Market Discipline

2015

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Introductory Note

The purpose of the present document is to reveal, under a predominantly prudential perspective, detailed information on the exposures, own funds, risk management, system of governance and remuneration policy of the Caixa Económica Montepio Geral (CEMG), according to Part VIII of Regulation (EU) no. 575/2013 of the European Parliament and the Council of 26 June 2013, concerning the prudential requirements for the credit institutions and for investment companies, so as to complement the information required within the scope of the financial statements.

The reported figures are displayed according to the classifications dictated by the regulatory prudential rules complied with by CMEG, imposed by Portuguese or EU law and based on the recommendations of the Basel Committee on Banking Supervision.

The monetary amounts presented, unless otherwise specified, are in thousands of Euro and reflect the positions of the CEMG Group on 31 December 2015.

1. Declaration of responsibility

With regards to the information provided in the "Market Discipline" document, the Executive Board of Directors (EBD) of the CEMG:

- Confirms that all procedures deemed necessary were carried out and that, to its knowledge, all the provided information is true and accurate;
- Ensures the quality of all provided information;
- Undertakes to disclose, in good time, any significant changes which may take place during the financial year that follows the one the document refers to;

The information on the activity and events at the CEMG may be consulted on the website https://www.montepio.pt/SitePublico/pt_PT/institucional/grupo/caixa-economica.page, the information contained on the Information to Investors page https://www.montepio.pt/SitePublico/pt_PT/institucional/grupo/caixa-economica/informacao-investidores.page. being particularly relevant.

2. Scope of Application

The scope of the information provided in the present report is the consolidated basis for prudential purposes of the Caixa Económica Montepio Geral Group, comprising:

- Caixa Económica Montepio Geral ("CEMG");
- Banco Montepio Geral Cabo Verde - Sociedade Unipessoal, S.A., ("MG Cabo Verde");
- Montepio Holding, SGPS, S.A., which includes the following holdings:
  - Montepio Investimento, S.A., which includes the following entity:
    - Montepio – Capital de Risco, Sociedade Capital de Risco, S.A.;
      Fundo de Capital de Risco Montepio Crescimento
  - Montepio Crédito, S.A.;
  - Montepio Valor - Sociedade Gestora de Fundos Mobiliários, S.A.;
  - Finibanco Angola, S.A.;
  - Banco Terra, S.A.
- Montepio Recuperação de Crédito, ACE;
- Pelican Mortgages No.1 PLC;

- Pelican Mortgages No.2 PLC;
- Finipredial Fundo de Investimento Aberto;
- Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional;
- Montepio Arrendamento II – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional;
- Montepio Arrendamento III – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional;
- Polaris – Fundo de Investimento Imobiliário Fechado;
- Portugal Estates Fund (PEF) – Fundo de Investimento Imobiliário Fechado;
- Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto.

Table 1 – Consolidated entities in the CEMG Group

thousands of Eur

Entity	Head Office	% Share	Accounting Asset	Contribution to the Group's Risk-Weighted Asset	Consolidation Method
Caixa Económica Montepio Geral	Portugal	100%	24 335 247	12 080 037	Full
Montepio Holding S.G.P.S., SA.	Portugal	100%	336 188	-6 433	Full
Montepio Arrendamento - Closed Real Estate Investment Fund	Portugal	100%	287 872	260 329	Full
Montepio Crédito - Instituição Financeira de Crédito, SA.	Portugal	100%	47 343	263 662	Full
Montepio Valor - Sociedade Gestora de Fundos de Investimento, SA.	Portugal	100%	8 432	538	Full
Finibanco Angola, SA.	Angola	82%	562 762	591 103	Full
Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, SA (IFI)	Cape Verde	100%	420 051	2 750	Full
Montepio Recuperação de Crédito, SA.	Portugal	100%	4 436		Full
Iberpartners Cafés, S.G.P.S., S.A.	Portugal	29%	5 571		Equity Method
Banco Terra, S.A.	Mozambique	46%	61 071	51 032	Full
Montepio - Gestão de Activos Imobiliários, A.C.E.	Portugal	20%	3 762	698	Equity Method
H.T.A. - Hoteis, Turismo e Animação dos Açores, S.A.	Portugal	20%	40 685	3 210	Equity Method
Finipredial - Open Real Estate Investment Fund	Portugal	81%	280 756	273 128	Full
Montepio Arrendamento - Closed Real Estate Investment Fund	Portugal	100%	85 567	68 592	Full
Montepio Arrendamento II - Closed Real Estate Investment Fund	Portugal	100%	75 313	61 673	Full
Montepio Arrendamento III - Closed Real Estate Investment Fund	Portugal	100%	94 025	88 649	Full
Polaris - Closed Real Estate Investment Fund	Portugal	100%	10 074	10 046	Full
PEF - Closed Real Estate Investment Fund	Portugal	100%	5 163	5 157	Full
Real Estate Portfolio - Open Real Estate Investment Special Fund	Portugal	100%	208 726	206 164	Full
Pelican Mortgages No.	Portugal	100%	80 256	1 102	Full
Pelican Mortgages No.	Portugal	100%	126 110	914	Full
Montepio - Capital de Risco, Sociedade Capital de Risco, S.A.	Portugal	100%	421		Full
Fundo de Capital de Risco Montepio Crescimento	Portugal	100%	12 090		Full

In the previous table are highlighted the entities which are consolidated in the accounts, including the country on which they are based and the CEMG percentage of the holding, to date, in their share capital. For each entity, the figure of its total asset value is presented, as well as the contribution to the risk-weighted assets of the CEMG Group (including all the regulatory adjustment and weights in force at the time). The accounting consolidation method of each of the entities is also presented.

3. Risk Management Purposes and Policies

3.1 Declaration on the appropriateness of the risk management measures

The EBD ensures that the risk management system implemented in the Bank, as well as the procedures and measures aimed at ensuring that the established risk limits are complied with, is appropriate for ensuring the correct execution of the business strategy, considering the profile and size of the CEMG.

3.2 Declaration on the overall risk profile and its relation with the business strategy

The risk appetite is based on certain principles – namely soundness, sustainability and profitability – and defined according to the business strategy and to the positioning in the intended market. The CEMG examines the risks that it faces in its activities and identifies those which are materially relevant For these, goals are established according to the desired level of return and strategy, tolerance levels, i.e., risk variation range which may lead to discussions and decisions on corrective measures, and limits which, if exceeded, may lead to immediate corrective measures.

The EBD's main concern in defining the risk appetite consists in its alignment with the other organizational components (business strategy and global vectors of risk strategy). In addition to that, the EBD intends to ensure that the risk appetite is well understood by the whole organisation, mainly by the business units responsible for decision-making, which can affect the risk exposure and its monitoring.

The EBD determines the maintenance of solid balance sheet ratios, through a strong capital position and a stable and safe liquidity profile, which enable to face stress situations. The EBD intends to ensure sufficient capital to meet the regulatory needs, to cover potential losses, with a optimised balance sheet structure which enables to maintain a stable financing capacity and strong liquidity reserves, limiting the risk of potential liquidity problems and ensuring the continuity of its operations, without the intervention of the supervisors and the protection of its depositors and holders of non-subordinated debt.

More specifically, the CEMG has clear goals, defined in its strategic plan, for capital ratios, credit to deposits ratio and liquidity coverage ratio (LCR), besides a feasible and sustainable business model aligned with the risk appetite.

3.3 Strategies and procedures

The CEMG is subject to risks of various nature within the scope of the implementation of its activity. The risk management of the various companies within the CEMG Group is carried out in a centralised manner in coordination with the local departments and taken into consideration the specific risks of each business.

The Group's risk management policy strives for the constant maintenance of an appropriate relationship between its own capital and the activity performed, as well as the corresponding risk/return profile assessment per line of business. In this context, the monitoring and control of the main types of financial risks - credit, market, liquidity, real estate and operational - to which the Group's activity is subject become particularly relevant.

The CEMG Group's global risk management falls within the competence of the EBD, and it is at that level that the tolerance levels and the maximum risk limits, which are to be willingly taken on a global level for each specific risk deemed materially relevant, according to the strategic goals and business plans, are defined. This policy is regularly reviewed in light of the results obtained and the levels defined for the risk indicators and limits.

The efficient risk control and management have been playing a crucial role in the balanced and sustained development of the CEMG. Besides contributing to optimising the relationship between profitability and risk of the various lines of business, they also ensure the maintenance of a conservative risk profile with regards to solvency and liquidity.

The risk management pursues the following main goals:

- Identification, quantification and control of the different types of risk taken, progressively adopting uniform principles and methodologies;
- Ongoing contribution to the improvement of support tools to the structuring of operations and development of internal techniques of performance assessment and optimisation of the capital base;
- Follow-up of the CEMG's internationalisation strategy, and collaborating in the design of organisational solutions and in the monitoring and reporting of the risk taken by the different international units.

3.4 Structure and organisation

The EBD, in performing its duties, is responsible for the strategies and policies to be adopted with regards to risk management, which includes the approval of the principles and rules of the highest-level that must be complied with during that management.

Committees of Support to the EBD have been formed and constitute structures dependent on the EBD, functioning as forums of discussion and support to the decision-making, through the formulation of proposals and recommendations to the EBD in the areas of its scope of intervention.

The Assets and Liabilities Committee (ALCO) is responsible for following up the management of Capital, Balance Sheet and Profit and Loss Account. Among its duties, there are some that can be highlighted, such as the formulation of proposals and recommendations to the EBD bearing in mind the updating of the CEMG's risk profile, the establishment of limits to risk-taking, the management of liquidity or capital positions, the adoption of recovery measures, taking into account the scenario of activity expansion, the macroeconomic environment and the indicators referring to the real and expected evolution of the different risks.

The Internal Control Committee aims to support and assist the EBD in matters related to the internal control system, so as to ensure its adequacy and efficiency and the compliance with the applicable provisions, as well as to promote the ongoing improvement and the alignment with the best practices in this area. Among its duties, there are some that can be highlighted, such as the formulation of proposals or recommendations to the EBD with a view to the optimisation of the internal control system and the improvement of the operational risk levels and the implementation of the corrective or improvement measures according to the defined schedule.

At the Risk Committee, the evolution of the exposure to the different types of risk is monitored, and proposals and recommendations are formulated and issued to the EBD with a view to promote the improvement of the risk management procedures.

The Business Committee examines and defines the characteristics of new products and services, as well as traded products and services with regards to their adequacy to the risk policy in force at each moment and the regulatory framework.

The analysis and monitoring of the Pension Fund management is the responsibility of the Pension Fund Follow-Up Committee, which issues opinions on possible proposals of change to the management policy in force at each moment. In addition to that, the CEMG takes part in the Future Investments Committee, a body which takes management decisions regarding the Montepio Pension Fund.

The Property Risk Committee follows up the property risk management, formulating proposals or issuing recommendations to the EBD with a view to promote an enhanced management of the property risk in line with the defined global goals.

The purpose of the Risk Department (RID) is to support the EBD in the taking of decisions related to the management of the different types of risk inherent to the activity, within the Group.

This Department ensures the analysis and management of the Market, Liquidity, Interest Rate, Credit, Property and Operational risks, providing advice to the EBD, namely through the proposal of regulations and models of management of the different risks, the formulation of management reports which form the basis of the decision-taking and the taking part in Committees of Support to the EBD.

The RID also ensures the compliance with the set of prudential reports to the supervisor, namely in the area of capital requirements, control of major risks, liquidity risk, interest rate risk, country risk, counterparty risk, self-assessment of the adequacy of Own Funds, Market Discipline, Recovery Plan and Resolution Plan.

In addition to that, within the scope of the credit risk management, the Credit Analysis Department ensures the appraisal of credit proposals of companies and individuals.

The internal audit function, ensured by the Audit and Inspection Department, constitutes an integral part of the internal control system monitoring procedure, carrying out complementary autonomous appraisals on the controls realised, and identifying possible defects and recommendations, which are documented and reported to the board of directors.

The functions of the Audit and Inspection Department involve the carrying out of audits to the Risk Managements procedures, according to the guidelines issued by the supervisors, including the independent review of the internal models of risk assessment and the calculation of the minimum capital requirements for hedging. Based on the results of the carried out audits, measures are recommended and the follow-up of these is constantly pursued so as to ensure that the necessary measures are adopted and that they are adequately managed.

The *compliance* function, carried out by the Compliance Office, subordinated to the EBD, pursues, as its main responsibility, the *Compliance* risk management, which translates into the risk of legal or regulatory sanctions, of financial loss or loss of reputation arising from the failure to comply with the law, regulations, code of conduct and sound banking practices.

The *compliance* risk is mitigated through the promotion of a culture of *compliance*, of observation by the Group entities and their workers of the applicable law through an independent intervention, together with all the organic units.

