thousands (31 December 2016: Euro 331,855 thousands), registered in the balance Available for sale financial assets; and
- Securities pledged as collateral to the Deposit Guarantee Fund with a nominal amount of Euro 25,000 thousands at 31 March 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 described in notes 34 and 35.

25 Held-to-maturity investments

This balance is analysed as follows:

(Thousands of Euro)

	Mar 2017	Dec 2016
Fixed income securities		
Bonds issued by Portuguese public entities	1 127 806	1 126 125

As at 31 March 2017, 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 March 2017, can be 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%	36 282
OT 4.450% 15-June-2018	March 2008	June 2018	Fixed rate of 4.450%	216 807
OT 2.200% 17-October-2022	September 2015	October 2022	Fixed rate of 2.200%	91 151
OT 3.850% 15-April-2021	February 2005	April 2021	Fixed rate of 3.850%	257 992
OT 4.950% 25-October-2023	June 2008	October 2023	Fixed rate of 4.950%	100 093
OT 5.650% 15-February-2024	May 2013	February 2024	Fixed rate of 5.650%	94 703
OT 2.875% 21-July-2026	January 2016	July 2026	Fixed rate of 2.875%	330 778
				1 127 806

The held-to-maturity investments, as at 31 December 2016 can be 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 valued in accordance with the accounting policy established in note 1 d).

During the three-month period ended at 31 March 2017 and during 2016, the Group did not transfer from or to this assets category.

As at 31 March 2017, the loan obtained from EIB is collateralized by bonds of the Portuguese State at the nominal value of Euro 439,750 thousands (31 December 2016: Euro 303,934 thousands), given as collateral and recorded under the caption Investments held to maturity.

26 Investments in associated companies

This balance is analysed as follows:

(Thousands of Euro)

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

The subsidiaries and associates included in the consolidation perimeter are presented in note 51.

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

	Assets	Liabilities	Equity	Income	Profit/ (loss) for the period	Acquisition cost
31 March 2017						
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	3 133	683	2 450	918	-	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/ (loss)	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016	Mar 2017	Dec 2016
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	20.00%	20.00%		3 344		250
Montepio - Gestão de Activos Imobiliários, ACE	28.50%	28.50%		698	-	-
Naviser - Transportes Marítimos Internacionais, S.A.	20.00%	20.00%	-	-	-	-

The movement for this balance is analysed as follows:

(Thousands of Euro)

	Mar 2017	Dec 2016
Balance on 1 January	4 192	5 356
Disposals	-	(1 107)
Share of profit of associates	-	250
Other reserves and retained earnings	-	(307)
Balance on 31 March	4 192	4 192

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)	
	Mar 2017	Dec 2016
Investments arising from recovered loans	903 680	908 615
Impairment for non-current assets held-for-sale	(147 215)	(148 411)
	756 465	760 204

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

The balance Investments arising from recovered loans includes the amount of Euro 2,141 thousands (31 December 2016: Euro 2,089 thousands) related with other non-current assets held-for-sale resulting from the foreclosure of loans to customers' contracts, which have an associated impairment in the amount of Euro 1,938 thousands (31 December 2016: Euro 1,939 thousands).

The foreclosure of loans to customers contracts, is originated by (i) delivery of the assets, with option to repurchase or leasing, accounted with the celebration of the contract or the promise to deliver the asset and the respective irrevocable power of attorney issued by the customer in the name of the Group; or (ii) the adjudication of the assets as a result of a judicial process of guarantees execution, accounted with the title of adjudication or following the adjudication request after the record of the first (payment 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 their sale in the amount of Euro 13,747 thousands (31 December 2016: Euro 13,347 thousands).

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

(Thousands of Euro)

	Mar 2017	Dec 2016
Balance at the beginning of the period	908 615	892 163
Acquisitions	17 506	189 249
Disposals	(22 452)	(148 773)
Transfers related to discontinuing operations	(26)	(575)
Transfers	-	(23 102)
Exchange differences	-	-
Other movements	37	(347)
Balance at the end of the period	903 680	908 615

In addition to the impairment losses, in the first quarter of 2017, the Group recognised in profit or loss, losses on real estate arising from its disposal in the amount of Euro 747 thousands (31 March 2016: losses in the amount of Euro 467 thousands), as mentioned 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 e Carteira Imobiliária" and "Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto" which are fully consolidated, according to the accounting policy described in note 1 b) 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 properties amounts to Euro 3,992 thousands (31 December 2016: Euro 15,469 thousands) and maintenance costs of leased and not leased properties amounts to Euro 2,831 thousands (31 December 2016: Euro 9,632 thousands).

The movements in this balance are analysed as follows:

(Thousands of Euro)	Mar 2017	Dec 2016
Balance at the beginning of the period	607 968	692 485
Acquisitions	1 200	19 078
Revaluations	842	(44 996)
Disposals	(20 818)	(81 701)
Transfers	-	23 102
Balance at the end of the period	589 192	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)	Mar 2017	Dec 2016
Investment		
Real estate		
For own use	218 769	219 194
Leasehold improvements in rented buildings	41 244	41 545
Construction in progress	109	-
Equipment		
IT equipment	89 308	89 098
Interior installations	20 788	20 767
Furniture and materials	18 882	18 849
Transport equipment	1 849	2 007
Security equipment	7 287	7 242
Office equipment	2 678	2 677
Other equipment	5	5
Assets in finance lease	38	38
Assets in operational lease	514	534
Works of art	2 870	2 870
Other tangible assets	2 063	2 063
Work in progress	5 785	4 515
	412 189	411 404
Accumulated depreciation		
Charge for the period	2 455	11 727
Accumulated charge in previous periods	172 417	161 180
	174 872	172 907
Impairment for property and equipment	1 400	1 400
	235 917	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 thousands, as described in note 53.

30 Intangible assets

This balance is analysed as follows:

(Thousands of Euro)

	Mar 2017	Dec 2016
Investment		
Software	97 546	97 546
Revaluation and consolidation differences (Goodwill)	9	9
Other intangible assets	1 645	1 645
Work in progress	9 042	5 921
	108 242	105 121
Accumulated depreciation		
Charge for the period	3 452	12 543
Accumulated charge in previous periods	70 140	57 597
	73 592	70 140
Impairment for intangible assets	(60)	(60)
	34 590	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 - Discontinuing operations, as described in Note 52.

These intangible assets do not have finite useful life, and as referred in the accounting policies, notes 1 b), 1 r) and 1 aa), its recoverable amount is annually reviewed, regardless of the existence of impairment signs. Any impairment losses are recognised in 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 52.

31 Taxes

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

(Thousands of Euro)

	Assets		Liabilities		Net	
	Mar 2017	Dec 2016	Mar 2017	Dec 2016	Mar 2017	Dec 2016
Financial instruments	23 128	24 924	(12 870)	(12 778)	10 258	12 146
Provisions / Impairment						
Impairment on loans granted	234 223	230 526	-	-	234 223	230 526
Other risks and charges	6 286	6 594	-	-	6 286	6 594
Impairment on securities, non-financial assets	50 042	49 783	-	-	50 042	49 783
Benefits to employees	44 130	45 867	-	-	44 130	45 867
Other	1 979	2 210	(116)	(117)	1 787	2 093
Tax losses carried forward	171 447	174 707	-	-	171 447	174 707
Net deferred tax assets/ (liabilities)	531 235	534 611	(12 986)	(12 895)	518 173	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 12,603 thousands (31 December 2016: Euro 13,266 thousands) related to deferred taxes of actuarial losses recognised against reserves as a result of the change in the accounting policy. This balance also includes the amount of Euro 3,347 thousands (31 December 2016: Euro 3,410 thousands) 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 31 March 2017, deferred taxes associated with Employee benefits include the amount of Euro 12,588 thousands (31 December 2016: 13,551 thousands) related with employee benefits in excess when compared with the existing limits.

