CAIXA GERAL DE DEPÓSITOS
CONSOLIDATED OPERATIONS

at 31 December 2015

Unaudited accounts

Index

This document is an English translation of the original Portuguese language document "Atividade Consolidada da Caixa Geral de Depósitos em 31 de dezembro de 2015". The Portuguese original prevails in the event of any inconsistency.

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1 – Summary of evolution in 2015

For comparability purposes, the amounts of net income and net income before tax and non-controlling interests at 31 December 2014, have been adjusted to reflect the appropriation of 15% of the net income of Fidelidade and 20% of Cares and Multicare, which correspond to the equity percentages presently held by CGD Group, and the exclusion of the capital gains recognised on the disposal of the referred to insurance companies occurred in that period.

Results

- CGD achieved net interest income of €1,187.9 million in 2015, up 14.4% over 2014.
- This growth was essentially the result of a sharp 21.5% reduction of €506.1 million in funding costs which more than offset the 11.4% reduction of €381.2 million in interest on lending activities.
- Accompanying the growth of net interest income was a significant 22.0% increase of €154.0 million in non-interest income, which benefited from the marked 73.6% increase of €148.4 million in income from financial operations to €350.0 million.
- Total operating income was up 17.5% over the preceding year to €2,042.0 million.
- Operating costs in the administrative expenditure (down 4.3% by €21.0 million) and depreciation and amortisation (down 4.3% by €4.8 million) components were contained. Employee costs, were up 12.4% by €90.5 million, essentially owing to the effects of the provisioning of the *Plano Horizonte* in addition to the reduction of the discount rate on pension fund liabilities, in 2015.

  Excluding those two impacts, operating costs would have decreased 1.7% in consolidated activity and 4.2% in CGD Portugal.
- CGD's net operating income before impairments, in 2015, was up 58.2% by €238.9 million to €649.7 million.
- Provisions and impairments were down 24.6% by €233.1 million to €716.5 million.
- Combining all of the above effects, CGD's net income before tax and non-controlling interests amounted to a slightly negative €-21.3 million although this was an improvement of €490.3 million over 2014, considering the adjustments for the disposal of the insurance companies.
- The negative level of net income for the year of €-171.5 million was an improvement of €454.7 million over 2014, taking the said adjustments into account.
- However, with the elimination of the amount of €65.0 million for the provisioning of the *Plano Horizonte* from the costs for 2015, net income before tax and non-controlling interests would have been €43.7 million with negative net income of €-106.5 million.

Balance sheet

- CGD Group's consolidated balance sheet at the end of December was up 0.7% over the preceding year to €100,901 million.
- Customer resources of €73,426 million at the end of December, up €2,292 million over the same date of the preceding year, reflected CGD's strong capacity to attract customers' investments, even in an environment of reduced (and falling) interest on deposits.
- The fact that customer resources at the end of 2015 made up 77.5% of Caixa's total liabilities, is clearly indicative of the characteristics of a bank geared to the Portuguese retail market, operating on behalf of households and companies.
- The loans and advances to customers portfolio (including assets with repo agreements), of €66,178 million in December last, reflected the sharp increase of new loans in 2015 in comparison to 2014, but was insufficient to counteract portfolio maturities.
- Whereas new mortgage loans in 2015 were up 94% year-on-year to €1,045.3 million, lending to micro companies and SMEs totalled €3,218 million in 2015, €247 million in excess of annual repayments.
- Credit at risk ratio was down from 12.2% in 2014 to 11.5% in 2015, with impairment coverage of 63.9% in consolidated activity. In Portugal, the level of coverage of credit at risk on individuals loans was 46.4% and 71.8% in the case of corporate loans.
- The loans-to-deposit ratio of 90.1% reflected CGD's strong resource-taking capacity, in addition to the competition scenario in the domestic credit market as well as still limited recovery of credit demand.