The *compliance* function is responsible for defining the respective compliance control mechanisms and procedures and carry out the respective monitoring, promptly providing the Executive Board of Directors with all information regarding any evidence of infringement of legal obligations, rules of conduct and of relationship with clients or of any other obligations which may cause the institution or its workers to incur an administrative offence.

Plans, programs or measures, supported by information systems, and procedures, providing a high degree of reliability regarding the risk management measures which are defined in good time, are drawn up and set according to the nature and relevance of the risk.

3.5 Information and risk measurement systems

The CEMG is exposed to a number of risks, namely **capital, credit**, **concentration**, **market**, **interest rate**, **liquidity**, **property** and **operational** risks. All risks identified as material risks are subject to a regular control and to mitigation actions so as to reduce the potential losses for the CEMG Group. The monitoring of these risks is centralised at the RID, which informs the EBD of its evolution and proposes intervention measures whenever necessary.

Capital Risk

The capital risk consists in the possibility that unexpected potential losses may occur, compromising the institution's capacity to meet the capital needs defined by prudential regulations. In this context, the CEMG's goal is to maintain a sufficient level of capital so as to make it possible to ensure capital ratios at least equal to the prudential limits, to ensure a strong resilience in face of adverse scenarios and to make it possible to cover unexpected losses and keeping the institution on the market in competitive and sustainable conditions.

With that purpose in mind, the CEMG establishes metrics to control that risk, such as the prudential ratios of capital CET1, TIER1 and Total Capital and the leverage ratio, on the individual and consolidated basis and in *phasing-in* and *full implementation*. In addition to that, the internal capital ratio (Pillar II) obtained at the ICAAP at a *baseline* scenario and in *stress* scenarios are also analysed.

For these ratios, there is a monthly control in order that corrective measures can be taken in case they stray away from the goals and limits set.

Credit risk

The credit risk is associated with the degree of uncertainty of the expected returns, by inability either of the borrower (or guarantor, if there is one), the issuer of security or the counterparty in a contract to comply with the respective obligations.

The fundamental principle of the credit risk analysis is the independence with regards to business decisions. In the analysis, instruments are used and rules are defined according to the materiality of the exposures, the familiarity with the types of risk in question (i.e. the capacity of modelling of those risks) and the liquidity of the instruments.

The credit risk models play an essential role in the credit-decision procedure. Therefore, the procedure of decision of credit operation transactions is based on a set of policies making use of *scoring* models for the portfolios of Individual clients and Businesses and *rating* models for the Corporate segment.

Regarding the analysis methodologies, within the scope of the credit risk, the risk control techniques and models are based on econometric modelling, supported by the experience of the institution in granting various types of credit and also, whenever possible, at the level of recovery.

The credit decisions depend on the risk classification and the compliance with various rules on the financial capacity and the bidding behaviour. There are reactive *scoring* models for the main credit portfolios to individuals, namely mortgage credit and individual credit, which consider the necessary segmentation between client and non-clients (or recent clients).

In the field of credit to companies, internal *rating* models are used for medium to large-sized companies, the construction sector and the tertiary sector being differentiated from the remaining sectors, while the scoring model of Business is applied to the Sole Proprietors clients ("SPs") and micro-companies.

The internal *rating* models carry out the classification of the companies in 7 *performing* risk categories and another one in default[1].

The reactive *scoring* model of mortgage credit has a scale comprising 8 categories and the one concerning individual credit comprises 10 categories for each one of those portfolios, including in both situations clients and non-clients. The reactive scoring *of credit cards carries out the classification of credit proposals in 4 risk categories.*

The principle of involvement in the analysis of credit risk is based on the materiality of the operations. Limits for companies, by operation amounts, risk classification and global exposure classification are defined, with a mandatory opinion by credit analysts independent from the business decision.

The opinions include the exposure limit attributed to the maturity of the operation, taking into consideration the *cash-flow* generation capacity by the company and its financial charges.

[1]However, the seventh risk category also comprises companies which are in default in the Portuguese financial system, even though they are *performing* at Montepio.

The strategies applied to the risk management of the institution take into account the capital requirements associated with the operations, through the definition of decision rules and the credit *pricing*.

The *pricing* of the active operations reflects the respective expected loss, as well as the cost of debt capital and equity capital and also the administrative costs. The quantification of the referred to expected loss takes into consideration the marginal probabilities of default of the operation maturity, associated with the internal risk categories, as well as the severity of the loss, quantified through market estimates, considering the types of credit and collaterals. The pricing *also reflects the level of business relationship with the clients.*

The response of the *scoring* systems, internal *ratings* and internal price list tables can be exceeded, only for higher levels of decision, in accordance with the established principles of delegation of powers. The situations of denial are defined so as to reduce the adverse selection risk, and there is also at least one denial risk category.

The credit denials are thus determined by the occurrence of credit-linked notes in the financial system, infringement of credit rules (e.g. effort rate) and whenever the incorporation of the risk in the *pricing* significantly worsens the adverse selection risk.

Limits of intervention of the different decision levels, by operation amount and client global exposure, type of operation/collateral and *pricing/ROE (Return on Equity)* are also defined. This context reveals the principle that the highest hierarchy levels are competent to approve operations with a lower adjusted ROE of risk or higher exposures. These limits are approved by the EBD, to which belongs the highest decision level.

The risk analysis also involves the regular internal reporting to the EBD and the implicated lines of business on the main types of risk. Within the scope of the credit risk, monthly internal reports are drawn up, with the main risk indicators of the credit portfolios and metrics on the use of the rating/scoring models. With regards to preventive monitoring, an alerts system is in force for the main indicators of increased credit risk, as well as a watchlist of follow-up of the biggest portfolio of credit to companies´ exposures. In addition to that, a report of exposure to counterparty risk is drawn up weekly.

Concentration risk

So as to minimise the concentration risk, the CEMG strives to diversify, as far as possible, its areas of activity and sources of income, as well as to diversify its exposures and source of financing.

The concentration risk is analysed at the level of individual concentration and sector concentration and strives to reflect possible diversification shortcomings.

The concentration risk management is carried out in a centralised manner, with a regular monitoring of the concentration ratios by the RID. Particularly, the concentration level of the major depositors and, with regards to the credit portfolio, the regional diversification degree, the individual concentration level and the diversification degree of the quality of companies are regularly monitored by the RID.

There are maximum exposure limits established per client/group of clients related to one another, as well as limits for the concentration of the biggest depositors. The limits established may only be exceeded, even if temporarily, if the EBD so approves.

Market risk

The concept of market risk reflect the possible loss that may be registered by a given portfolio as a result of changes to rates (interest and exchange rates) and/or to the process of the different financial instruments composing it, taking into account both the correlations existing between them and the respective volatilities.

With regards to the information and market risk analysis, it is ensured the daily reporting on the own financial assets portfolios and those of other Group entities. At the level of the own portfolios, there are various risk limits which are defined, the Value at Risk (VaR) being the methodology used; plus, extreme scenario tests are also applied. There are different exposure limits defined, including global VaR limits, by Issuer, by type/category of asset and level of credit quality (rating). There also *Stop Loss* limits and *Loss Trigger* limits defined for the positions held for negotiation and available for sale.

The CEMG calculates the VaR on a regular basis both for its trading book, both for the available for sale portfolio, and that value is ascertained on the basis of a day time horizon of 10 business days and at a significance level of 99% by the historical simulation method. The types of risk taken into account by the methodology are the interest rate risk, the exchange risk, the CDS risk, the options risk and the specific credit risk.

The produced reports carry out the control of the various exposure limits, and the concentration, credit, interest rate and changes to price of assets risks, among others, are analysed. These analyses encompass the analysis of scenarios, namely the sensibilities of securities portfolios to changes of interest rates, of *spreads*, of exchange rate developments and to changes of the market prices of shares and properties.

In the field of market risk, adding to the risk report of the CEMG global portfolio, there are also specific risk reports carried out for the trading book, as well as for the portfolios owning assets available for sale, and monthly reports of the Pension Fund portfolios.

The interest rate risk assessment arising from banking book operations is carried out by analysing the sensibility to the risk, under a consolidated perspective for the entities comprising the consolidated balance sheet of the Group.

The interest rate risk is assessed according to the impacts on the financial margin and on the net position and own funds caused by changes to the interest rates in the market. The main risk factors result from the mismatch between the time limits for repricing and/or residual maturities between assets and liabilities (*repricing risk*), from the non-parallel change in the interest rate curves (*yield curve risk*), from the lack of a perfect correlation between different rates with the same repricing time limit (*basis risk*) and from the options associated with instruments enabling a diverse action on part of the stakeholders dependent on the level of contracted and practised rations in the moment (*option risk*).

Based on the financial characteristics of each contract, the respective forecast of the expected cash flows is carried out, according to the repricing dates of rate and possible behaviour assumptions taken into consideration.

The aggregation, for each of the analysed currencies, of the expected cash flows on each time interval makes it possible to determine the interest rate gaps by *repricing* time period

Following the Basel recommendations and the Instruction no. 19/2005 of 15 June from the Bank of Portugal, the Group calculates its exposure to the exchange rate risk based on the methodology of the *Bank of International Settlements* (BIS), classifying all the assets, liabilities and off-balance items, which do not belong to the trading book, by levels of *repricing*.

With regards to the exchange risk of the banking book, the resources obtained in the various currencies are applied through assets in the respective money market and for time periods that are not superior to the resources time periods, wherefore the monetary gaps essentially result from possible mismatches between the time periods of the applications and those of the resources, as well as from the international activity of the CEMG, namely in Angola and Mozambique.

With regards to the interest rate and exchange risks of the banking book, there are limits defined for the exposure to these risks, which are followed up in ALCO; the established limits may only be exceeded, even if temporarily, in case of approval by the EBD or application of measures of coverage of exposure.

Liquidity risk

The liquidity risk reflects the Group's inability in fulfilling its obligations at the respective maturity, without incurring in significant losses arising from a disintegration of the financing conditions (financing risk) and/or from the sale of its assets by values inferior to the market values (market liquidity risk).

The assessment of the liquidity risk is carried out by using regulatory indicators defined by the supervisors, as well as other internal metrics for which exposure limits there are also defined. This control is strengthened with the monthly carrying out of stress tests, with the purpose of characterising the risk profile of the CEMG and ensure that the Group complies with its obligations in a scenario of liquidity crisis.

The control of the levels of liquidity aims to keep a satisfactory level of cash resources to meet the financial need in the short, medium or long term. The liquidity risk is monitored on a daily basis, and various reports are drawn up for the purpose of control and follow-up and support to the decision-taking process in the context of the ALCO committee.

The development of the liquidity situation is carried out, specifically, based on the future cash flows estimated for various time horizons, considering the CEMG's balance sheet. The liquidity position on the day of the analysis and the amount of assets deemed highly liquid existing in the uncommitted securities portfolio are added to the ascertained values, thus being determined the liquidity gap accumulated for many time horizons. In addition to that, a follow-up of the liquidity positions from a prudential perspective is also carried out, those positions being calculated according to the rules required by the Bank of Portugal (Instruction no. 13/2009 of 15 September), as well as a follow-up of the level of compliance with the liquidity prudential indicators, *Liquidity Coverage Ratio* (LCR), *Net Stable Funding Ratio* (NSFR) and *Additional Liquidity Monitoring Metrics* (ALMM), and of internal ratios, such as turning deposits in credit, of concentration of financing sources, of short-term financing and of eligible assets.

There are limits defined for various indicators of the liquidity risk, which are monitored through weekly and monthly reports.

Property risk

The property risk results from possible negative impacts on the results or level of capital of the CEMG, due to fluctuations in the market price of the immovable properties.

The property risk results from the exposure in property assets (either resulting from credit recovery procedures or investment properties), as well as property funds units held in the securities portfolio. These exposures are followed-up based on analysis of scenarios which strive to estimate potential impacts of changes to the property market in the property investment funds portfolios, investment properties and properties given in payment.

Operational risk

Operational risk is regarded as the potential loss arising from failures or inadequacies in the internal procedures, in people or systems, or even the potential losses arising from external events.

There is an operational risk management system implemented which is based on the identification, assessment, follow-up, measurement, mitigation and reporting of this type of risk. The RID fulfils the corporate function of operational risk of the Group which is supported by the existence of Interlocutors in different organic units which ensure the adequate implementation of the operational risk management in the Montepio group.

The assessment of the operational risk profile for new products, procedures and systems and the consequent follow-up has enabled the previous identification and the mitigation of situations of operational risk.