The deferred tax rate is analysed as follows:

	Mar 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 31 March 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	Mar 2017	Dec 2016
2027	47 655	50 915
2028	123 791	123 792
	171 446	174 707

Main assumptions used

Due to the lack of tax rules related to the tax regime of credit impairment and guarantees 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 quarter of 2017 and during 2016 is analysed as follows:

(Thousands of Euro)

	Mar 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	-	(1 999)	-	-	12 370	-
Provisions / Impairments	3 648	-	-	107 139	-	-
Benefits to employees	(1 074)	(663)	-	3 963	703	-
Other	(306)	-	(142)	768	-	(393)
Tax losses carried forward	(4 043)	973	(3 214)	(13 929)	12 321	(4 732)
Deferred tax charged to profit / (loss)	(1 775)	(1 689)	(3 356)	97 941	25 394	(5 125)
Current taxes	(3 313)	-	-	(1 697)	-	-
	(5 088)	(1 689)	(3 356)	96 244	25 394	(5 125)

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

(Thousands of Euro)

	Mar 2017		Mar 2016	
	%	Value	%	Value
Profit before taxes		12 722		(31 590)
Income tax based on the current nominal tax rate	21.0	(2 672)	21.0	5 645
Impact of municipal and state surcharges	(10.0)	(1 270)	0.1	(41)
Extraordinary contribution for the banking sector	-	-	-	-
Tax benefits	(0.0)	(4)	1.9	(590)
Autonomous taxation	(2.7)	(339)	0.8	(265)
Other	66.0	8 398	(10.3)	3 268
Deferred taxes not previously recognized		-	-	-
Previous periods adjustments	-	-	0.5	(151)
Impact on tax rate differences	6.6	844	(2.7)	861
Deductions for taxable profit purposes (*)	(84.7)	(10 776)	-	-
Income tax for the period	(40.0)	(5 088)	(27.6)	8 727

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

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

CEMG was object of a Tax Authority's inspection until and including 2014. As a result of 2014 inspection, CEMG was object of some corrections to the taxable profit calculated in that period. CEMG paid the settled amounts, without prejudice of appeal regarding some corrections made by the tax authorities.

32 Other assets

This balance is analysed as follows:

(Thousands of Euro)

	Mar 2017	Dec 2016
Other debtors	101 793	172 390
Sundry debtors	54 204	36 587
Other accrued income	40 789	44 405
Recoverable subsidies from Portuguese Government	5 316	5 521
Prepayments and deferred costs	2 317	1 856
	204 419	260 759
Impairment for other assets	(38 047)	(37 848)
	166 372	222 911

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

(Thousands of Euro)

	Mar 2017	Dec 2016
SilverEquation	33 613	101 012
Supplementary capital contributions	14 910	14 910
Public entities	6 983	6 983
Others	46 287	49 485
	101 793	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 quarter of 2017 it was received an amount of Euro 67,399 thousands. It is expected to receive the remaining amount in 2017 and 2019, in the amounts of Euro 3,347 thousands and Euro 30,226 thousands, 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 thousands. These supplementary capital contributions are fully provided.

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

As at 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 completion of the transaction), in the amount of Euro 704 thousands, as described in note 24.

As at 31 March 2017 and 31 December 2016, the balance Other accrued income includes the amount of Euro 36,000 thousands, referring to receivables related with services rendered by CEMG to Montepio Geral Associação Mutualista, as described in note 10.

The balance Recoverable subsidies from the Portuguese Government corresponds to 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 31 March 2017 and 31 December 2016, the balance Recoverable subsidies from the Portuguese Government is analysed as follows:

(Thousands of Euro)

	Mar 2017	Dec 2016
Overdue subsidies unclaimed	3 208	3 262
Recoverable subsidies from the Portuguese Government unliquidate	2 082	2 206
Subsidies unclaimed	26	53
	5 316	5 521

33 Deposits from central banks

As at 31 March 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)

	Mar 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	4 961	-	4 961	10 304	-	10 304
Term deposits	-	33 652	33 652	-	26 521	26 521
OIC's loans	-	90	90	-	25	25
Other deposits	-	392	392	-	416	416
	4 961	34 134	39 095	10 304	26 962	37 266
Deposits from credit institutions abroad						
BEI loan	-	460 478	460 478	-	460 471	460 471
Deposits repayable on demand	139 710	-	139 710	80 785	-	80 785
Term deposits	-	5 408	5 408	-	4 672	4 672
Sales operations with repurchase agreement	-	1 546 357	1 546 357	-	1 625 776	1 625 776
CSA's	1 240	-	1 240	4 340	-	4 340
Repos	-	7 417	7 417	-	5 917	5 917
Other deposits	2 115	-	2 115	2 905	53 805	56 710
	143 065	2 019 660	2 162 725	88 030	2 150 641	2 238 671
Adjustments arising from fair value option operations			-	3	-	3
	148 026	2 053 794	2 201 820	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 31 March 2017 the amount of Euro 1,240 thousands (31 December 2016: Euro 4,340 thousands) deposits from other credit institutions received as collateral for these operations.

The resources obtained under CSA with international financial institutions are remunerated at the Eonia rate. However, since these rates have presented negative values, these resources 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 thousands 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 collateralized by Portuguese and Greek states securities in the amount of Euro 673,764 thousands (31 December 2016: Euro 638,289 thousands), registered in the balance Financial assets held for trading, Financial assets available for sale and Investments held to maturity, as described in notes 23, 24 and 25, respectively.

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

	Mar 2017			Dec 2016		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	3 042 034	137 963	3 179 997	3 144 799	137 699	3 282 498
Term deposits	-	8 286 872	8 286 872	-	8 751 841	8 751 841
Saving accounts	-	112 562	112 562	-	113 823	113 823
Other resources	12 074	-	12 074	19 735	299 910	319 645
Adjustments arising from fair value option operations	17	-	17	12	-	12
	3 054 125	8 537 397	11 591 522	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 31 March 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 15,534 thousands (31 December 2016: Euro 15,631 thousands). According with the hierarchy of the valuation 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 recognised as at 31 March 2017, a loss in the amount of Euro 5 thousands (31 December 2016: a loss of Euro 4 thousands), 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)

	Mar 2017	Dec 2016
Bonds	993 851	1 040 534
Covered bonds	265 028	265 028
Securitizations	550 429	574 560
Euro Medium Term Notes (EMTN)	-	39 913
	1 809 308	1 920 035

The balance Debt securities issued includes issues at fair value through profit or loss in the amount of Euro 27,038 thousands (31 December 2016: Euro 67,237 thousands), 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 31 March 2017, a loss of Euro 108 thousands (31 December 2016: a loss of Euro 1,716 thousands) was recognised 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 thousands, the Group presents live emissions amounting to Euro 2,300,000 thousands at nominal value.