Liquidity and solvency

- CGD Group continued to reduce its borrowings from the Eurosystem to an end of year total of €2,766 million (down €344 million over 2014). This comprised 2.7% of its total assets at the said date.
- The value of assets available for the ECB pool remained practically unchanged at €8,857 million last December.
- The liquidity coverage ratio (LCR) achieved a comfortable 146.4% (103.6% at the end of December 2014), significantly higher than the minimum requirements and confirming CGD's excellent liquidity position.
- The common equity tier 1 (CET 1) phased-in and fully implemented ratios calculated under CRD IV/CRR rules, at 10.8% and 10.0% respectively, in December 2015, confirmed the equilibrium of CGD's current capital position.

2 – CGD: Highlights

(EUR million)

			Change 2015-12 vs 2014-12	
RESULTS	2014-12	2015-12	Total	(%)
Net interest income	988.7	1.113.6	124.9	12.6%
Net inter. income incl. inc. from equity investm.	1.038.3	1.187.9	149.6	14.4%
Commissions (net)	515.0	511.5	-3.5	-0.7%
Non-interest income	700.1	854.1	154.0	22.0%
Total Operating Income	1.738.4	2.042.0	303.6	17.5%
Operating costs	1.327.7	1.392.3	64.6	4.9%
Net Operating Income before Impairments	410.8	649.7	238.9	58.2%
Net Income before tax and non-controlling interests	-233.5	-21.3	212.2	-
Net Inc. before tax and non-cont. interests, adjusted (1)	-511.6	-21.3	490.3	-
Net income	-348.0	-171.5	176.6	-
Net income, adjusted (1)	-626.1	-171.5	454.7	-
BALANCE SHEET				
Net assets	100.152	100.901	749	0.7%
Cash and loans and advances to credit instit.	5.130	7.664	2.534	49.4%
Securities investments (2)	19.562	19.649	86	0.4%
Loans and advances to customers (net) (3)	67.554	66.178	-1.376	-2.0%
Loans and advances to customers (gross) (3)	72.785	71.376	-1.409	-1.9%
Central banks' and credit institutions' resources	6.002	5.433	-569	-9.5%
Customer resources	71.134	73.426	2.292	3.2%
Debt securities	7.174	6.700	-474	-6.6%
Shareholders' equity	6.493	6.184	-309	-4.8%
RESOURCES TAKEN FROM CUSTOMERS	100.086	103.013	2.927	2.9%
PROFIT AND EFFICIENCY RATIOS				
Gross return on equity - ROE (4) (5)	-3.2%	-0.3%		
Net return on equity - ROE (5)	-3.6%	-1.3%		
Gross return on assets - ROA (4) (5)	-0.2%	0.0%		
Net return on assets - ROA (5)	-0.3%	-0.1%		
Cost-to-income (4)	75.5%	66.6%		
Employee costs / Total Operating Income (4)	41.5%	39.3%		
Operating costs / Average net assets	1.3%	1.4%		
Total Operating Income / Average net assets (4)	1.7%	2.1%		

(1) For comparability purposes, the amounts of net income and net income before tax and non-controlling interests at 31 December 2014, have been adjusted to reflect the appropriation of 15% of the net income of Fidelidade and 20% of Cares and Multicare, which correspond to the equity percentages presently held by CGD Group, and the exclusion of the capital gains recognised on the disposal of the referred to insurance companies occurred in that period.
(2) Includes assets with repo agreements and trading derivatives.
(3) Includes assets with repo agreements.
(4) Ratios defined by the Bank of Portugal (instruction 23/2012).
(5) Considering average shareholders' equity and net asset values (13 observations).

(%)