At the level of the monitoring of risk, the main activities carried out consisted in the process of collection and analysis of events of operational risk loss, in the analysis of the *Key Risk Indicators*, in the assessment of the exposure to the Operational Risk and in the drawing up of periodic reports on the operational risk profile of the Institution. Specifically, there are quarterly reports of follow-up of the events of operational risk loss and of implemented mitigation measures that are drawn up. On an annual basis, an annual report is drawn up, envisaging the analysis of all the operational risk management instruments.

Within the scope of the mitigation stage, Action Plans were suggested for the more significant risks, identified based on the referred to before operational risk management tools.

In addition to that, the CEMG has been implementing a business continuity management procedure, supported by a set of activities of assessment, of design, of implementation and monitoring, integrated into an ongoing improvement cycle.

This procedure is crucial as a risk mitigating instrument, making the business procedures more resilient and enabling the continuity of operations in case of occurrence of events which cause the interruption of the activity, and also taking into account the defined *Recovery Time Objective* (RTO).

Other risks

Regarding other risks - pension fund risk, reputation risk, strategy and business risk - they are also followed-up by the EBD, controlling the risks and taking corrective measures in light of the obtained results in face of the objectives/limits established in the risk appetite.

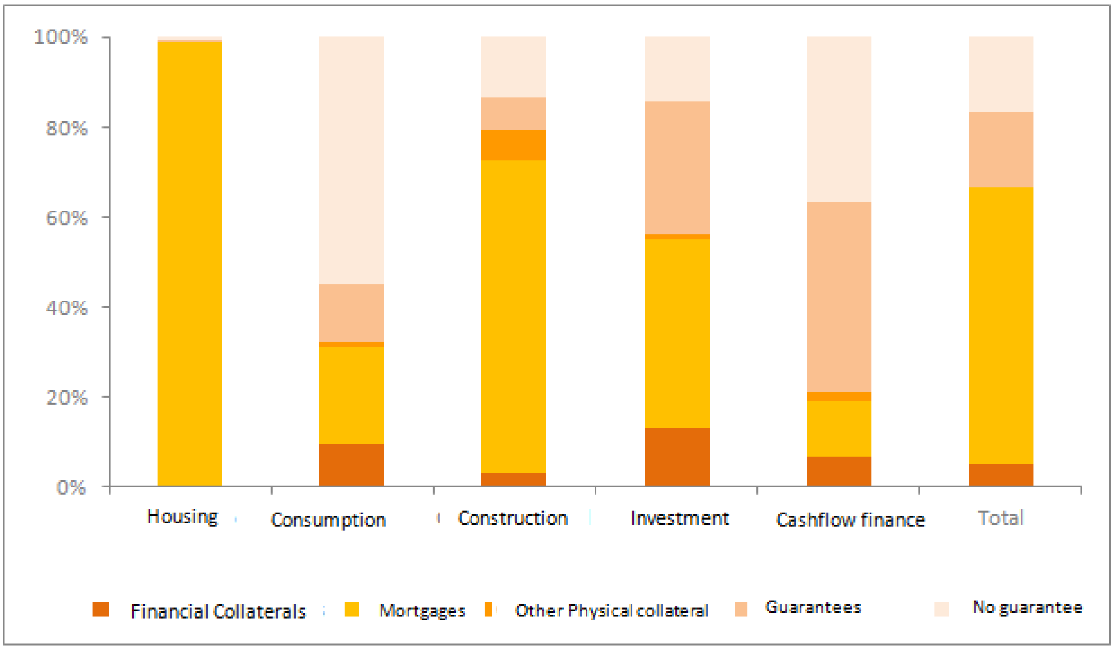
3.6 Risk hedging and reduction policies

For the purpose of the credit risk reduction, the mortgage collaterals and the financial collaterals are important, if they enable a direct reduction of the value of the position. The personal protection guarantees with a substitutions effect at the risk position are also considered.

The imposition of collaterals depends on the size of the expected loss and normally occurs in operations of higher volume, especially in construction financing and house purchase financing.

Different hedging policies are defined for the different types of credit, and the distribution of the types of collaterals by portfolio segment is as follows:

Chart 1 – Distribution of Types of Collateral by Credit Segment [2]



The risk mitigation through collateralisation of operations is considered in the pricing of operations, be it through the borrower's credit risk (e.g. in case of property collaterals) or through the reduction of the value in exposure, when there are financial collaterals (in which situation the market risk of the involved assets is revealed).

The direct reduction encompasses the credit operations collateralised by financial collaterals, namely, term deposits, bonds and shares included in a main index listed on a recognised

[2] The values considered in personal collateral correspond to operations without any other type of collateralisation.

exchange, as stipulated in Section 4, Chapter 4, Title II of Part III of the Regulation (UE) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 (CRR).

The Group does not normally use of processes for on- and off-balance sheet netting nor does it originate credit derivatives on positions in its portfolio.

With regards to mortgage collateral, the assessment of the items are carried out by independent assessors or by structure unit of the Institution itself, independent from the commercial department. The reassessment of items is carried out based on assessments on-site, by an assessor, according to the conditions imposed in CRR, and that reassessment is periodically verified through property variation rates.

The *trading* portfolio market risk mitigation techniques essentially consist of the coverage of risk exposures by financial products with a symmetric risk to reduce the operations' total risk, of the partial or total sale of the risk exposures to reduce the exposure or completely cancel it, and of the definition of limits controlling the exposure to the market risk.

Regarding the banking book, the interest rate risk and exchange risk mitigation techniques consist of the negotiation of hedging operations with derivatives and closing of positions by way of sale of the open exposures (feasible in the case of medium and long term public debt portfolios and companies' bonds portfolios).

3.7 Calculation model of impairments losses of the credit portfolio

The Group's Calculation Model of Impairment Losses of the Credit Portfolio is in force since June 2006, and is periodically updated, the most recent version being from 2015, and is governed by the general principles defined in IAS 39, as well as by the guidelines contained in the Circular Letter no. 02/2014/DSP of the Bank of Portugal, in order to align the calculation process with the best international practices.

The impairment model of the Group starts by separating the credit portfolio clients in there different groups, according to the existence of evidence of impairment (which encompasses internal and external information) and the size of the set of exposures of each economic group/clients:

- Individually Significant: an individual analysis is carried out on the Clients or Economic Groups which meet, at least, one of the following requirement:
  - Exposure above € 1M, with evidence of impairment;
  - Exposure above € 2M, without evidence of impairment;

- Homogeneous Populations with evidence of impairment: Clients or Economic Groups which do not meet the criteria to be Individually Significant and exhibit at least one evidence of impairment.

- Homogeneous Populations without evidence of impairment: Clients or Economic Groups which do not meet the criteria to be Individually Significant and do not exhibit any evidence of impairment.

According to the group in which clients are classified, the operations are handled by way of an Analysis on Individual basis or an Analysis on Collective Basis.

For each active client/credit, a verification of the set of evidence of impairment is carried out, encompassing internal and external information which, in turn, worsens the impairment values since they represent an increased risk of default. It should be noted that the restructured credit is an evidence of impairment, which is why the portfolio of credits marked as restructured is included in the credits with evidence of impairment.

In the homogeneous populations group, the clients' exposures are subject to an analysis on collective basis. The calculation of the impairment amount for the credits of clients belonging to the homogeneous populations results from the product of the EAD exposure (deducted from risk-free financial collaterals) by the following risk parameters:

- PD (probability of default): corresponds to internal estimates of default, based on the risk classifications associated with operations/clients, group and respective evidence of impairment/status of credit (if any). In case the credit is in a default or cross-default situation, the PD corresponds to 100%;

- LGD (loss given default): corresponds to internal estimates of loss, which vary according to the segment, whether or not it has a property collateral, LTV (Loan-to-Value) and time of default, based on the historical experience of recovery of credits which defaulted.

In the group of individually significant clients, the clients' exposures are subject to an analysis on individual basis. This analysis focuses on the credit quality of the debtor, as well as on the expectations of credit recovery, namely considering the existing collaterals and guarantees.

The impairment amount for the Individually Significant clients is ascertained through the *discounted cash-flows* method, i.e., the impairment value corresponds to the difference between the credit value and the sum of the expected cash-flows relative to the various client's operations, updated as per the interest rates of each operation.

3.8 Governance arrangements

The CEMG is exposed to a number of risks, namely capital, credit, concentration, market, interest rate, liquidity, property and operational risks. All risks identified as material risks are subject to a regular control and to mitigation actions so as to reduce the potential losses for the CEMG Group. The monitoring of these risks is centralised at the RID, which ensures the reporting system and the information flow to the administrative board of directs and specialised committees, enabling the board and the committees to carry out an assessment, control and management of the relevant risks, in a timely manner. The implemented system consists not only of regular reports of a regular stable structure, but also of various information that the EBD may request when it deems necessary to do so.

Regarding the supplementary information relative to the system of governance, they may be consulted in the Corporate Governance Report of 2015 document, and part of the Annual Report and Accounts, particularly:

Part I, section B.II, paragraph 26 describes the positions held by the members of the Board of Directors.

Part I, section B.II, paragraph 24 and 25 – (24) describes the bodies responsible for carrying out the assessment of the executive directors' performance and (25) pre-determined criteria for the performance assessment.

Part I, section B.II, paragraph 29 refers to the duties and the summary of the activities pursued by the committees created within the General and Supervisory Committee and the Executive Board of Directors, as well as to how often they convened.

4. Capital Adequacy

4.1 Own funds and capital ratios

The Group's own funds are ascertained according to the applicable regulatory rules, namely the Directive 2013/36/UE and the Regulation (UE) no. 575/2013, approved by the European Parliament and the Council (CRD IV/CRR), and the Notice no. 6/2016 from the Bank of Portugal. The own funds include Tier 1 capital and Tier 2 capital. Tier 1 covers the common equity tier 1 - CET1) and the supplementary tier 1 supplementary capital with the following composition:

Common Equity Tier 1 (CET1): This category includes the paid-in share capital (minus own securities), eligible reserves (including fair value reserves), the carried over results, the retained earnings for the period when they are positive and certified or the total results when they are negative. The value of results and the carried over results are corrected from the reversal of results on financial liabilities assessed at the fair value through results in the part concerning the institution's own credit risk. The minority interests are only eligible to the necessary extent to cover the Group's capital requirements attributable to the minority. The balance sheet value is deducted from the amounts related to the calculated goodwill, other intangible assets, as well as the difference, in case it is positive, between the asset and the liabilities of the pension fund. The deferred tax assets associated with tax losses are also deducted. When it comes to holdings in entities from the financial sector and to deferred tax assets arising from temporary differences that depend on the Group's future profitability, the values of those items are deducted, providing that they are, individually, above 10% of CET, or, subsequently, above 15% of CET1 when considered in aggregate (only in the non-deducted part in the first barrier of 10% and only taking into consideration the significant holdings). The non-deducted values shall be subject to a weight of 250% for the total risk-weighted assets. Regarding the holdings in financial institutions, the possible deduction is carried out proportionally in the corresponding levels of capital held. A transitional period permitting the gradual recognition of the biggest impacts of this new regulation shall be in force between the implementation of that prudential regulation in 2014 and 2018. An emphasis should be made regarding the transition plan applied to the deferred tax assets and actuarial negative difference of the pension fund, which enables to recognise, at 20%, cumulatively, in each year, the possible negative effects of the new regulations. The fair value reserves are also subject to a transition plan of 20%, annually and cumulatively, a plan from which, however, the fair value reserves relative to risk exposures to Central Administrations are excluded. This exclusion will no longer be in force after the adoption by the European Commission of a regulation based on the Regulation (EC) no. 1606/2002 approving the International Financial Reporting Standard which will replace the IAS 39 standard.

Common equity tier 1 (T1): Comprises quasi-equity instruments, the conditions of which comply with article 52 of the Regulation 575/2013 and are approved by the Bank of Portugal. The non-controlling interests referring to the minimum additional capital requirements of institutions for which the Group does not have a total holding are equally eligible. Furthermore, possible holdings of T1 capital of financial institutions subject to deduction are deducted from the above mentioned capital.

Common equity tier 2 (T2): Comprises quasi-equity instruments, the conditions of which comply with article 63 of the Regulation 575/2013 and are approved by the Bank of Portugal. The non-controlling interests referring to the minimum total capital requirements of institutions for which the Group does not have a total holding are equally eligible. Furthermore, possible holdings of T2 capital of financial institutions subject to deduction are deducted from the above mentioned capital.

The Total Own Funds or Total Capital is composed of the sum of the three levels of capital referred to above.

With regards to the calculation of the risk-weighted assets, apart from the credit risk requirements, an emphasis should be made regarding the weight at 250% of the deferred tax assets from temporary differences which depend on future profitability and financial holdings which are within the established limit for non-deduction to CET1.

The CVA (*credit valuation adjustments*) requirement is also ascertained.