As at 31 March 2017, the main characteristics of these issues are as follows:

(Thousands of Euro)

Description	Nominal value	Nominal value sold	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody's/Fitch/Dbrs)
Covered bonds - 4S	500 000	265 028	500 053	May 2013	May 2017	monthly	Euribor 1M + 0.75%	A3/A/A
Covered bonds - 5S	500 000	-	500 144	December 2015	December 2020	quarterly	Euribor 3M + 0.80%	A3/A/A
Covered bonds - 6S	300 000	-	300 197	November 2016	November 2023	quarterly	Euribor 3M + 0.80%	A3/A/A
Covered bonds - 7S	500 000	-	500 088	December 2016	December 2022	quarterly	Euribor 3M + 0.75%	A3/A/A
Covered bonds - 8S	500 000	-	500 119	December 2016	December 2026	quarterly	Euribor 3M + 0.90%	A3/A/A
	2 300 000	265 028	2 300 601					

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

(Thousands of Euro)

Description	Nominal value	Nominal value sold	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody's/Fitch/Dbrs)
Covered bonds - 4S	500 000	265 028	500 053	May 2013	May 2017	monthly	Euribor 1M + 0.75%	A3/A/A
Covered bonds - 5S	500 000	-	500 148	December 2015	December 2020	quarterly	Euribor 3M + 0.80%	A3/A/A
Covered bonds - 6S	300 000	-	300 211	November 2016	November 2023	quarterly	Euribor 3M + 0.80%	A3/A/A
Covered bonds - 7S	500 000	-	500 090	December 2016	December 2022	quarterly	Euribor 3M + 0.75%	A3/A/A
Covered bonds - 8S	500 000	-	500 122	December 2016	December 2026	quarterly	Euribor 3M + 0.90%	A3/A/A
	2 300 000	265 028	2 300 624					

The operations carried out by the Group under the Issuance of Covered Bonds CEMG Programme, during 2016, are presented as follows:

- December 2016: Euro 500,000 thousands Issue, within 6 years, at an interest rate of Euribor 3M plus 0.75%;
- December 2016: Euro 500,000 thousands Issue, within 10 years, interest rate of Euribor 3M plus 0.90%;
- December 2016: Euro 1,000,000 thousands reimbursement;
- November 2016: 300,000 thousands 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 31 March 2017, the amount of credits that collateralize these issues amounts to Euro 2,725,499 thousands (31 December 2016: Euro 2,725,631 thousands), as referred in note 22.

The movements in debt securities issued during period ended at 31 March 2017 is analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Reimbursements	Net purchases	Other movements [(a)]	Balance on 31 March
Bonds	1 040 534	(45 800)	(32)	(851)	993 851
Covered bonds	265 028	-	-	-	265 028
Securitizations	574 560	(24 131)	-	-	550 429
Euro Medium Term Notes (EMTN)	39 913	(39 750)	-	(163)	-
	1 920 035	(109 681)	(32)	(1 014)	1 809 308

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

As at 31 March 2017, the Group did not perform any debt securities issue.

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

(Thousands of Euro)

	Balance on 1 January	Issue	Reimbursements	Net purchases	Other movements	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	(1204 798)	(586 465)	57 096	1 920 035

(a) Include the placement of 65,000 thousand Euro, interest accrued movement on the balance sheet, adjustments arising from fair value option operations and exchange variati

As at 31 March 2017, the Group reimbursed securities in the amount of Euro 109,681 thousands (31 December 2016: Euro 1,204,798 thousands).

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

As at 31 December 2016, the Group sold covered bonds in the amount of Euro 65,000 thousands – 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.

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

37 Provisions

This balance is analysed as follows:

(Thousands of Euro)

	Mar 2017	Dec 2016
Provisions for guarantees and commitments	14 125	13 857
Provisions for other liabilities and charges	8 014	7 963
	22 139	21 820

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 31 March 2017, the main characteristics of 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%	110 969
CEMG/08 2nd series	Jul 2009	Jul 2018	150 000	Euribor 6 months+1.5%	112 820
CEMG/08 3rd series	Jun 2010	Jun 2018	28 000	Euribor 12 months+1.5%	4 218
FNB 08/18 1st/2nd series	Dec 2011	Dec 2018	10 363	Euribor 6 months+0.15% (i)	7 533
Finicrédito subordinated debt	Nov 2012	Nov 2017	17 902	Base rate+0.90% (barrier level)	15 763
					251 303
				Adjustments arising from hedging operations	(709)
					250 594

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

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 three-month period ended at 31 March 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 March 2017
CEMG/08 1st series	111 348	-	-	(379)	110 969
CEMG/08 2nd series	113 216	-	-	(396)	112 820
CEMG/08 3rd series	4 202	-	-	16	4 218
FNB 08/18 1st/2nd series	7 504	-	-	29	7 533
Finicrédito subordinated debt	15 814	-	-	(51)	15 763
	252 084	-	-	(781)	251 303

(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	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 31 March 2017 was recognised a negative amount of Euro 347 thousands (31 December 2016: negative amount of Euro 1,304 thousands) related with the variations in fair value associated with the Group's credit risk, as described in note 6.

As at 31 March 2017, the subordinated debt bears postponed interest every three and six months and its effective interest rate range is set between 1.26% and 1.53% (31 December 2016: 1.31% and 1.53%).

39 Other liabilities

This balance is analysed as follows:

(Thousands of Euro)

	Mar 2017	Dec 2016
Creditors		
Suppliers	10 401	10 681
Other creditors	56 803	74 933
Administrative public sector	11 508	13 080
Holiday pay and subsidies	23 194	27 881
Other administrative costs payable	15 173	16 190
Deferred income	5 830	6 061
Other sundry liabilities	126 154	98 202
	249 063	247 028

As at 31 March 2017, the balance Holiday pay and subsidies includes the amount of Euro 6,994 thousands (31 December 2016: Euro 7,127 thousands), related with seniority bonus. Additionally, at 31 March 2017, this balance also includes the amount of Euro 16,200 thousands (31 December 2016: Euro 20,754 thousands), related to holidays and holiday subsidies.

As at 31 March 2017, the balance Other sundry liabilities includes the amount of Euro 12,015 thousands (31 December 2016: Euro 13,300 thousands), 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 31 March 2017, the balance Other sundry liabilities also includes the amount of 12,705 thousands (31 December 2016: Euro 3,068 thousands), referring to securities transactions to be settled.

40 Institutional capital

CEMG's institutional capital, which is fully paid, amounts to Euro 1,770,000 thousands, fully belonging to Montepio Geral – Associação Mutualista.

At 18 march 2016, the Group performed a capital increase subscribed by Montepio Geral Associação Mutualista ("MGAM"), in accordance with the statutory resolutions of MGAM General Council, the General and Supervisory Council and the Board of Directors of CEMG.

The referred capital increase was materialized by MGAM fully paid-up in cash through the realization of institutional capital in the amount of Euro 270,000,000, as described in note 53.

41 Participation fund

As at 31 March 2017 and 31 December 2016, the Group's participation fund has a total nominal value of Euro 400,000 thousands, with the nominal unitary value of Euro 1 and which are, regarding the form of representation, registered and issued exclusively in nominative form.

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

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

Under the 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.

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

	Mar 2017		Dec 2016	
	Number of Investment Fund Units held	Percentage	Number of Investment Fund Units held	Percentage
Related parties				
Montepio Geral Associação Mutualista	291 908 187	72.98%	284 113 190	71.03%

42 Other equity instruments

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

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

During 2013, the Group repurchased perpetual subordinated instruments in the amount of Euro 6,727 thousands and Euro 1,950 thousands in March 2016. After this operation, the balance Other equity instruments amounts to Euro 6,323 thousands.