CREDIT QUALITY AND COVER LEVELS	2014-12	2015-12
Overdue credit / Total credit	7.7%	7.6%
Credit more than 90 days overdue / Total credit	7.1%	7.2%
Non-performing credit / Total credit (4)	8.9%	9.3%
Non-performing credit (net) / Total credit (net) (4)	1.8%	2.2%
Credit at risk / Total credit (4)	12.2%	11.5%
Credit at risk (net) / Total credit (net) (4)	5.3%	4.5%
Restructured credit / Total credit (6)	10.6%	10.0%
Restr. crd. not incl. in crd. at risk / Total crd. (6)	6.3%	5.6%
Overdue credit coverage	94.3%	96.3%
Credit more than 90 days overdue coverage	102.3%	102.2%
Crd. Imp. (P&L) / Loans & adv. custom. (aver.)	1.18%	0.78%
STRUCTURE RATIOS		
Loans & adv. customers (net) / Net assets	66.8%	65.2%
Loans & adv. custom. (net) / Custom. dep. (4)	94.5%	90.1%
SOLVENCY AND LIQUIDITY RATIOS (CRD IV/CRR)(7)		
Common equity tier 1 (phased-in)	10.9%	-
Tier 1 (phased-in)	10.9%	-
Total (phased-in)	12.7%	-
Common equity tier 1 (fully implemented)	9.8%	-
Common equity tier 1 - includ. DTA (phased-in)	11.1%	10.8%
Tier 1 - includ. DTA (phased-in)	11.1%	10.8%
Total - includ. DTA (phased-in)	12.9%	12.2%
Common equity tier 1 - includ. DTA (fully implemented)	10.2%	10.0%
Liquidity coverage ratio (fully implemented)	103.6%	146.4%
OTHER INDICATORS	**2014-12**	**2015-12**
Number of branches - CGD Group	1.247	1.253
Number of branches - CGD Portugal	786	764
Number of employees - CGD Portugal	8.858	8.410

(4) Ratios defined by the Bank of Portugal (instruction 23/2012).
(6) Ratios defined by the Bank of Portugal (instruction 32/2013)
(7) Estimated 2015 Solvency Ratios

3 – Economic-financial framework

Global economic activity was slightly down in 2015, particularly on account of the slowdown in the emerging economies. World growth is likely to be around 3.1%, its lowest rate of expansion of the last four years, according to the IMF's estimates in October last. Whereas growth accelerated for the second consecutive year in the developed bloc (up 0.2 pp to 2%), activity continued to cool in the emerging and developing blocs for another (fifth) year (down 0.6 pp to 4%).

The developed economies continued their cyclical recovery process, fuelled by domestic demand, in which the contributory factors were lower levels of budget restrictions, better financing terms, progress achieved in the adjustment of the balance sheets of economic agents and fall of oil prices.

Acceleration of growth in the Euro Area in 2015, fuelled by domestic demand: 1.7% in comparison to 0.8% in 2014

The cooling economic situation in the emerging bloc was the consequence of deceleration in China (whose growth rate this year is likely to be less than 7%), associated with the changing growth pattern of the last few years, in addition to other factors such as falling commodity prices, in several cases, and/or, in others, a slowdown of productivity gains and tighter financial restrictions owing to high household and corporate debt levels.

Economic growth in the euro area accelerated in 2015, according to the European Commission's October estimates. Economic growth of 0.8% in 2014 was followed by an expansion of 1.7%, particularly driven by domestic demand. Positive growth rates were recorded in all member states except Greece. The performance of the peripheral economies was also positive, returning to expansion mode in Italy and a strong acceleration of growth in Spain and especially in Ireland. Unemployment in the region was down once again in 2015, for the second consecutive year. The average unemployment rate up to November was 10.9%, one percentage point lower than in the same period 2014.

Domestic demand made a major contribution to the positive growth of the Portuguese economy

According to the projections published by the Bank of Portugal in its December Economic Bulletin, the Portuguese economy also posted positive growth for the second consecutive year in 2015. One of the contributory factors was domestic demand. The unemployment rate for third quarter 2015, was 11.9%, its lowest for five years and down 1.6 pp over the end of 2014. Unemployment totalled 618.8 thousand, down 10.2% over the same quarter 2014.

There was an acceleration of activity across the following quarters In the US, where bad weather at the start of the year was a constraining factor on higher growth as was the case last year. On a positive note, reference should be made to the performance of the labour market, with job creation rising to its second highest annual level since 1999 (the highest level being posted in 2014). On the negative side reference should be made to the negative impact of the dollar's upwards trajectory on industrial and exporting sectors.

Another negative aspect was the marked slowdown of emerging economies, particularly Brazil and Russia which remained in recession across the year, owing to political considerations and structural vulnerabilities, together with the impact of the evolution of commodity prices.