As was mentioned, the effects of the new Basel III regulation will be gradually introduced up to 2018. This process is usually known as Phasing-in. The full adoption of the new regulation, without taking into consideration transition plans, is known as Full Implementation. The Phasing-in process is currently in force, and it is based on this that it is verified whether a given entity has own funds in an amount no less than that of the respective capital requirements, thus the adequacy of its capital being certified. This relationship is reflected in the different capital ratios, namely the CET1 ratio, T1 ratio and total capital ratio (formerly known as solvency ratio, represented by the corresponding capital level in percentage of the amount corresponding to 12.5 times the capital requirements).

So as to strengthen the prudential situation by adapting the prudential ratios to the demands of the Group's strategic plan, the increase in the Group's own funds was approved, in accordance with the resolutions provided for in the articles of association and issued by the General Council of the MGAM, the General and Supervisory Council and the Executive Board of Directors of the CEMG, as described in comment 65 to the explanatory notes attached to the financial statements, contained in the Annual Report and Accounts of 2015.

The following tables exhibit the breaking down of the own funds and the reconciliation of the own funds with the balance sheet.

Table 2 – Breaking down of own funds

(thousands of Euro)

Breakdown of own funds	Dec-2015	Dec-2014
Total own funds	**1 360 224**	**1 309 115**
Common equity tier 1	**1 230 908**	**1 285 230**
Equity instruments eligible for FPPN1	1 858 438	1 678 954
Equity Instruments issued	1 900 000	1 700 000
(-) Own FPPN1 instruments	-41 562	-21 046
Result Carried Over	-430 694	-200 892
Retained earnings from previous financial years	-187 287	-13 939
Results eligibile from the financial year	-243 407	-186 953
Other Reserves	-130 520	-116 017
Minority Interests (MI) with recognition in FPPN1	10 630	6 179
Transitional adjustments applied to MI	10 825	16 409
(-) Intangible Assets	-65 862	-66 054
(-) Deferred Tax Assets dependent on future profitability and non-resulting from temporary differences	-181 047	-80 999
(-) Deferred Tax Assets dependent on future profitability and resulting from deductible temporary differences	-10 031	-5 014
(-) Defined benefit pension funds	0	0
(-) FPPN1 instruments of entities from the financial sector in which the institution made a significant investme	0	0
Other transitional adjustments	169 170	52 663
Tier 1 additional own funds	**0**	**0**
Equity instruments eligible for FPPN1	2 326	3 506
Transitional adjustments applied to the instruments recognised as FPAN1	-2 326	-3 506
Tier 2 capital	**129 316**	**23 885**
Equity instruments and subordinated loans eligible as FPN2	137 483	32 826
Transitional adjustments applied to instruments recognised as FPAN2	-8 167	-8 941
Other transitional adjustments to FPN2	0	0

Table 3 – Reconciliation of Own Funds and Balance Sheet on 31-12-2015

(thousands of Euro)

	Consolidated Balance Sheet Value	Adjustments and Filters	Value for Own Funds
(+) Equity			
Capital	1 900 000		1 900 000
Institutional Capital	*1 500 000*		*1 500 000*
Holding Fund	*400 000*		*400 000*
Other equity instruments	8 273	-8 273	0
Own securities	-31 581		-31 581
Revaluation reserves	-18 806	-6 010	-24 815
Unrealised gains excluding those associated with exposures to central governments	*46 717*	*-28 030*	*18 687*
Unrealised gains associated with exposures to central governments	*23 636*	*-23 636*	*0*
Unrealised losses excluding those associated with exposures to central governments	*-29 212*	*17 527*	*-11 685*
Unrealised losses associated with exposures to central governments	*-28 130*	*28 130*	*0*
Reserves associated with exchange rate differences	*-31 818*		*-31 818*
Other reserves and results carried over	-299 002	32 922	-266 080
Of which associated with the actuarial deviation of the pension fund	*-130 613*	*40 108*	*-90 505*
Of which unrealised earnings associated with own credit risk	*7 186*	*-7 186*	*-7 186*
Result of the financial year	-243 407		-243 407
Minority interests	28 669	-6 525	22 144
Total	**1 344 146**	**12 115**	**1 356 261**
(-) Intangible Assets	65 862		-65 862
Total own funds instruments of entities from the financial sector	9 770		9 770
Of which Investments in affiliates and entities of joint control	*0*		*0*
(-) Deduction for holing in entities of the financial sector			0
(-) Net deferred tax assets (DTA)			
DTA which do not depend on future profitability	*0*		*0*
DTA dependent on future profitability and non-resulting from temporary differences	*181 047*	*-141 688*	*-39 359*
DTA dependent on future profitability and non-resulting from temporary differences	*222 459*	*-212 429*	*-10 031*
(-) Deduction regarding DTA	403 506	-354 116	-49 390
(-) Defined benefit pension funds	0	0	0
(+) Subordinated Liabilities	333 039	-195 556	137 483
(-) Other prudential adjustments (real estate property received as credit pledge, credit for acquisition of own securities)			-18 268
Total Own Funds			**1 360 224**

4.2 Capital requirements

The calculation of the capital requirements for credit and market risk of the CEMG on 31 December 20156 was determined according to the Standardised Approach. For the operational risk, the calculation was carried out according to the *Standard* method for the CEMG, MG Cabo Verde and Montepio Crédito, and according the Basic Indicator Approach for Montepio Investimento, Banco Terra and Finibanco Angola. This calculation complies with the Basel III regulation, the *Capital Requirements Directive IV* (Directive 2013/36/EU) and the *Capital Requirements Regulation* (Regulation 575/2013 (CRD IV/CRR).

The following table exhibits the distribution of the capital requirements among the various types of risk, including the requirements related to deferred taxes and the *Credit Valuation Adjustment* (under Other Risks Basel III):

Table 4 – Capital Requirements by Type of Risk

(thousands of Euro)

	Credit risk	Market risk	Operational risk	Other Risks Basel III	Total
dec 14	1 105 807	6 438	65 666	30 489	1 208 400
dec 15	1 010 644	18 665	61 301	26 378	1 116 989

From the capital requirements for credit and counterparty risk, about 90.5% correspond to the credit portfolio.

The following table exhibits the evolution in 2015 of the Pillar I requirements.

Table 5 – Capital Requirements

(thousands of Euro)

		Capital requirements	dec 2015	dec 2014
2.	**Capital requirements**		**1 116 988**	**1 208 400**
2.1.	For credit risk, counterparty credit risk, dilution risk and delivery risk		1 010 644	1 105 807
	2.1.1.	Standardised Approach	1 010 644	1 105 807
	2.1.1.1.	Exposure classes in the standardised approach excluding securitisation positions	1 010 411	1 105 125
		2.1.4. Others Claims or contingent claims on central governments or central banks	15 898	3 740
		2.1.4. Others Claims or contingent claims on regional governments or local authorities	1 168	1 024
		2.1.4. Others Claims or contingent claims on administrative bodies and non-profit corporates	515	1 063
		2.1.4. Others Claims or contingent claims on multilateral development banks	0	0
		2.1.4. Others Claims or contingent claims on international organisations	0	0
		2.1.4. Others Claims or contingent claims on Institutions	42 297	60 686
		2.1.4. Others Claims or contingent claims on Corporates	251 401	426 272
		2.1.4. Others Claims or contingent claims on retail portfolio	97 705	75 973
		2.1.4. Others Claims or contingent claims secured on real estate property	226 772	237 403
		2.1.4. Others Past due items	190 786	107 525
		2.1.4. Others Items belonging to regulatory high-risk categories	21 201	15 482
		2.1.4. Others Covered loans	244	753
		2.1.4. Others Exposure on collective investment corporates (CIC)	17 161	19 127
		2.1.4. Others Other items	145 262	156 076
	2.1.1.2.	Securitisation positions in standardised approach	233	682
	2.1.1.3.	(-) Provisions for general credit risks	0	0
2.2.	Settlement risk		0	0
2.3.	Capital requirements for position risks, exchange risks and commodities risks		18 665	6 438
	2.3.1.	Standardised Approach	18 665	6 438
	2.3.1.1.	Debt instruments	7 547	408
	2.3.1.2.	Equity securities	1 078	978
	2.3.1.3.	Exchange risks	10 039	5 038
	2.3.1.4.	Commodities risk	0	14
2.4.	Capital requirements for operational risk		61 301	65 666
	2.4.1.	Basic Indicator Approach	7 970	6 780
	2.4.2.	Standardised Approach	53 331	58 886
	2.4.3.	Advanced Measurement Approaches	0	0
2.5.	Capital requirements - Fixed overheads		0	0
2.6.	Transitional capital requirements or other capital requirements		26 378	30 489

4.3 Assessment and adequacy of own funds

The CEMG Group has been striving to provide the CEMG with a capital level more adequate to the evolution of its business in order to ensure that it has satisfactory solvency indicators compatible with the prudential recommendations.

Regarding the level of the CEMG's prudential capital, 2015 was marked by the increase of 200 million Euro in capital, via Fundo de Participação, which were fully subscribed by Montepio Geral Associação Mutualista in June 2015. The re-eligibility of subordinated debt capital instruments for the Tier II capital also took place. That re-eligibility was possible on account of the change of clauses of those issuances (approved in Bondholders' Meetings) during the first quarter of 2015.

Table 6 – Capital Indicators

CRD IV/CRR Phasing in	dec 2015	dec 2014
CET1 Ratio	8,82%	8,51%
T1 Ratio	8,82%	8,51%
Total Capital Ratio	9,74%	8,67%

CRD IV/CRR Full Implementation	dec 2015	dec 2014
CET1 Ratio	6,73%	6,98%
T1 Ratio	6,75%	6,99%
Total Capital Ratio	7,74%	7,21%

The previous table exhibits a summary of the main capital indicators, be they in *phasing in* or in *full implementation*. As was mentioned earlier, the effects of the new Basel III (CRD IV / CRR) regulation will be gradually introduced up to 2018. This process is usually known as Phasing-in. The full adoption of the new regulation, without taking into consideration transition plans, is known as *Full Implementation*.

In its self-assessment process of the adequacy of the Internal Capital (ICAAP), the CEMG examines the evolution observed in the practices of qualitative and quantitative assessment of the risks to which its activity is exposed, in the measurement of the internal controls and of effects which enable to mitigate the risk exposure, in the simulation of adverse situations with impacts on the solvency of the CEMG Group and in the assessment of the adequacy of the internal capital.

In this exercise, the CEMG quantifies its economic capital requirements through *add-ons* to regulatory capital. The capital *add-ons* include the requirements relative to other risks which are not considered in Pillar I (regulatory perspective) and the difference between the regulatory and economic requirements, taking into consideration the methodologies of quantification of risks which are used internally by the CEMG.

In light of the strategic plan defined and the *Funding and Capital Plan* agreed upon with the Bank of Portugal and periodically reviewed, no significant changes to the materiality of the various types of risks are expected. It can be observed that, in light of the forecasts, the CEMG is adequately capitalised. In addition to that, regarding the *Funding and Capital Plan*, there are measures which are being planned that will enable to reinforce the solvency levels of the CEMG, be it through the increase of own funds, be it through the reduction of risk-weighted assets.

4.4. Prudential Reserves of Own Funds

On 31 December 2015, the CEMG was not obliged to set up a counter-cyclical reserve of own funds.

On 29 December 2015, the Bank of Portugal indicated the value of 0% for the counter-cyclical reserve of own funds of the total amount of risk exposures (credit risk exposures in which the counterparty is the non-financial national private sector of credit institutions and investment companies subject to the supervision of the Bank of Portugal and the European Central Bank), to be in force from 1 January 2016 onwards and during the first quarter of 2016. The decision shall be reviewed on a quarterly basis by the Bank of Portugal and published on its site together with the underlying analysis and data.

4.5 Leverage ratio

The leverage ratio is defined as a percentage corresponding to the relation between the capital measure (at the numerator) and the exposure measure (at the denominator). On 31 December 2015, the leverage ratio of the CEMG was 5.73%, a value superior to the minimum reference value indicated by the supervisors, which is 3%. The CEMG chose not to disclose the information related to the leverage ratio based on the definition of the own funds measure provided for in subparagraph b), paragraph 1 of article 499 of CRR.

5. Indicators of Global Systematic Importance

On 31 December 2015, the CEMG was not considered a Global Systemically Important Institution (G-SII) as per article 131 of Directive 2103/36/EU, which is why the obligations of information disclosure provided for in article 441 of CRR do not apply.

6. Counterparty Credit Risk

Counterparty credit risk is regarded as the “risk of default by the counterparty in an operation before the final settlement of the respective financial flows”, according to the definition of article 276, paragraph 1 of Regulation 575/2013. This type of risk is mostly associated with the derivatives activity and repurchase operations.