Payment

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

During the first quarter of 2017, the Group proceeded to the interest payment for this emission in the amount of Euro 162 thousands (31 December 2016: Euro 370 thousands).

Reimbursement

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

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

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

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

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

43 Treasury stock

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

As at 31 March 2017 and 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 thousands.

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

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)	Mar 2017	Dec 2016
Fair value reserves		
Fair value reserves		
Available for sale financial assets	(13 543)	(21 596)
Loans and advances to customers	2 476	2 477
	(11 067)	(19 119)
Taxes		
Available for sale financial assets	10 990	12 989
Loans and advances to customers	(730)	(730)
	10 260	12 259
Fair value reserve net of taxes	(807)	(6 860)
Other reserves and retained earnings		
General reserve	187 532	187 532
Special reserve	68 273	68 273
Deferred tax reserve	55 836	55 526
Consolidation exchange reserve	(42 773)	(43 694)
Other reserves and retained earnings	(996 863)	(917 238)
	(727 995)	(649 601)

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

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

The fair value reserves can be analysed as follows:

(Thousands of Euro)	Mar 2017	Dec 2016
Amortized cost of available-for-sale financial assets	2 462 714	2 519 376
Accumulated impairment recognised	(97 564)	(98 276)
Amortized cost of available-for-sale financial assets, net of impairment	2 365 150	2 421 100
Market value of available-for-sale financial assets	2 351 643	2 399 504
Unrealized gains/ (losses) recognised in the fair value reserve	(13 507)	(21 596)

46 Distribution of profit

As at 31 March 2017 and during 2016, CEMG did not distributed profits.

47 Non-controlling interests

This balance is analysed as follow:

(Thousands of Euro)

	Statement of Financial Position		Income Statement	
	Mar 2017	Dec 2016	Mar 2017	Mar 2016
Finibanco Angola, S.A.	12 916	12 121	795	717
Banco Terra, S.A.	11 560	11 080	(20)	(37)
	24 476	23 201	775	680

The movements of this balance are analysed as follows:

(Thousands of Euro)

	Mar 2017	Dec 2016
Opening balance	23 201	28 669
Exchange differences	500	(7 982)
Other reserves	-	485
	23 701	21 172
Net income attributable to non-controlling interests	775	2 029
Closing balance	24 476	23 201

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

The summary of the financial information for the Institutions mentioned above, prepared in accordance with the IFRS, is disclosed in note 52.

48 Obligations and other commitments

This balance is analysed as follows:

(Thousands of Euro)

	Mar 2017	Dec 2016
Guarantees granted	488 147	491 501
Commitments to third parties	1 268 873	1 272 659
Deposit and custody of securities	6 825 706	6 893 858
	8 582 726	8 658 018

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

(Thousands of Euro)

	Mar 2017	Dec 2016
Guarantees granted		
Guarantees	430 293	432 259
Open documentary credits	57 425	58 813
Guarantees and indemnities (counter)	429	429
	488 147	491 501
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	472 117	488 069
Annual contribution to the Guarantee Deposit Fund	22 768	22 768
Potential obligation with the Investor's Indemnity System	1 592	1 592
Revocable commitments		
Revocable credit lines	772 396	760 230
	1 268 873	1 272 659

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

Documentary credits correspond to irrevocable commitments with the Group’s client, which ensure the payment of a determined amount to client’s suppliers, within a fixed term, against the presentation of the documentation confirming the shipment of goods or the rendering of services. The irrevocable condition arises from the fact that the commitment is not 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 31 March 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 31 March 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 25,000 thousands, as described in note 24.

As at 31 March 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.

The Group provides custody services, over assets that are not included in the financial statements, as follows:

(Thousands of Euro)

	Mar 2017	Dec 2016
Deposit and custody of securities	6 825 706	6 893 858

49 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 31 March 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, 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 shareholdings, 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 these consolidated financial statements, which are described in note 1. The following principles were also adopted:

Measurement of profit or loss from operating segments

The Group uses net income as the measure of profit or loss for evaluating the performance of each operating segment.

Autonomous Operating Segments

As mentioned above, each operating unit (branches MG Cabo Verde and associated entities) is evaluated separately, as these units are considered investment 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 that unit with the respective consolidation and elimination adjustments.

The report by operating segments as at 31 March 2017, is presented as follows:

(Thousands of Euro)

Income Statement	Retail	Corporate and Institutional	Other segments				Total
			Markets	Non core assets (Real estate)	Discontinuing operations	Other operating segments	
Interest and similar income	58 858	26 405	31 723	10 077	-	1 138	128 201
Interest and similar expense	19 389	2 202	32 252	1 935	-	1 354	57 132
Net interest income	39 469	24 203	(529)	8 142	-	(216)	71 069
Dividends from equity instruments	-	-	2 523	-	-	-	2 523
Fees and commissions	23 024	6 020	-	-	-	(2 965)	26 079
Net gains/ (losses) arising from assets and liabilities at fair value through profit and loss	-	-	1 205	-	-	-	1 205
Net gains/ (losses) arising from financial assets available for sale	-	-	5 587	-	-	-	5 587
Net gains arising from foreign exchange differences	-	-	664	-	-	-	664
Net gains/ (losses) arising from sale of other financial assets	-	-	-	(747)	-	116	(631)
Other operating income	2 815	297	(1 355)	5 187	-	1 723	8 667
Total operating income	65 308	30 520	8 095	12 582	-	(1 342)	115 163
Staff costs	25 909	5 689	1 548	3 679	-	4 939	41 764
General and administrative expenses	9 190	1 425	667	6 241	-	1 820	19 343
Depreciation and amortisation	-	-	-	-	-	5 907	5 907
	35 099	7 114	2 215	9 920	-	12 666	67 014
Total provisions and impairment	5 764	5 126	(436)	24 429	-	544	35 427
Total operating profit	24 445	18 280	6 316	(21 767)	-	(14 552)	12 722
Share of profits of associates under the equity method							
Income before taxes and non-controlling interests	24 445	18 280	6 316	(21 767)	-	(14 552)	12 722
Current and deferred taxes	(7 211)	(5 393)	(1 863)	6 421	-	2 958	(5 088)
Income after taxes of continuing operations	17 234	12 887	4 453	(15 346)	-	(11 594)	7 634
Net gains/ (losses) from discontinuing operations	-	-	-	-	4 277	-	4 277
Consolidated net income after taxes	17 234	12 887	4 453	(15 346)	4 277	(11 594)	11 911
Non-controlling interests	-	-	-	-	775	-	775
Consolidated net profit for the period attributable to the holders of the institutional capital and participation fund	17 234	12 887	4 453	(15 346)	3 502	(11 594)	11 136
Net assets	9 699 901	2 950 879	3 563 510	3 414 416	457 753	707 938	20 794 397
Liabilities	9 923 000	1 657 000	2 059 902	-	332 107	5 339 336	19 311 345
Investment in associates	-	-	4 042	-	-	-	4 042

The balance 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 52.