As shown in the table below, the counterparty risk exposures at the CEMG exhibit a reduced weight when compared with the total portfolio, the counterparty being by and large associated with financial institutions.

Table 7 – Counterparty Credit Risk

(thousands of Euro)

	Original exposure	Techniques of credit risk mitigation with a substitution effect on the net original exposure (a)	Fully adjusted value of the exposure	Amount of risk-weighted exposure	
				dec 2015	dec 2014
	1	2	3	4	5
Repurchase operations, borrowing/lending of securities or commodities, long settlement transactions or margin lending transactions	76 632	0	76 632	37 728	101 658
Derivatives	44 094	0	44 094	18 800	73 578
Cross product contractual netting	0	0	0	0	0

Substitution effect on the exposure, corresponding to the net difference between "inputs" and "outputs".

When calculating the value of the risk exposure – regarding derivatives, repurchase operations, borrowing or lending operations of securities or commodities, long settlement transactions and margin lending transactions – the method used is the *Mark-to-Market* Approach, defined in Section 3, Chapter 6, Title II, Part III of CRR. That approach consists in adding the potential future value of the position to the market value of that position. This value results from the multiplication of the notional value by a prudential factor defined according to the type of contract and its residual maturity.

By 31-12-2015, the CEMG had no values in credit risk coverage operations through the use of credit derivatives.

By the same date, the CEMG had the following exposure to credit derivatives, considering the market value:

Table 8 – Credit Derivatives

(thousands of Euro)

Credit derivative transactions	Long Positions 2015	Long Positions 2014	Short Positions 2015	Short Positions 2014
I. Credit Portfolio (total):				
a) Credit default swaps	0	0		
b) Total return swaps				
c) Credit linked notes	39 447	85 585		
d) Other credit derivatives				
II. Intermediation Activities (total):				
a) Credit default swaps				
b) Total return swaps				
c) Credit linked notes				
d) Other credit derivatives				

Long Positions - Theoretical value of protection acquired

Short Positions - Theoretical value of protection sold

7. Credit risk

7.1 Accounting policies

For accounting purposes:

- **Overdue Loan** is regarded as corresponding to all provisions of principal and interest which have not been settled on the date of their maturity;
- **Impaired Credit** is regarded as corresponding to all credits which, in line with the analysis carried out individually to the Individually Significant Credits, or collectively to those included in Homogeneous Populations, point to loss expectations or present impairment indicators, which are defined in an internal model (including, namely, overdue loan, restructured credit and registration as risk user in the Bank of Portugal's Data Base, etc.);
- **Value Adjustments** arise from the constitution of regulatory provisions on the positions of the CEMG's portfolio, in line with the procedures defined in Notice no. 5/2015 of the Bank of Portugal.

The value corrections registered in the financial years of 2014 and 2015 reached the amounts of € 1,389 M and € 1,352 M, respectively, as shown in the table below.

Table 9 – Value Corrections and Provisions

(thousands of Euro)

Value Corrections and Provisions	dec 2015	dec 2014
Opening Balance	**1 385 872**	**1 051 526**
Appropriation for the financial year net of reversals	268 286	537 637
Uses	-371 029	-208 555
Exchange Rate Differences / Others	-1 391	5 264
Closing Balance	**1 281 738**	**1 385 872**

7.2 Portfolio structure

In the distribution of the risk exposures of the credit portfolio by risk category, a greater concentration in the exposure classes of Positions with Collateral of Real Estate Property and Companies is observed, similarly to the previous year, regardless of the reduction occurred in the Companies category.

Table 10 – Distribution of the risk exposures of the asset by risk categories

(thousands of Euro)

Exposure Classes	Original Exposure		in % of total original exposure	
	dec 2015	dec 2014	dec 2015	dec 2014
Central Governments or Central Banks	2 675 158	2 532 373	2 809 513	2 542 466
Regional Governments or Local Authorities	73 926	62 712	72 661	54 941
Public Sector Entities	7 411	14 253	10 472	10 090
Multilateral Development Banks	0	0	0	0
International Organisations	0	0	0	0
Institutions	733 443	1 313 692	903 211	1 242 928
Companies	3 823 974	6 372 452	5 357 555	6 134 909
Retail Portfolio	2 560 414	1 906 628	2 024 952	1 873 440
Positions with Collateral of Real Estate Properties	7 450 109	7 762 493	7 786 467	7 956 975
Past Due Items	2 176 446	1 212 849	1 512 059	1 322 617
Exposures associated with Particularly High Risks	176 672	129 013	152 495	98 124
Covered Bonds	16 336	19 242	15 860	20 114
Institutions and Companies with a Short-Term Credit Assessment	0	0	0	0
Exposures on Collective Investment Corporates (CIC)	214 516	239 090	220 879	241 321
Shares	143 104	15 306	62 696	15 692
Other Items	2 098 956	2 234 000	2 239 336	2 039 937
Securitisations	6 156	8 834	7 375	9 121
TOTAL	22 156 622	23 822 937	23 175 530	23 562 674

When analysing the geographic distribution of the credit portfolio, as per the Territorial Units for Statistic Purposes of Level II (NUTS II), a greater concentration in the areas with a larger population density (Lisbon, Northern Portugal and Central Portugal) is observed, the CEMG having commercial presence in most of the regions of the country.

Table 11 – Geographic distribution of the risk exposures of the credit portfolio by risk categories (in % of the original risk exposure))

Year	Exposure Classes	Geographic Distribution of Exposures (in % of the original exposure)								
		Lisbon	North	Centre	Algarve	Alentejo	Azores	Madeira	Angola	Mozambique
2014	Central Governments or Central Banks	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,04%	0,00%	0,00%
	Regional Governments or Local Authorities	0,13%	0,00%	0,03%	0,00%	0,00%	0,01%	0,03%	0,00%	0,00%
	Public Sector Entities	0,02%	0,01%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
	Institutions	1,14%	0,02%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
	Companies	15,51%	7,58%	4,32%	1,04%	0,93%	0,64%	0,43%	2,23%	0,05%
	Retail Portfolio	2,80%	3,99%	2,37%	0,57%	0,47%	0,34%	0,15%	0,07%	0,01%
	Positions with Collateral of Real Estate Properties	18,16%	11,00%	6,61%	2,46%	2,03%	1,67%	1,23%	0,00%	0,06%
	Past Due Items	5,08%	3,69%	2,05%	0,40%	0,35%	0,10%	0,10%	0,03%	0,06%
	TOTAL	**42,84%**	**26,29%**	**15,37%**	**4,47%**	**3,78%**	**2,77%**	**1,98%**	**2,33%**	**0,18%**
2015	Central Governments or Central Banks	0,04%	0,00%	0,00%	0,00%	0,00%	0,00%	0,04%	0,00%	0,00%
	Regional Governments or Local Authorities	0,13%	0,01%	0,02%	0,00%	0,00%	0,01%	0,02%	0,00%	0,00%
	Public Sector Entities	0,02%	0,01%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
	Institutions	0,80%	0,08%	0,09%	0,01%	0,00%	0,00%	0,00%	0,00%	0,00%
	Companies	8,55%	4,61%	2,75%	0,59%	0,49%	0,48%	0,18%	2,14%	0,11%
	Retail Portfolio	3,69%	6,14%	3,42%	0,66%	0,61%	0,37%	0,18%	0,07%	0,01%
	Positions with Collateral of Real Estate Properties	18,26%	11,37%	6,56%	2,51%	2,06%	1,74%	1,24%	0,00%	0,07%
	Past Due Items	9,47%	5,38%	2,97%	0,75%	0,68%	0,22%	0,26%	0,06%	0,03%
	TOTAL	**40,97%**	**27,60%**	**15,82%**	**4,52%**	**3,85%**	**2,82%**	**1,94%**	**2,27%**	**0,21%**

Regarding the distribution by sector of activity of the companies´ credit portfolio, the reduction of about 3 p.p. in the Construction sector, in comparison with the position in Dec. 14, against the increase registered in the Commerce segments, is an aspect that should be highlighted.

Table 12 – Sectoral distribution of the risk exposures of the credit portfolio by risk categories (in % of the original risk exposure))

Year	Exposure Classes	Primary Sector	Secondary Sector		Tertiary Sector							
			Construction	Others	Wholesale and Retail Trade	Consultancy, Scientific, Technical and similar Financial and Insurance Activities	Consultancy, Scientific, Technical and similar Activ.	Transport and Storage	Accommodation, Catering and Similar	Public Sector (1)	Consultancy, Scientific, Technical and similar Activ.	Others
2014	Central Governments or Central Banks	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,09%	0,00%	0,00%
	Regional Governments or Local Authorities	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,42%	0,00%	0,00%
	Public Sector Entities	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,07%
	Institutions	0,00%	0,00%	0,00%	0,00%	2,40%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
	Companies	1,04%	11,28%	12,58%	10,11%	8,55%	4,96%	5,28%	2,65%	1,54%	2,66%	4,52%
	Retail Portfolio	0,21%	1,02%	1,16%	2,32%	0,10%	0,56%	0,39%	0,67%	0,91%	0,58%	1,10%
	Positions with Collateral of Real Estate Properties	0,10%	0,96%	1,23%	0,54%	0,06%	0,73%	0,07%	0,38%	0,48%	0,10%	0,51%
	Past Due Items	0,12%	6,84%	1,77%	2,70%	1,15%	3,20%	0,27%	0,57%	0,09%	0,39%	0,58%
	TOTAL	**1,46%**	**20,10%**	**16,74%**	**15,68%**	**12,25%**	**9,45%**	**6,01%**	**4,27%**	**3,52%**	**3,73%**	**6,78%**
2015	Central Governments or Central Banks	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,08%	0,00%	0,09%
	Regional Governments or Local Authorities	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,38%	0,00%	0,00%
	Public Sector Entities	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,06%
	Institutions	0,00%	0,00%	0,00%	0,00%	1,99%	0,00%	0,00%	0,00%	0,00%	0,00%	0,03%
	Companies	0,57%	4,99%	8,89%	5,22%	4,65%	2,50%	3,10%	1,24%	1,40%	1,48%	9,00%
	Retail Portfolio	0,50%	1,47%	4,06%	5,95%	0,13%	0,49%	1,17%	0,80%	0,48%	0,85%	1,71%
	Positions with Collateral of Real Estate Properties	0,08%	0,76%	1,39%	1,16%	0,25%	1,05%	0,21%	1,08%	0,55%	0,12%	0,51%
	Past Due Items	0,19%	9,88%	2,39%	3,81%	4,15%	4,39%	1,33%	1,27%	0,43%	0,69%	1,06%
	TOTAL	**1,33%**	**17,11%**	**16,72%**	**16,14%**	**11,17%**	**8,43%**	**5,81%**	**4,39%**	**3,32%**	**3,13%**	**12,45%**

(1) Public Administration and Defence, Compulsory Social Security, Human health and social work activities

As seen in the table below, in terms of distribution by residual maturity time limit, about 48% of the assets and long-term assets (residual maturity above 10 years). These assets, in their majority, are classified under “Positions with Property Collateral” and consist of mortgage credits for individuals and investment in companies credit. The part of the portfolio without a payment plan defined, corresponding approximately to 13.0% of the original full risk exposure, consists, by and large, in current accounts of support to the companies' cash flow (*revolving credit).*

Table 13 – Residual maturity time limit of the credit portfolio by risk categories (in % of the original risk exposure))

Year	Exposure Classes	RM < 1	1 year < RM < 5 years	5 year < RM < 10 years	RM > 10 years	Revolving
		in % of total original exposure				
2014	Central Governments or Central Banks	0,0%	0,0%	0,0%	0,0%	0,0%
	Regional Governments or Local Authorities	0,1%	0,0%	0,1%	0,0%	0,0%
	Public Sector Entities	0,0%	0,0%	0,0%	0,0%	0,0%
	Institutions	0,3%	0,0%	0,2%	0,0%	0,6%
	Companies	10,5%	4,8%	6,4%	3,7%	7,3%
	Retail Portfolio	1,5%	1,9%	3,1%	1,8%	2,5%
	Positions with Collateral of Real Estate Properties	0,3%	0,4%	3,2%	39,0%	0,4%
	Past Due Items	3,5%	0,9%	1,3%	2,4%	3,7%
	in % of total original exposure	**16,2%**	**8,0%**	**14,3%**	**46,9%**	**14,5%**
2015	Central Governments or Central Banks	0,0%	0,0%	0,0%	0,1%	0,0%
	Regional Governments or Local Authorities	0,0%	0,0%	0,1%	0,0%	0,0%
	Public Sector Entities	0,0%	0,0%	0,0%	0,0%	0,0%
	Institutions	0,4%	0,0%	0,0%	0,0%	0,6%
	Companies	4,9%	3,4%	5,0%	2,3%	4,3%
	Retail Portfolio	3,0%	2,9%	3,8%	1,8%	3,6%
	Positions with Collateral of Real Estate Properties	0,3%	0,6%	3,9%	38,6%	0,4%
	Past Due Items	5,9%	1,8%	2,8%	5,2%	4,1%
	in % of total original exposure	**14,5%**	**8,8%**	**15,7%**	**48,0%**	**13,0%**

In December 2015, the distribution of the CEMG's portfolio among the various categories and risk weights is shown in detail in the table below.

Table 14 – Credit and Counterparty Risk Capital Requirements

(thousands of Euro)

		Risk Weights									
		0%	10%	20%	35%	50%	75%	100%	150%	Others	Total
1. 1. Original exposure by exposure class	Central Governments or Central Banks	2 474 021	0	3 011	0	0	0	198 126	0	0	2 675 158
	Regional Governments or Local Authorities	0	0	73 926	0	0	0	0	0	0	73 926
	Public Sector Entities	0	0	29	0	0	0	7 382	0	0	7 411
	Institutions	57 555	0	388 662	0	91 847	0	192 545	2 834	0	733 443
	Companies	4	0	2 971	0	16 827	0	3 781 864	22 309	0	3 823 974
	Retail Portfolio	0	0	0	0	0	2 558 538	1 876	0	0	2 560 414
	Positions with Collateral of Real Estate Properties	0	0	0	6 668 561	325 824	289 906	165 818	0	0	7 450 109
	Past Due Items	0	0	0	0	0	0	1 454 175	722 272	0	2 176 446
	Exposures associated with Particularly High Risks	0	0	0	0	0	0	0	176 672	0	176 672
	Covered Bonds	0	2 112	14 224	0	0	0	0	0	0	16 336
	Exposures on Collective Investment Corporates (CIC)	0	0	0	0	0	0	214 516	0	0	214 516
	Shares	0	0	0	0	0	0	143 104	0	0	143 104
	Other Items	208 251	0	93 662	0	0	0	1 797 044	0	0	2 098 956
	Securitisation positions in standardised approach	0	0	1 723	0	3 730	0	703	0	0	6 156
	TOTAL original exposures	**2 739 831**	**2 112**	**578 208**	**6 668 561**	**438 227**	**2 848 444**	**7 957 153**	**924 086**	**0**	**22 156 622**
2. 2. Exposure by exposure class (basis of assessment of the weights)	Central Governments or Central Banks	2 474 021	0	3 011	0	0	0	198 126	0	0	2 675 158
	Regional Governments or Local Authorities	0	0	73 015	0	0	0	0	0	0	73 015
	Public Sector Entities	0	0	29	0	0	0	6 435	0	0	6 464
	Institutions	48 300	0	374 965	0	91 847	0	182 184	2 834	0	700 130
	Companies	3	0	2 971	0	16 827	0	3 217 505	22 309	0	3 259 614
	Retail Portfolio	0	0	0	0	0	1 912 596	1 876	0	0	1 914 473
	Positions with Collateral of Real Estate Properties	0	0	0	6 668 561	325 824	282 643	158 131	0	0	7 435 158
	Past Due Items	0	0	0	0	0	0	1 440 489	629 561	0	2 070 050
	Exposures associated with Particularly High Risks	0	0	0	0	0	0	0	176 672	0	176 672
	Covered Bonds	0	2 112	14 224	0	0	0	0	0	0	16 336
	Exposures on Collective Investment Corporates (CIC)	0	0	0	0	0	0	214 516	0	0	214 516
	Shares	0	0	0	0	0	0	143 104	0	0	143 104
	Other Items	208 251	0	93 662	0	0	0	1 797 044	0	0	2 098 956
	Securitisation positions in standardised approach	0	0	1 723	0	3 730	0	703	0	0	6 156
	TOTAL exposures:	**2 730 575**	**2 112**	**563 601**	**6 668 561**	**438 227**	**2 195 239**	**7 360 113**	**831 376**	**0**	**20 789 804**
3. 3. TOTAL of risk-weighted exposures (=S (2."x"risk weights))		**0**	**211**	**112 720**	**2 333 996**	**219 114**	**1 646 429**	**7 360 113**	**1 247 064**	**0**	**12 919 647**
Capital requirements by type of risk "x" risk weights "x" 8%)	Central Governments or Central Banks	0	0	48	0	0	0	15 850	0	0	15 898
	Regional Governments or Local Authorities	0	0	1 168	0	0	0	0	0	0	1 168
	Public Sector Entities	0	0	0	0	0	0	515	0	0	515
	Institutions	0	0	5 999	0	3 674	0	14 575	340	0	24 588
	Companies	0	0	48	0	673	0	254 263	2 677	0	257 661
	Retail Portfolio	0	0	0	0	0	97 555	150	0	0	97 705
	Positions with Collateral of Real Estate Properties	0	0	0	186 179	11 978	16 158	12 457	0	0	226 772
	Past Due Items	0	0	0	0	0	0	115 239	75 547	0	190 786
	Exposures associated with Particularly High Risks	0	0	0	0	0	0	0	21 201	0	21 201
	Covered Bonds	0	17	228	0	0	0	0	0	0	244
	Exposures on Collective Investment Corporates (CIC)	0	0	0	0	0	0	17 161	0	0	17 161
	Shares	0	0	0	0	0	0	11 448	0	0	11 448
	Other Items	0	0	1 499	0	0	0	143 763	0	0	145 262
	Securitisation positions in standardised approach	0	0	28	0	149	0	56	0	0	233
	TOTAL capital requirements:	**0**	**17**	**9 018**	**186 179**	**16 475**	**113 712**	**585 479**	**99 765**	**0**	**1 010 644**

7.3 Concentration risk

As mentioned, the CEMG is currently pursuing a strategy of diversification of its activity, in order to reduce the weight of the exposure to the property sector. The impact of the concentration risk on the capital requirements is ascertained through an approach based on the calculation of the sectoral and individual concentration rates (CR), according to Instruction no. 5/2011 of the Bank of Portugal.

The calculation of the individual CR[3] is based on the 100 greatest exposures in portfolio, aggregated by client/economic group. The weight of these exposures to 31 Dec. 2015 corresponded approximately to 18% of the credit portfolio and to 20% of the total portfolio[4].

With regards to the sectoral CR[5], it is calculated from the classification of economic activities (CEA) associated with the counterparties in the portfolio.

Table 15 – Concentration Rates

(thousands of Euro)

	Credit Portfolio		Total Portfolio	
	Dec-15	Dec-14	Dec-15	Dec-14
Individual CR	0,25	0,29	0,29	0,34
Sectoral CR	9,4	9,8	9,6	10,2

The reduction of the sectoral CR in Dec-15 in comparison with Dec-14 reflects the strategy of business diversification that the Institution has been following in all portfolios, at the level both of the sectors of activity and the assets themselves.

7.4 Overdue impaired loan

The distribution of the overdue positions and respective impairment provisions by sector of activity of the credit to companies segment reflects the concentration of the activity in the Construction, Real Estate, Financial and Insurance Activities and Business segments.

In terms of geographic distribution of the positions with overdue loans, a bigger concentration in the areas of Greater Lisbon and Northern Portugal is observed, something that also applies to all positions on 31 December 2014, reflecting the geographic structure of the total portfolio.

[3] Individual Concentration Rate = $\Sigma x^2 / (\Sigma x * \Sigma y) * 100$, in which x represents the value of the total exposure to each counterparty/economic group belonging to the 100 biggest counterparties of the Institution, and Σy corresponds to the total portfolio exposure.
[4] Total Portfolio = Credit Portfolio + Portfolio subject to the constitution of capital requirements (including AFS – *Available for Sale*, HTM – *Held to Maturity*, *Trading* and balance sheet hedging).
[5] Sectoral Concentration Rate = $\Sigma x^2 / (\Sigma x)^2 * 100$, in which x represents all the exposures to each sector of economic activity.

Table 16 – Distribution of the overdue impaired risk exposures

		Total exposures		% Past Due Exposures	% of Coverage by Impairment Provisions
dec 2014	Breakdown by main Sectors (of the Corporate segment)	Primary Sector		0,7%	44,4%
		Secondary Sector	Construction	38,7%	43,1%
			Others	10,0%	58,9%
		Tertiary Sector	Real estate activities	18,1%	44,2%
			Wholesale and Retail Trade; repair of motor vehicles and motorcycles	15,3%	55,5%
			Financial and Insurance Activities	6,5%	40,0%
			Others	3,3%	56,1%
			Accommodation, Catering and Similar	3,2%	32,3%
			Consultancy, Scientific, Technical and similar Activ.	2,2%	46,2%
			Transport and Storage	1,5%	42,4%
			Administration and Defence; Compulsory Social Obrig. Consultancy, Scientific, Tecl	0,5%	31,1%
		Total		100,0%	46,6%
	Breakdown by main Geographic Zones	Lisbon		42,9%	45,0%
		North		31,1%	45,8%
		Centre		17,3%	37,9%
		Algarve		3,4%	40,4%
		Alentejo		2,9%	42,7%
		Autonomous Region of the Azores		0,9%	26,7%
		Autonomous Region of Madeira		0,8%	25,6%
		Mozambique		0,5%	42,0%
		Angola		0,2%	91,7%
		Total		100,0%	43,6%
dec 2015	Breakdown by main Sectors (of the Corporate segment)	Primary Sector		0,6%	44,5%
		Secondary Sector	Construction	33,4%	35,4%
			Others	8,1%	43,8%
		Tertiary Sector	Real estate activities	14,8%	34,0%
			Financial and Insurance Activities	14,0%	31,5%
			Wholesale and Retail Trade; repair of motor vehicles and motorcycles	12,9%	46,8%
			Transport and Storage	4,5%	57,3%
			Accommodation, Catering and Similar	4,3%	18,5%
			Others	3,6%	42,5%
			Consultancy, Scientific, Technical and similar Activ.	2,3%	43,4%
			Administration and Defence; Compulsory Social Obrig. Consultancy, Scientific, Tecl	1,4%	13,8%
		Total		100,0%	37,3%
	Breakdown by main Geographic Zones	Lisbon		47,8%	35,5%
		North		27,2%	39,1%
		Centre		15,0%	34,7%
		Algarve		3,8%	24,5%
		Alentejo		3,5%	30,3%
		Autonomous Region of Madeira		1,3%	16,2%
		Autonomous Region of the Azores		1,1%	20,3%
		Angola		0,3%	87,1%
		Mozambique		0,1%	78,0%
		Total		100,0%	35,6%

7.5 Use of ECAIs

The calculation of the credit and counterparty capital requirements is determined in according with the Standardised Method, as defined in Basel III, by the *Capital Requirements Directive IV* (Directive 2013/36/EU) and by the *Capital Requirements Regulation* (Regulation 575/2013) (CRD IV/CRR). Depending on the nature of the counterparty, the portfolio positions are distributed among the various risk categories and *ratings* provided by the Moody's, S&P and Fitch agencies are used for attributing the respective risk weights.

This practice runs through all risk categories and the allocation is carried out in accordance with was provided in Basel III, as follows:

- When there are simultaneously different *ratings* from recognised agencies, of the two lowest risk weights, the second highest is applied;
- In case of bonds and similar securities, the issue *rating* is revealed; however, if there is no issue rating, and only in those cases, the issuer *rating* shall be revealed in turn;
- The *ratings*, when they exist, are used in a consistent manner for all risk exposures in all categories.

The value of the risk-weighted positions is ascertained on the basis of the adjusted exposure of value corrections and provisions, and following the application of the adjustments related to the credit risk reduction techniques, namely the application of conversion factors to off-balance sheet items and exercising the property and personal credit protection.

8. Credit risk mitigation techniques

For the purpose of the reduction of the credit risk of the positions held, both the personal protection collaterals with a substitution effect on the risk exposure and the financial collaterals enabling a direct reduction of the position value are considered. Likewise, the mortgage collaterals are also relevant as mitigation of the risk in the CEMG's portfolio, with an impact on the capital requirement weight.

The collaterals hereby referred to correspond to the collaterals complying with the eligibility criteria as effective guarantees as provided for in the prudential regulatory rules, and do not correspond to all collaterals received by the CEMG.

The effect of the prudential mitigation of the collaterals is mostly relevant in the “companies” risk category.

The direct reduction encompasses the credit operations collateralised by financial collaterals, namely, term deposits, gold, bonds and shares included in a main index listed on a recognised exchange, as stipulated in Section 4, Chapter 4, Title II of Part III of CRR.