The report by operating segments as at 31 March 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	66 628	28 108	29 071	4 905	-	2 608	131 320
Interest and similar expense	38 286	3 056	34 340	1 321	-	1 907	78 910
Net interest income	28 342	25 052	(5 269)	3 584	-	701	52 410
Dividends from equity instruments	-	-	14	-	-	-	14
Fees and commissions	20 540	5 132	-	-	-	(4 593)	21 079
Net gains/ (losses) arising from assets and liabilities at fair value through profit and loss	-	-	(16 438)	-	-	-	(16 438)
Net gains/ (losses) arising from financial assets available for sale	-	-	10 106	-	-	-	10 106
Net gains arising from foreign exchange differences	-	-	1 539	-	-	-	1 539
Net gains/ (losses) arising from sale of other financial assets	-	-	-	(467)	-	(288)	(755)
Other operating income	1 955	201	(866)	(6 810)	-	12 583	7 063
Total operating income	50 837	30 385	(10 914)	(3 693)	-	8 403	75 018
Staff costs	34 217	6 827	1 764	3 754	-	9 753	56 315
General and administrative expenses	12 900	1 810	550	5 345	-	627	21 232
Depreciation and amortisation	-	-	-	-	-	5 519	5 519
	47 117	8 637	2 314	9 099	-	15 899	83 066
Total provisions and impairment	2 652	5 684	887	17 726	-	(3 509)	23 440
Total operating profit	1 068	16 064	(14 115)	(30 518)	-	(3 987)	(31 488)
Share of profits of associates under the equity method	-	-	-	-	-	(102)	(102)
Income before taxes and non-controlling interests	1 068	16 064	(14 115)	(30 518)	-	(4 089)	(31 590)
Current and deferred taxes	(315)	(4 739)	4 164	9 003	-	614	8 727
Income after taxes of continuing operations	753	11 325	(9 951)	(21 515)	-	(3 475)	(22 863)
Net gains/ (losses) from discontinuing operations	-	-	-	-	3 783	-	3 783
Consolidated net income after taxes	753	11 325	(9 951)	(21 515)	3 783	(3 475)	(19 080)
Non-controlling interests	-	-	-	-	680	-	680
Consolidated net profit for the period attributable to the holders of the institutional capital and participation fund	753	11 325	(9 951)	(21 515)	3 103	(3 475)	(19 760)
Net assets	9 699 901	2 950 879	3 563 510	3 414 416	457 753	707 938	20 794 397
Liabilities	9 923 000	1 657 000	2 059 902	-	332 107	5 339 336	19 311 345
Investment in associates	-	-	4 042	-	-	-	4 042

The balance 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 52.

As at 31 March 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	128 201	-	128 201
Interest and similar expense	56 231	901	57 132
Net interest income	71 970	(901)	71 069
Dividends from equity instruments	2 523	-	2 523
Fees and commisions	26 079	-	26 079
Net gains/ (losses) arising from assets and liabilities at fair value through profit and loss	1 205	-	1 205
Net gains/ (losses) arising from financial assets available for sale	5 587	-	5 587
Net gains arising from foreign exchange differences	646	18	664
Net gains from sale of other financial assets	(631)	-	(631)
Other operating income	8 667	-	8 667
Total operating income	116 046	(883)	115 163
Staff costs	41 756	8	41 764
General and administrative expenses	19 310	33	19 343
Depreciation and amortisation	5 904	3	5 907
	66 970	44	67 014
Loans impairment	33 842	-	33 842
Other financial assets impairment	(436)	-	(436)
Other assets impairment	1 702	-	1 702
Other provisions	319	-	319
Total operating profit	13 649	(927)	12 722
Shares of profits of associates under the equity method	-	-	-
Income before taxes and non-controlling interests	13 649	(927)	12 722
Current taxes	(3 313)	-	(3 313)
Deferred taxes	(1 775)	-	(1 775)
Net gains/ (losses) from discontinuing operations	-	4 277	4 277
Non-controlling interests	-	775	775
Consolidated net profit for the period attributable to the holders of the institutional capital and participation fund	8 561	2 575	11 136

The International Activity includes in the balance Net gains/ (losses) 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 52.

As at 31 March 2017, the net contribution of the main geographical areas is as follows:

(Thousands of Euro)

Statement of Financial Position	Activity		Total
	Domestic	International	
Cash and deposits at credit instititutions	421 054	262 169	683 223
Loans and advances to customers	13 774 333	-	13 774 333
Investments in financial assets and associated companies	3 567 552	-	3 567 552
Non-current assets held-for-sale	756 465	-	756 465
Investment properties	600 996	-	600 996
Non-current assets held-for-sale - discontinuing operations	-	445 634	445 634
Other assets	966 111	83	966 194
Total Assets	20 086 511	707 886	20 794 397
Deposits from central banks and credit institutions	5 005 656	21 546	5 027 202
Deposits from customers	11 367 983	223 539	11 591 522
Debt securities and subordinated liabilities issued	2 032 115	27 787	2 059 902
Non-current liabilities held-for-sale - discontinuing operations	-	332 107	332 107
Other liabilities	298 839	1 773	300 612
Total Liabilities	18 704 593	606 752	19 311 345
Non-controlling interests	-	24 476	24 476
Total Equity attributable to the institutional capital and the participation fund holders	1 381 918	76 658	1 458 576
Total Equity	1 381 918	101 134	1 483 052
Total Liabilities and Equity	20 086 511	707 886	20 794 397

The International Activity includes in the balance 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 Financial Statement Position is disclosed in note 52.

As at 31 March 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	131 319	1	131 320
Interest and similar expense	76 293	2 617	78 910
Net interest income	55 026	(2 616)	52 410
Dividends from equity instruments	14	-	14
Fees and commissions	21 079	-	21 079
Net gains/ (losses) arising from assets and liabilities at fair value through profit and loss	(16 438)	-	(16 438)
Net gains/ (losses) arising from financial assets available-for-sale	10 106	-	10 106
Net gains arising from foreign exchange differences	1 526	13	1 539
Net gains from sale of other financial assets	(755)	-	(755)
Other operating income	7 133	(70)	7 063
Total operating income	77 691	(2 673)	75 018
Staff costs	56 292	23	56 315
General and administrative expenses	21 206	26	21 232
Depreciation and amortisation	5 515	4	5 519
	83 013	53	83 066
Loans impairment	23 581	-	23 581
Other financial assets impairment	887	-	887
Other assets impairment	3 485	-	3 485
Other provisions	(4 513)	-	(4 513)
Total operating profit	(28 762)	(2 726)	(31 488)
Share of profits of associates under the equity method	(102)	-	(102)
Income before taxes and non-controlling interests	(28 864)	(2 726)	(31 590)
Current taxes	(917)	-	(917)
Deferred taxes	9 644	-	9 644
Net gains/ (losses) from discontinuing operations	-	3 783	3 783
Non-controlling interests	-	680	680
Consolidated net profit for the period attributable to the institutional capital and the participation fund holders	(20 137)	377	(19 760)

The International Activity includes in the balance Net gains/ (losses) 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 52.

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	Activity - 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 credit 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
Non-current 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 institutional capital and the participation fund holders	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 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 52.

50 Contingencies

Resolution Fund

Resolution measure of Banco Espírito Santo, S.A. (BES)

The Bank of Portugal applied a resolution measure to Banco Espírito Santo, SA on 3 August 2014, pursuant to the provisions of Article 145 C (1.b) of the General Regime for Credit Institutions and Financial Companies (RGICSF), in the partial transfer method of assets, liabilities, off-balance sheet assets and assets under management to a transition bank, Novo Banco, SA (Novo Banco). As part of this process, the Resolution Fund made a capital injection in Novo Banco in the amount of Euro 4,900,000 thousands, becoming the sole shareholder, and contracted loans in the amount of Euro 4,600,000 thousands, of which Euro 3,900,000 thousands were granted by the Portuguese State and Euro 700,000 thousands were granted by a group of credit institutions, of which Euro 70,000 thousands were granted by CEMG.