With regards to mortgage collateral, the assessment of the items are carried out by independent assessors or by structure unit of the Institution itself, independent from the commercial department. The reassessment of the assets is carried out according to the conditions provided for in Article 208 of CRR, by applying the property variation rates or by the conduction of an assessment on-site, by an assessor.

Table 17 – Concentration analysis – Personal and Property Credit Protection

Exposure Classes	Original risk position		Original risk position (period average)	
	dec 2015	dec 2014	dec 2015	dec 2014
Central Governments or Central Banks	2 675 158	2 532 373	2 809 513	2 542 466
Regional Governments or Local Authorities	73 926	62 712	72 661	54 941
Public Sector Entities	7 411	14 253	10 472	10 090
Multilateral development Banks	0	0	0	0
International organizations	0	0	0	0
Institutions	733 443	1 313 692	903 211	1 242 928
Companies	3 823 974	6 372 452	5 357 555	6 134 909
Retail Portfolio	2 560 414	1 906 628	2 024 952	1 873 440
Positions with Collateral of Real Estate Properties	7 450 109	7 762 493	7 786 467	7 956 975
Past Due Items	2 176 446	1 212 849	1 512 059	1 322 617
Exposures associated with Particularly High Risks	176 672	129 013	152 495	98 124
Mortgages	16 336	19 242	15 860	20 114
Institutions and companies with a short term credit assessment	0	0	0	0
Exposures on Collective Investment Corporates (CIC)	214 516	239 090	220 879	241 321
Shares	143 104	15 306	62 696	15 692
Other Items	2 098 956	2 234 000	2 239 336	2 039 937
Securitisation	6 155	8 834	7 375	9 121
TOTAL	22 156 621	23 822 937	23 175 530	23 562 674

9. Securitisation Operations

9.1 Operations carried out

On 31-12-2015, the CEMG was involved, as originator institution, in securitisation operations of traditional credits, specifically: *Pelican Mortgages* No. 1; *Pelican Mortgages* No. 2; *Pelican Mortgages* No. 3, *Pelican Mortgages* No. 4, *Pelican Mortgages* No. 5, *Pelican Mortgages* No. 6 and Pelican SME No. 2. As a result of the acquisition of Finibanco Holding in 2011, the CEMG started being considered an originator institution of the *Aqua Mortgage* 1 securitisation operation. In 2014, a new credit securitisation operation (*Pelican Finance* No. 1) was issued, with the CEMG and the Montepio Crédito as originator institutions (60% and 40% respectively). In all these operations, the main purpose was to promote a better flexibility of the management of its Balance Sheet, with a positive impact, *inter alia*, at the level of liquidity rates.

9.2 Calculation methods of the risk weighted positions' amounts.

Given that no securitisation operation meets the requirements provided for in Article 243 of CRR, the underlying risk exposures are not excluded from the calculation of the risk weighted amounts. As a result, the capital requirements are not calculated for the securitisation positions held, and the losses of those positions are not registered.

Regarding the securitisations in which the CEMG acted as an investor, the method of calculation of the risk weighted positions is the one defined in Section 3, chapter 5, Title II of Part III of CRR, stipulated for the Standardised Approach. For determining the credit quality degree associated with each securitisation position, the respective external ratings of the agencies Fitch, Moody's and S&P were taken into consideration.

9.3 Accounting policies

Up to 31 December 2004, in accordance with the accounting principles defined by the Bank of Portugal, the credits assigned by the CEMG within the scope of the securitisation operations were derecognised. The securities acquired within the scope of the referred to operations were counted as assets available for sale and provisioned, at that time, according to the rules defined by Instruction no. 27/2000 of the Bank of Portugal. With the revocation of this Notice by Instruction no. 2/2008 of the Bank of Portugal, the provisioning of these securities was subjected to the impairment rules, as defined in IAS 39.

In accordance with IFRS 1, the derecognition criterion followed in the individual financial statements of the CEMG did not suffer any changes for all operations carried out up to 1 January 2004. All operations carried out from that date onwards must be analysed within the scope of the derecognition rules in compliance with IAS 39, according to which, if a substantial part of the risks and benefits associated with the assets is transferred or the control over the referred to assets are to be transferred, these assets must be derecognised.

9.4 Quantitative information

Table 18 – Securitisation Operations

	Securitisations									
	Pelican 1	Pelican 2	Pelican 3	Pelican 4	Pelican 5	Pelican 6	Aqua Mortgage 1	Pelican Finance 1		Pelican SME 2
Traditional Securitisation										
Originator Institution	CEMG	CEMG	CEMG	CEMG	CEMG	CEMG	CEMG	CEMG	Montepio Crédito	CEMG
Sponsor Institutions	Navegator SGFTC, SA	Banco Finantia, SA	Sagres STC, SA	Sagres STC, SA	Sagres STC, SA	Sagres STC, SA	Tagus STC, SA	Tagus STC, SA		Sagres STC, SA
Information on transactions:										
Starting Date	19 dec 02	29 sept 03	30 mar 07	20 may 08	25 mar 09	5 mar 12	9 dec 08	7 may 14		5 mar 15
Legal Maturity	Sept.-37	Sept.-36	Sept.-54	Sept.-56	Dec.-61	Dec.-63	Dec.-63	Dec.- 28		Feb.-43
Step-up clause (date)	n/a	Sept.-10	Mar.-16	June-17	June-18	n/a	n/a	n/a		n/a
Revolving (years)	n/a	n/a	n/a	n/a	n/a	n/a	2	1,5		n/a
Securitised assets (in million Euro)	650	700	750	1 000	1 000	1 040	233	294		1 040
Amount in debt (in million Euro)	56	116	276	714	717	920	148	287		1 126
Information on the involvement of the originator institution(s)										
Existence of "implicit support" situations	no	no	no	no	no	no	no	no	no	no
Assets transferred (by institution)/Securitised assets (total) (%)	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	60,0%	40,0%	100,0%
Initial gain / Value of first loss reacquired positions	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		0,00

n/a n/a = not applicable

Table 19 – Value of debt of the securitised risk exposures

(million Euro)

	Value	referring to impaired and past due exposures
Pelican 1	56	2
Pelican 2	116	1
Pelican 3	276	1
Pelican 4	714	4
Pelican 5	717	3
Pelican 6	920	13
Aqua Mortgage 1	148	6
Pelican Finance 1	287	4
Pelican SME 2	1 126	11
Traditional securitisations (total)	4 360	45

Table 20 – Credit Risk – Securitisation Operation: Standardised Approach

(thousands of Euro)

Type of Securitisation (traditional/synthetic)	Value of exposure		Amount of risk-weighted exposure	
		Value deducted from own funds (-)	dec 2015	dec 2014
	2	3	9	10
B= Investor Total exposures	6 156	0	2 913	8 530
B1 - Asset items	6 156	0	2 913	8 530
Securitisations	6 156	0	2 913	8 530
Resecuritisations	0	0	0	0
B2 - Off-balance-sheet items and derivatives	0	0	0	0
C= Sponsor Total exposures	0	0	0	0
C1 - Asset items	0	0	0	0
C2 - Off-balance-sheet items and derivatives	0	0	0	0

Table 21 – Credit Risk – Securitisation Operation: Summary of Activities

(million Euro)

Type of Securitisation (traditional/synthetic)	Amount of exposures securitised / to be securitised		Amount of risk-weighted exposure		Recognised Gain / Loss on sale	
	dec 15	dec 14	dec 15	dec 14	dec 15	dec 14
Traditional securitisations (total)	4 360	3 409	0	0	0	0
Asset items	4 360	3 409	0	0	0	0
Securitisations	4 360	3 409	0	0	0	0
Resecuritisations	0	0	0	0	0	0
Off-balance-sheet items and derivatives	0	0	0	0	0	0
Synthetic securitisations (total)	0	0	0	0	0	0
Asset items	0	0	0	0	0	0
Securitisations	0	0	0	0	0	0
Resecuritisations	0	0	0	0	0	0
Off-balance-sheet items and derivatives	0	0	0	0	0	0

10. Position, credit, counterparty and settlement of trading book risks

10.1 Capital requirements calculation methods

The trading book is composed of the positions held with the purpose of obtaining short-term gains, be it from sales or reassessment. The capital requirements related to this trading book are calculated according to the standardised approach.

10.2 Trading book risks assessment methodologies

The trading book is fully hedged by the "standardised approach to the trading book" according to Title IV of Part III of CRR. In accordance with the standardised approach, the financial products in portfolio are decomposed in two asset categories: Debt instrument (including derivatives on debt instruments and comparable instruments) and capital securities (including derivatives on capital requirements and comparable instruments.

The capital requirement for each category of assets is calculated according to the needs of coverage of specific risk and general risk for each one of the categories of assets. This way, according to the "standardised approach to the trading book", the following methodologies are applied to each exposure category:

Debt instruments

- General Risk: corresponds to the risk of loss caused by unfavourable variations in the interest rate. For the calculation of the capital requirements for the general risk, the method used is the one based on the maturity, according to Subsection 2, Section 2, Chapter 2, Title IV of Part III of CRR.
- Specific risk: corresponds to the risk of loss due to factors associated with the issuer. The capital requirements for these risks are based on the application of the methodology provided for in Subsection 1, Section 2, Chapter 2, Title IV of Part III of CRR, which results in the weighting of assets according to the sector and credit quality of the issuer.

Equity

- General Risk: corresponds to the risk of loss caused by unfavourable variations in the share market. For the calculation of the capital requirements for the general risk, the method used is the one provided for in Section 3, Chapter 2, Title IV of Part III of CRR.
- Specific risk: corresponds to the risk of loss due to factors associated with the issuer. For the calculation of the capital requirements for the specific risk, the method used is the one provided for in Section 3, Chapter 2, Title IV of Part III of CRR.
- Positions on collective investment corporates (CIC): these positions are subject to a weight of 32%. For the calculation of the capital requirements for positions on CIU, the method used is the one provided for in Section 3, Chapter 2, Title IV of Part III of CRR.

10.3 Quantitative information

Table 22 – Capital Requirements - Trading Book

(thousands of Euro)

Trading book risk		Requirements of own funds dec 15	Requirements of own funds dec 14
Total risk of trading book (1 + 2)		9 047	2 336
1.	Position risk	8 625	1 386
1.1.	Standardised approach on trading book	8 625	1 386
1.1.1.	Debt instruments		
1.1.1.1.	Specific risk	6 926	51
1.1.1.2.	General risk	621	357
1.1.2.	Equity securities		
1.1.2.1.	Specific risk	540	489
1.1.2.2.	General risk	538	489
1.1.3.	Collective investment corporates (CIC)	0	0
2.	Counterparty credit risk	422	950
2.1	Bonds	0	0
2.2	Derivatives	422	950
2.3	Others	0	0

In quantitative terms, the use of the above mentioned methods lead to the ascertaining of an amount of capital requirements of 9,047 thousand Euro for the trading book risks.

11. Exchange and Commodity Risks of the Banking and Trading Book

11.1 Minimum capital requirements calculation methods

The method used by the institution to calculate the minimum capital requirements for the exchange and commodity risks is the method provided for in chapters 3 and 4, Title IV of Part III of CRR.

11.2 Exchange and commodity risk assessment method

For the calculation of the capital requirements for the exchange risk, the method used is the one prescribed in Chapter 3, Title IV of Part III of CRR. This method provides for the application of a weight of 8% (or 4% in the case of strictly correlated foreign currencies) to the sum of the liquid position in foreign currencies, in case this sum exceeds 2% of the total own funds.

With regards to the commodity risk, the calculation of the capital requirements is ascertained according to the Maturity Ladder Approach prescribed in chapter 4, Title IV of Part III of CRR.

11.3 Quantitative information

On 31-12-2015, the CEMG's exchange risk requirements result from its international activity, namely through Finibanco Angola and Banco Terra.

Table 23 – Capital Requirements – Exchange and Commodity Risks

(thousands of Euro)

Capital requirements - Exchange and Commodities Risks		
Exchange and Commodities risk	**dec 15**	**dec 14**
1. 1. Exchange Risk (=1.1.+1.2.)	**10 039**	**5 038**
1.1. Standardised Approach	10 039	5 038
1.2. Internal Models Method		
2. 2. Commodities Risk (=∑(2.1. a 2.2.))	**0**	**14**
2.1. Standardised Approach (=∑(2.1.1. a 2.1.4.))	0	14
2.1.1. 2.1.1. Maturity Ladder Approach or Simple Approach		14
2.1.2. 2.1.2. Futures and Options on commodities which are exchange traded		
2.1.3. 2.1.2. Futures and Options on commodities from over-the-counter market - OTC		
2.1.4. Others		
2.2. Internal Models Method		

12. Risk Exposures to Banking Book Shares

12.1 Objectives associated with the risk exposures to shares

The positions in shares in the CEMG's banking book can be divided into investment positions and positions originated by payment in kind for settlement of credit.