On 29 December 2015, the Bank of Portugal transferred to the Resolution Fund the emerging liabilities from possible negative effects of future decisions arising from the resolution process, resulting in liabilities or contingencies.

On 7 July 2016, the Resolution Fund stated that it would review and assess the proceedings to take following the disclosure of the report on the results of the independent evaluation exercise, which was carried out to estimate the level of credit recovery for each class of creditors in the hypothetical scenario of a normal BES insolvency procedure on 3 August 2014.

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

The Bank of Portugal announced on 20 February 2017 that it has decided to choose the potential Lone Star investor for a definitive phase of negotiations and in conditions of exclusivity aiming to complete the terms in which the sale of the Fund's share Resolution on Novo Banco, SA would be held, and on 31 March 2017, a further statement was issued stating:

"Today, the Bank of Portugal choose Lone Star to complete the sale of the Novo Banco and the Resolution Fund signed the transaction's contract documents.

Under the terms of the agreement, Lone Star will make capital injections in Novo Banco for a total amount of Euro 1,000,000 thousands, of which Euro 750,000 thousands at the time of the transaction completion and Euro 250,000 thousands within a period of up to 3 years.

Due to this capital injection, Lone Star will hold 75% of the capital stock of the Novo Banco and the Resolution Fund will maintain 25% of the capital.

The conditions agreed also include the existence of a contingent capitalization mechanism, under which the Resolution Fund, as a shareholder, commits to make capital injections in the event of certain cumulative conditions, related to: i) the performance of a delimited set of assets of Novo Banco and ii) with the development of the Bank's capitalization levels.

Possible capital injections to be made pursuant to this contingent mechanism benefit from a capital buffer resulting from the planned injection to be made under the terms of the operation and are subject to an absolute ceiling.

The agreed conditions also provide for mechanisms to safeguard the interests of the Resolution Fund, the alignment of benefits and supervision, despite the restrictions arising from the application of the State aid rules.

The completion of the sale is dependent on obtaining the usual regulatory authorizations (including the European Central Bank and the European Commission) and a liability management exercise, subject to the approval of the bondholders, which will cover non-subordinated bonds of Novo Banco and that, by offering new bonds, it will generate at least Euro 500 million of own funds eligible for the calculation of the CET1 ratio. "

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

The Board of Directors of Bank of Portugal decided on 19 December 2015 to declare that Banif was "at risk or in a situation of insolvency" and to start an urgent resolution of the institution by the partial or total disposal method of its activity, which has materialized, on 20 December 2015, in the disposal of rights and obligations, representing assets, liabilities, off-balance sheet assets and assets under management of Banif to Banco Santander Totta S.A. (BST).

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

The transaction involved public support, of which Euro 489,000 thousands by the Resolution Fund. The Euro 489,000 thousands assumed by the Resolution Fund were financed through a mutual agreement granted by the Portuguese State.

Other relevant conditions

The resolution measures applied to BES and Banif referred to above determined that, with reference to 31 December 2016, the Resolution Fund held the entire capital stock of Novo Banco and Oitante, at the same time as the Resolution Fund contracted a loan and assumed other responsibilities and contingent liabilities, namely:

- Effects of the application of the principle that no institutions' creditor under resolution may incur greater loss than it would have assumed may that institution had entered into settlement.

- Negative effects arising from the resolution process resulting in additional liabilities or contingencies for the Novo Banco, S.A., which must be neutralized by the Resolution Fund.

- Legal proceedings against the Resolution Fund.

- Guarantee provided to the bonds issued by Oitante S.A. for a total amount of Euro 746,000 thousands, counter-guaranteed by the Portuguese State, for which Oitante, S.A. made an early repayment of Euro 90,000 thousands.

In order to fulfill the responsibilities of the Resolution Fund, in particular to repay the loans obtained and to meet other responsibilities that may arise, the Resolution Fund essentially has revenues from initial and periodic contributions of the participating institutions and the banking sector established by Law No 55-A /2010. In this regard, the possibility of the Government establishing, through an ordinance, that participating institutions make special contributions is also expected, in the situations provided for in applicable legislation, particularly in the event that the Resolution Fund does not have its own resources to fulfill its obligations.

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

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which clarified that the periodic contribution to the RF should be recognised as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, i.e. on the last day of April of each year, as stipulated in the Article 9 of the aforementioned Decree-Law. CEMG is recognising as an expense the contribution to the RF in the year in which it becomes due.

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

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

In 2016, CEMG made regular contributions to the Resolution Fund in the amount of Euro 3,005 thousands and paid the contribution on the banking sector in the amount of Euro 13,226 thousands and were recognised as cost in April and June, in accordance with IFRIC No. 21 - Levies.

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

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

The announcement made by the Resolution Fund at 21 March 2017 states:

- "The conditions of the loans obtained by the Fund for the financing of the resolution measures applied to Banco Espírito Santo, SA and Banif - Banco Internacional do Funchal, SA have been changed." These loans amounted to Euro 4,953,000 thousands, of which Euro 4,253,000 thousands were granted by the Portuguese State and Euro 700,000 thousands were granted by a set of banks.

- "Those loans will due in December 2046, without prejudice to the possibility of early repayment based on the use of revenues from the Resolution Fund. The maturity will be adjusted in conditions that guarantee the ability of the Resolution Fund to fully meet its obligations based on regular income and without the need for special contributions or any other extraordinary contributions. Following the resolution measures of BES and Banif, liabilities arising from contracts obtained by the Resolution Fund with the Portuguese State and the banks, compete in *pari passu* among themselves."

- "The review of loan conditions aimed to ensure the sustainability and financial balance of the Resolution Fund."

- "The new conditions allow for full payment of the Resolution Fund's liabilities and their remuneration, without the need for special contributions or any other extraordinary contributions from the banking sector."

Following these changes to the loans contracted by the Resolution Fund, as at 31 March 2017, the amount of credit and interest owed to the Group amounted to Euro 70,134 thousands.

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

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

51 Subsidiary and associated companies

As at 31 March 2017, the companies under full consolidation method in the Group are presented as follows:

					Group	
Subsidiary Company	Head Office	Share Capital	Currency	Activity	% of control	% of effective part.
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	Praia	8 996 509	Escudo Cabo Verdiano	Banking	100.00%	100.00%
Montepio Holding, S.G.P.S., S.A.	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	Finance 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	81.57%	81.57%
Banco Terra, S.A.	Maputo	2 686 458 998	Metical	Banking	45.78%	45.78%
SSAGINCENTIVE - Sociedade de Serviços Auxiliares e de Gestão de Imóveis, S.A.	Lisboa	100 000	Euro	Real estate management	100.00%	100.00%
Semelhanças e Coincidências, S.A.	Vila Nova de Gaia	50 000	Euro	Real estate management	100.00%	100.00%

As at 31 March 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.	São Miguel Island	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 thousands. 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 domain 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 Similarities and Coincidences S.A., for the amount of Euro 24 thousands. 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 that 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 USD 26,346,178.

The Group analysed the effectiveness of regulatory and legal compliance, and concluded not to recognise the sale of the financial participation until the financial settlement is completed. On this basis, until the financial settlement of the transaction, the Group will continue to control the participation. Therefore, at 31 December 2016, the Group controls 81.57% of the subsidiary Finibanco Angola, S.A.