12.2 Accounting techniques and assessment methodologies used

The entry into accounts of capital losses in the risk exposures to shares was carried out according to the portfolios in which they were classified, to the accumulated values of those capital losses and to the time elapsed since the existence of those capital losses. Therefore, the capital losses observed in shares belonging to the trading book are promptly recognised in results.

The depreciations observed in shares classified as Available for Sale are classified as impairment and recognised in results if they exceed 30% or if the situation persists for more than 12 months. In the remaining cases, the capital losses are entered into the accounts under reassessment reserves, affecting the own funds.

12.3 Quantitative information

Table 24 – Risk Exposures to Shares

(thousands of Euro)

	Quoted shares		Unquoted shares		Total	
	dec 15	dec 14	dec 15	dec 14	dec 15	dec 14
Acquisition cost	140 876	97 943	9 962	11 372	150 838	109 315
Fair value	161 725	96 072	7 201	7 833	168 926	103 906
Market price	161 725	96 072			161 725	96 072
Results from the financial year arising from sales and liquidations					2 204	3 229
Total unrealised gains or losses					23 952	1 423
Total latent revaluation gains or losses					**-5 864**	**-6 833**

13. Operational Risk

The operational risk consists in the risk of losses resulting from defects or failures of the internal processes, human resources systems or external factors.

The CEMG Group calculates the minimum capital requirements for coverage of the operational risk by using the *Standardised* Approach (SA) as per authorisation granted by the Bank of Portugal, in force since 30 June 2010.

The calculation is ascertained according to Regulation (EU) no. 575/2013 of the European Parliament and the European Council, of 26 June (or CRR – *Capital Requirements Regulation*). This regulation defines the prudential requirements applicable to the credit institutions and the investment companies, namely regarding the establishment of calculation rules and determination of minimum levels of own funds.

For Montepio Investimento, Banco Terra and Finibanco Angola, the requirements were calculated according to the Basic Indicator Approach (BIA), as defined in Part III, Title III of Chapter 2 of CCR; currently arrangements are being made to broaden the application of the standardised approach to these entities

In the basic indicator approach, the calculation of the capital requirements for coverage of the operational risk corresponds to the average of the positive annual relevant indicator of the last there years weighted by 15%, while the Standardised approach corresponds to the average of the positive annual relevant indicator of the last there years obtained in the various lines of business, multiplied by the respective weights.

The criteria of attribution by segments of activity follow the provisions contained in Part III, Title III, Chapter III of CRR. The following table provides the relationship between the Activity Segments and the Activities List existing at the CEMG:

Table 25 – Activities Segment and Activities List

Activity segment	List of Activities
Corporate Finance	Steady take over of financial instruments and / or placing of financial instruments for Steady take over. Corporate consulting regarding share structures, industrial strategy and related questions, as well as merging related services and acquisition of companies
Negociation and sales	Dealing on own account. Monetary markets intermediation. Receiving and giving orders related to one or more instruments. Orders carry out according to client´s demands.
Payment and settlement	Issuing and management of Payment options. Payment transactions
Commercial Banking Retail Banking	Booking deposits and other reimbursable funds Loans. Financial location. Granting guarantees and commitments
Agency Services	Custody and management of financial instruments according to client´s demands, namely custody and related services such as treasury management and security deposits.
Intermediation related to retail portfolio	Receiving and giving orders related to one or more financial instruments. Orders carry out according to client´s demands.
Asset management	Management of OICV M.

Table 26 – Capital Requirements for Operational Risk

(thousands of Euro)

Method	relevant indicator			Own shares requirements (consolidated)
	2013	2014	2015	
Total	419 973	516 713	394 771	61 301
1. Sum of activities subject to basic indicator method	43 127	55 390	60 909	7 971
2. Sum of activities subject to standard method	376 846	461 323	333 862	53 330
2.1 Corporate Finance	4644	5852	4305	
2,2 Negotiation and sales	-14602	-17310	-79817	
2.3 Intermediation related to retail portfolio	7 612	7 850	7 110	
2.4 Commercial Banking	277 251	281 632	76 748	
2.5 Retail banking	63 672	145 879	289 943	
2.6 payment and settlement	32 646	30 621	28 599	
2.6 Agency Services	5623	6799	6973	
2.7 Asset management	0	0	0	

14. Banking Book interest rate risk

The potential loss in the positions of a bank arising from the adverse variation of prices in the market is known as market risk. The interest rates are one of the main risk factors in the activity of a bank. The interest rate risk occurs not only in the trading book but also in the banking book.

The interest rate risk assessment arising from banking book operations is carried out by analysing the sensibility to the risk, under a consolidated perspective for the entities comprising the consolidated balance sheet of the Group.

The interest rate risk is assessed according to the impacts on the financial margin and on the net position and own funds caused by changes to the interest rates in the market. The main risk factors result from the mismatch between the repricing dates and/or residual maturities between assets and liabilities (*repricing risk*), from the non-parallel change in the interest rate curves (*yield curve risk*), from the lack of a perfect correlation between different interest rates with the same repricing time limit (*basis risk*) and from the options associated with instruments enabling a diverse action on part of the stakeholders dependent on the level of contracted and practised interest rates in the moment (*option risk*).

Based on the financial characteristics of each contract, the respective forecast of the expected cash flows is carried out, according to the repricing dates of rate and possible behaviour assumptions taken into consideration.

Following the Basel recommendations and the Instruction no. 19/2005 of 15 June from the Bank of Portugal, the Group calculates its exposure to the exchange rate risk based on the methodology of the *Bank of International Settlements* (BIS), classifying all the assets, liabilities and off-balance items, which do not belong to the trading book, by levels of *repricing*.

Table 27 – Interest Rate Risk

(thousands of Euro)

	Up to three months	Three to six months	Six months to a year	One to five years	More than five years
31 December 2015					
Asset	9 516 898	3 878 544	391 417	1 684 343	1 499 154
Off-balance-sheet	8 217 800	18 502	67 556	141 297	0
Total	17 734 698	3 897 046	458 973	1 825 640	1 499 154
Liability	5 178 793	2 232 291	2 227 600	8 334 392	307 270
Off-balance-sheet	8 227 811	98 735	20 000	98 429	0
Total	13 406 604	2 331 026	2 247 600	8 432 821	307 270
GAP (Assets - Liabilities)	4 328 094	1 566 020	-1 788 627	-6 607 181	1 191 884
31 December 2014					
Asset	11 045 039	4 347 071	351 745	1 698 022	1 212 165
Off-balance-sheet	8 715 156	118 047	68 916	152 487	0
Total	19 760 195	4 465 118	420 661	1 850 509	1 212 165
Liability	7 201 236	2 211 721	2 732 466	8 105 408	116 975
Off-balance-sheet	8 530 961	196 895	220 000	106 750	0
Total	15 732 197	2 408 616	2 952 466	8 212 158	116 975
GAP (Assets - Liabilities)	4 027 998	2 056 502	-2 531 805	-6 361 649	1 095 190

Below are listed the interest rate gaps for 31 December 2015 and 2014:

Table 28 – Interest Rate Gaps

(thousands of Euro)

	2015				2014			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Interest Rate Gap	-1 309 808	-1 836 514	-1 309 808	-2 485 967	-1 713 766	-1 443 074	-1 172 382	-1 713 766

The sensibility to the interest rate risk of the balance sheet, by currency, is calculated by difference between the actual value of the interest rate *mismatch* deducted from the market interest rates and the value deducted from the cash flows simulating parallel shifts in the market interest rate curve.

In light of the interest rate gaps observed, on 31 December 2015, a positive, instantaneous and parallel variation of the interest rates in 100 basis points would motive an increase of the expected economic value of the banking book in approximately 16,662 thousand Euro (2014: 64,726 thousand Euro).

Table 29 – Interest Rate Risk (Banking Book)

(thousands of Euro)

			dec 15	dec 14
Effect to the net situation of a shock of 200 pb in the interest rate	Value	+	-33 323	-55 358
		-	33 323	55 358
	% Own Funds	+	-2,23%	-3,48%
		-	2,23%	3,48%

" + " = shock of 200 pb in the interest rate, upwards

" - " = shock of 200 pb in the interest rate, downwards

15. Encumbered and unencumbered assets

Within the scope of Instruction no. 28/2014 of the Bank of Portugal, focusing on the guideline of the European Banking Authority concerning the disclosure of encumbered and unencumbered assets (EBA/GL/2014/3), and taking into consideration the recommendation issued by the European Systemic Risk Board, the information, referring to 31 December 2015 and 2014, concerning the assets and collaterals is presented below:

Table 30 – Encumbered Assets

(thousands of Euro)

Assets	Carrying value of encumbered assets	Fair value of encumbered assets	Carrying value of unencumbered assets	Fair value of unencumbered assets
2015				
Assets of the institution providing information	1 190 357	n/a	19 954 859	n/a
Equity Instruments	0	0	566 157	325 505
Debt securities	1 126 434	1 106 022	2 211 878	3 534 847
Other assets	0	n/a	2 765 830	n/a
2014				
Assets of the institution providing information	1 432 485	n/a	21 040 989	n/a
Equity Instruments	0	0	459 768	467 889
Debt securities	1 326 930	1 428 264	2 483 339	2 952 228
Other assets	0	n/a	2 665 252	n/a

Table 31 – Collaterals

(thousands of Euro)

Collateral received	2015 Fair value of the encumbered collateral received or of own debt securities issued	2015 Fair value of the collateral received or of own debt securities issued and encumbered
Assets of the institution providing information	3 643 951	-
Equity Instruments	-	-
Debt securities	3 643 951	-
Other collateral received	-	-
Own debt securities issued other thanown covered bonds or ABS	-	-

(thousands of Euro)

Collateral received	2014 Fair value of the encumbered collateral received or of own debt securities issued	2014 Fair value of the collateral received or of own debt securities issued and encumbered
Assets of the institution providing information	3 090 649	1 059 108
Equity Instruments	-	-
Debt securities	3 090 649	1 059 108
Other collateral received	-	-
Own debt securities issued other thanown covered bonds or ABS	-	-

Table 32 – Encumbered Assets and Received Collaterals

(thousands of Euro)

Encumbered assets, encumbered received collateral and associated liabilities	2015 Carrying value of the selected financial liabilities
Associated liabilities, contingent liabilities and lent securities	3 766 301
Assets, received collateral and own debt securities other than own *covered bonds or* encumbered *ABS*	4 805 294

Encumbered assets, encumbered received collateral and associated liabilities	2014 Carrying value of the selected financial liabilities
Associated liabilities, contingent liabilities and lent securities	3 490 061
Assets, received collateral and own debt securities other than own *covered bonds or* encumbered *ABS*	4 490 351

The encumbered assets are, by and large, related to financing operations of the Group, namely of ECB, repo operations, through the issuing of mortgage bonds and securitisation programmes. The types of assets used as collateral of the financing operations previously referred to are divided into client credit portfolios, which support securitisation programmes and mortgage bonds issuances programmes, be it those placed outside the Group and those destined to strengthen the collateral pool with the ECB, and Portuguese, Italian and Spanish sovereign debt portfolios, which collateralise Repo operations in the monetary market.

The values exhibited in the previous tables correspond to the position on 31 December 2015 and 2014 and reflect the high collateralisation level of the *wholesale* financing of the Group. The eligible assets buffer for ECB purposes, after *haircuts*, deducted from the liquid financing at the ECB, goes up to 1,750,398 thousand Euros on 31 December 2015 (2014: 1,825,936 thousand Euro).

It should be mentioned that the global value of the available collaterals at the European Central Bank (ECB), on 31 December 2015, goes up to 3,723,310 thousand Euro (2014: 4,202,365 thousand Euro), with a use of 2,277,258 thousand Euro (201: 2,496,886 thousand Euro):

Table 33 – Encumbered Assets related to financing operations

(thousands of Euro)

	2015	2014
Total eligible collateral	**5 327 550**	**5 467 694**
Total collateral in the pool	3 723 310	4 202 365
Total collateral outside the pool	1 604 240	1 265 329
Collateral used	**3 577 152**	**3 641 758**
Collateral used for ECB	2 277 258	2 496 886
Collateral engaged in other financing operations	1 299 894	1 144 872
Collateral available	**1 750 398**	**1 825 936**

the value of the collateral takes into consideration applied *haircuts*

16. Remuneration Policy

With regards to information concerning the remuneration policy and practices, application to the staff categories, the professional activities of whom have a significant impact on the respective risk profile, the document Governance Report 2015, as part of the Annual Report and Accounts, should be consulted.