As at 31 December 2016, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidiary company	Establishment year	Acquisition year	Head office	% of controlling interest	Consolidation method
Pelican Mortgages No. 1 PLC	2002	2002	Dublin	100%	Full
Valor *Prime* - Fundo de Investimento Imobiliário Aberto	1997	2012	Lisboa	94.50%	Full
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2011	2011	Lisboa	100%	Full
Montepio Arrendamento II – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional II (FIIAH)	2013	2013	Lisboa	100%	Full
Montepio Arrendamento III – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2013	2013	Lisboa	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisboa	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisboa	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisboa	100%	Full

As at 14 December 2016, the Group settled 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 2016.

52 Discontinuing operations

CEMG is in a negotiating process with a group of investors with the purpose to refocus the approach to the African market aiming for the deconsolidation of the current financial holdings held in Finibanco Angola SA and BTM - Banco Terra, SA, either under the "ARISE" project in an international partnership with Rabobank, the Norwegian Sovereign Fund NORFUND and the Dutch Development Bank FMO, as well as under other alternatives being developed.

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 have been deemed as discontinuing operations in 2016.

At the level of the income statement, the results of these subsidiaries were recognised in an income statement option denominated " Gains/ (losses) 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 three-month period ended at 31 March 2016.

In this context, the Group restated its consolidated income statement and the consolidated statement of comprehensive income for the period from 1 January to 31 March 2016, in accordance with IFRS 5 – Non-current assets held for sale. As at 31 March 2017 and 2016, the expenses and income for the period were presented in a single line called Gains/ (losses) from discontinuing operations.

This restatement implied changes in the way in which the contribution of Finibanco Angola, S.A. and Banco Terra, S.A. operations during 2016 are presented in the referred income statement, and had no impact on the consolidated net income nor in the consolidated comprehensive income of the Group for the three-month period ended at 31 March 2016. At the level of the Consolidated Balance Sheet, the statement of assets and liabilities was not changed.

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

As at 31 March 2017, the balance sheet of Finibanco Angola, S.A. and Banco Terra, S.A. is as follows:

(Thousands of Euro)

	Mar 2017			
	Finibanco Angola	**Banco Terra**	**Adjustments**	**Total**
Cash and deposits at central banks and credit institutions	55 858	6 920	(17 141)	45 637
Loans and advances to credit institutions	42 190	1 273	(23 306)	20 157
Loans and advances to customers	138 160	35 029	-	173 189
Securities portfolio and derivatives	144 522	413	-	144 935
Intangible assets	4 055	520	12 119	16 694
Other assets	51 401	5 740	-	57 141
Total Assets	**436 186**	**49 895**	**(28 328)**	**457 753**
Deposits from other credit institutions	21 551	2 006	(21 547)	2 010
Deposits from customers	310 689	23 187	(13 194)	320 682
Other subordinated debt	27 860	-	(27 787)	73
Provisions	2 818	204	-	3 022
Other liabilities	3 177	3 176	(33)	6 320
Total Liabilities	**366 095**	**28 573**	**(62 561)**	**332 107**
Total Equity	**70 091**	**21 322**	**-**	**91 413**
Total Liabilities and Equity	**436 186**	**49 895**	**(62 561)**	**423 520**

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

(Thousands of Euro)

	2016			2015		
	Finibanco Angola	Banco Terra				
	Opening	Opening	Total	Finibanco Angola	Banco Terra	Total
Net interest income	7 275	1 432	8 707	6 918	1 303	8 221
Dividends from equity instruments	-	-	-	-	-	-
Fees and commissions	2 763	103	2 866	1 302	189	1 491
Net gains/ (losses) arising from financial operations	1 365	(101)	1 264	6 363	(18)	6 345
Other operating income / (expenses	(148)	(9)	(157)	37	330	367
Total operating income	**11 255**	**1 425**	**12 680**	**14 620**	**1 804**	**16 424**
Staff costs	1 787	793	2 580	1 625	972	2 597
General and administrative expenses	2 026	560	2 586	2 223	773	2 996
Depreciation and amortisation	395	125	520	393	170	563
Total operating expenses	**4 208**	**1 478**	**5 686**	**4 241**	**1 915**	**6 156**
Impairment of loans, other assets and provisions	1 748	(15)	1 733	5 603	(44)	5 559
Total operating profit	**5 299**	**(38)**	**5 261**	**4 776**	**(67)**	**4 709**
Profit before taxes	**5 299**	**(38)**	**5 261**	**4 776**	**(67)**	**4 709**
Taxes	984	-	984	926	-	926
Profi/ (loss) for the period	**4 315**	**(38)**	**4 277**	**3 850**	**(67)**	**3 783**

Finibanco Angola

The evaluation performed for Finibanco Angola was based on a study prepared by 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 81.57% of the position held by Montepio Holding in Finibanco Angola stood at USD 70,242 thousands, approximately Euro 62,936 thousands.

BTM - Banco Terra

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

The valuation of 45.78% of the position held by Montepio Holding in BTM - Banco Terra, obtained based on the above mentioned study, resulted in a 45.78% appreciation of the position in Banco Terra of USD 14,374 thousands, approximately Euro 12,879 thousands.

As at 31 March 2017, the amounts recorded 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 to Montepio Geral Associação Mutualista, as described in note 1 a), in the amount of Euro 53,024 thousands with associated impairment of Euro 42,863 thousands (31 December 2016: Euro 42,863 thousands) and; (ii) of Banco Terra, acquired in December 2014, in the amount of Euro 3,280 thousands, with an associated impairment of Euro 1,361 thousands.

53 Relevant Facts

Capital increase

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

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

On the same date occurred the sale of Euro 31,500,000 participation units held by Montepio Investimento S.A. with a nominal value of Euro 31,500 thousands.

In addition, and according with the deliberations mentioned above, CEMG acquired from MGAM a set of real estate and securities by Euro 199,444 thousands and Euro 69,929 thousands, respectively.

Legal transformation into a public limited company

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

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

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

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

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

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

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

54 Subsequent events

After the balance sheet date and before the consolidated financial statements were authorized for issue, there were no transactions and/or relevant events that are relevant 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 1st Quarter 2017, with references to the various chapters of this Report.

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

BALANCE SHEET AND EXTRAPATRIMONIALS

SECURITIES PORTFOLIO (PAGE 15, 17)

Definition	Sum of the items "Financial assets held for trading", "Financial assets available for sale" and "Held to maturity investments".
Relevance	Assess the relative weight of this item from an assets' structure perspective.
Components and calculus	Page 30, 76, 78, 81
Definition	

(thousand euros)

	Dec-16	Mar-17
(a) Financial assets held for trading	78 168	84 061
(b) Financial assets available for sale	2 399 504	2 351 643
(c) Held to maturity investments	1 126 125	1 127 806
(d) Securities portfolio (a+b+c)	3 603 797	3 563 510
(e) Total assets	21 345 909	20 794 397
% of securities portfolio (d / e)	**16.9%**	**17.1%**

OTHER INVESTMENTS (PAGE 15)

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 30, 71, 76, 78, 81
Components and calculus	

(thousand euros)

	Dec-16	Mar-17
(a) Total assets	21 345 909	20 794 397
(b) Net loans to customers	13 861 034	13 774 333
(c) Financial assets held for trading	78 168	84 061
(d) Financial assets available for sale	2 399 504	2 351 643
(e) Held to maturity instruments	1 126 125	1 127 806
(f) Other investments (a - b - c - d - e)	3 881 078	3 456 554
% of other investments (f / a)	**18.2%**	**16.6%**

DEBT ISSUED (PAGE 19, 21)

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 30, 95, 98
Components and calculus	

(thousand euros)

		Dec-16	Mar-17
(a)	Debt securities issued	1920 035	1809 308
(b)	Other subordinated debt	251028	250 594
(c)	Issued debt (a+b)	2 171063	2 059 902
(d)	Total liabilities and equity	21345 909	20 794 397
	% of debt issued (c / d)	**10.2%**	**9.9%**

OTHER RESOURCES (PAGE 19)

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 30, 94, 95, 98
Components and calculus	

(thousand euros)

		Dec-16	Mar-17
(a)	Total liabilities	19 889 411	19 311345
(b)	Deposits from customers	12 467 819	11591522
(c)	Debt securities issued	1920 035	1809 308
(d)	Other subordinated debt	251028	250 594
(e)	Complementary resources (a - b - c - d)	5 250 529	5 659 921
(f)	Total equity	1456 498	1483 052
(g)	Total liabilities and equity (a+f)	21345 909	20 794 397
	% of complementary resources (e / g)	**24.6%**	**27.2%**

OFF-BALANCE SHEET RESOURCES (PAGE 20)

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	Mar-17
(a)	Securities investment fund	177 402	177 704
(b)	Real estate investment fund	294 436	290 390
(c)	Pensions fund	205 839	206 414
(d)	Bancassurance	45 415	42 954
	Off-balance sheet resources (a + b + c + d)	**723 092**	**717 462**

INCOME STATEMENT

COMMERCIAL NET INTEREST INCOME (PAGE 6)

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 60
Components and calculus	

(thousand euros)

		Mar-16*	Mar-17
(a)	Interest received from loans to customers	101256	95 324
(b)	Interest paid on customers' deposits	41074	21712
	Commercial net interest income (a - b)	**60 182**	**73 612**

COMPARABLE OPERATING COSTS (PAGE 6, 11)

Definition	Sum of staff costs, general and administrative expenses and depreciation and amortisations, deducted by the impacts with the process of re-dimensioning of the operating structure.
Relevance	Assess the evolution of the operating costs underlying the banking activity, deducted by specific measures such as the process of re-dimensioning the operating structure.
Reference to FS	Page 29, 65, 66
Components and calculus	

(thousand euros)

		Mar-16*	Mar-17
(a)	Staff costs	56 315	41764
(b)	General and administrative expenses	21232	19 343
(c)	Depreciation and amortisation	5 519	5 907
(d)	Costs related to the re-dimensioning of the operating structure	9 179	-
	Operating costs, excluding costs related to the staff reduction programme and CLA revision (a + b + c - d)	**73 887**	**67 014**

RESULTS FROM THE COMMERCIAL ACTIVITY (PAGE 6)

Definition	Sum of the commercial net interest income and Net fees and commissions, subtracted by the operating costs excluding specific measures such as the process of re-dimensioning the operating structure.
Relevance	Assess the evolution of the core banking activity, excluding specific measures such as the process of re-dimensioning the operating structure.
Reference to FS	Page 29, 60, 61
Components and calculus	

(thousand euros)

		Mar-16*	Mar-17
(a)	Commercial net interest income	60 182	73 612
(b)	Net fees and commissions	21079	26 079
(c)	Operating costs, excluding costs related to the re-dimensioning of the operating structure	73 887	67 014
	Results from the commercial activity (a + b - c)	**7 374**	**32 677**

RATIOS

CTD RATIO: NET LOANS TO CUSTOMERS / ON-BALANCE SHEET CUSTOMERS' RESOURCES (PAGE 4, 22)

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 30, 71, 94, 95
Components and calculus	

(thousand euros)

		Dec-16	Mar-17
(a)	Loans to customers (net)	13 861 034	13 774 333
(b)	Customers' deposits	12 467 819	11 591 522
(c)	Debt securities issued	1 920 035	1 809 308
	Loans to customers (net) / On-balance sheet customers' resources (a / (b + c))	**96.3%**	**102.8%**

EFFICIENCY RATIO: COST TO INCOME, WITHOUT SPECIFIC IMPACTS (PAGE 4, 11)

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 re-dimensioning 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 re-dimensioning of the operating structure.
Reference to FS	Page 29, 62, 63, 65, 66
Components and calculus	

(thousand euros)

		Mar-16*	Mar-17
(a)	Total operating income	75 018	115 163
(b)	Results from financial operations (i + ii + iii)	(4 793)	7 456
(i)	Net gains / (losses) from finacial assets and liabilities at fair value through profit or loss	(16 438)	1 205
(ii)	Net gains / (losses) from available for sale financial assets	10 106	5 587
(iii)	Net gains / (losses) from foreign exchange differences	1 539	664
(c)	Operating costs	83 066	67 014
(d)	Costs related to the re-dimensioning of the operating structure	9 179	-
	Cost to Income,without specific impacts ((c - d) / (a - b))	**92.6%**	**62.2%**

COST OF CREDIT RISK (PAGE 4, 12)

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 66, 71
Components and calculus	

(thousand euros)

		Dec-16	Mar-17
(a)	Loan impairments (annualized[1])	182 479	137 249
(b)	Average gross loans to customers[2]	15 318 362	15 000 073
	Cost of credit risk (a / b)	**1.2%**	**0.9%**

1) Annualized values considering the total number of days elapsed and total days of the year. 2) Average balance for the period (2016: 366 days/2017: 365 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 71
Components and calculus	

(thousand euros)

		Dec-16	Mar-17
(a)	Loans and interest overdue by more than 90 days	1 371 620	1 371 903
(b)	Loans to customers (gross)	15 040 651	14 990 576
	Ratio of loans and interest overdue by more than 90 days (a / b)	**9.1%**	**9.2%**

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 71
Components and calculus	

(thousand euros)

		Dec-16	Mar-17
(a)	Impairment for loans (Balance sheet)	1 179 617	1 216 243
(b)	Loans and interest overdue by more than 90 days	1 371 620	1 371 903
	Coverage of loans and interest overdue by more than 90 days (a / b)	**86.0%**	**88.7%**

CREDIT AT RISK COVERAGE RATIO (PAGE 4, 16)

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 71
Components and calculus	

(thousand euros)

		Dec-16	Mar-17
(a)	Impairment for loans (Balance sheet)	1 179 617	1 216 243
(b)	Credit at risk	2 287 575	2 260 734
	Credit at risk coverage ratio (a / b)	**51.6%**	**53.8%**

CREDIT AT RISK COVERAGE RATIO, FACTORING-IN RELATED REAL ESTATE COLLATERAL (PAGE 4, 16)

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 71
Components and calculus	

(thousand euros)

		Dec-16	Mar-17
(a)	Impairment for loans (Balance sheet)	1 179 617	1 216 243
(b)	Real estate collateral related to contracts with credit at risk	1 566 349	1 545 206
(c)	Credit at risk	2 287 575	2 260 734
	Credit at risk coverage ratio, factoring-in related real estate collateral ((a + b) / c)	**120.0%**	**122.1%**

Montepio

Valores que crescem consigo.

CAIXA ECONÓMICA MONTEPIO GERAL

BANKING SAVINGS BANK
PUBLICLY LISTED COMPANY

Head Office: Rua Áurea, 219-241, Lisboa
Institutional Capital: 1 770 000 000 Euros
Legal Person and Lisbon Commercial Registry number: 500 792 615

www.montepio.pt