With the exception of a few countries, such as Brazil and other economies in the region in which lower commodity prices contributed towards a marked depreciation of their respective currencies, inflationary pressures remained low across 2015 and stabilised during the course of the year.

The absence of inflationary pressures, in many economies and regions, permitted the introduction of new monetary stimulus measures, strengthening the expansionary nature of monetary policy, in 2015, both on account of higher liquidity levels in the economies, and, whenever possible, the reduction of key reference rates. Close to year end the US Fed announced its first key interest rate hike (25 basis points) in nine years.

Strengthening of the expansionary nature of monetary policy

Special reference should, once again, be made to the performance of the ECB. Notwithstanding a more positive evolution of the economic environment, the objective of pushing up inflation, enabling its medium term return to a level consistent with price stability, led the Governing Council of the ECB to expand its quantitative-easing programme to include purchases of government bonds and the debt of supranational European institutions, in early 2015. It also announced an additional series of measures at the end of the year which particularly included another decrease in the deposit rate, which moved into negative terrain.

In the euro area, the Harmonised Index of Consumer Prices (HICP), with negative year-on-year changes across the first half year, achieved a nil annual average rate which was down 0.4 percentage points over 2014. On the contrary, up to November, the Portuguese HICP posted an annual average rate of 0.5%, following a negative rate of -0.3% across the same period 2014.

PSI20 closed 2015 up 10.7%

In a year of a very slight appreciation of global equity markets (0.15% according to the Morgan Stanley Index), the main equity markets were down in 2015. Whereas the US market (S&P 500) posted a loss of 0.7% and its worst result since 2008, it was the Japanese Nikkei (up 9.1%) which made the most significant gains across the year as a whole followed by the European Eurostoxx 600 index, which was up 6.8%. Among the countries on the European periphery, a strong performer was the Irish index which was up 30% and, on a negative note, the Greek index which was down by a similar rate (30.8%). In Portugal, following sharp losses in 2014, the PSI 20 ended 2014 up 10.7%. The Morgan Stanley Index for emerging markets was down 17% in 2015, for the third consecutive year.

The increase of yields on 10 year public bonds, in 2015, was practically identical in both the US and Europe, although Germany witnessed a new minimum low of 0.075% in April, notwithstanding the dissonant performance of the respective central banks. In the case of the rates in the economies of the European periphery, new minimums since the creation of Economic and Monetary Union were recorded. This was also the case in Portugal.

ECB's monetary policy was a crucial factor in lower Euribor rates

The ECB's monetary policy was, once again crucially important to the behaviour of Euribor rates which were down across the year to new minimums. Maturities of between 1 week to six months closed in negative terrain (also falling to negative values in the case of nine month maturities).

In 2015, the positive evolution of the US labour market and warnings over the likelihood of the first key interest rate hike drove the value of the dollar up 10.9% over the major currencies for the third consecutive year. The ECB's adoption of new expansionary measures in the euro area drove the euro down 10.2% against the US dollar and 5.6% in effective terms.

4 – Consolidated information

Results

CGD achieved net interest income of €1,187.9 million, including income from equity instruments, in 2015, up 14.4% over 2014.

Active management of net interest income fuelled growth of 14.4%

Active management of net interest income, particularly in respect of borrowing operations produced a 12.6% year-on-year growth of €124.9 million in net interest income *per se*, benefited from a 21.5% reduction of funding costs, which was higher than the 11.4% reduction of interest on lending operations. In 2015 the interest paid on subordinated bonds (Cocos) was 81.1 million euros. Income from equity instruments was, in turn, up €24.7 million.

Continuation of good performance by financial operations

Accompanying the growth of net interest income was a significant 22.0% increase of €154.0 million in non-interest income, which benefited from the marked 73.6% increase of €148.4 million in income from financial operations to €350.0 million. These gains were mainly obtained in the first half of the year in a context of falling interest rates, by active management of CGD's securities portfolio which took advantage of the good conditions in the market for Portuguese public debt and adequate hedge instruments management. Reference should also be made to gains on foreign exchange operations.

Total operating income up 17.5%

Commissions (net) of €511.5 million were slightly down by 0.7% over the amount for the same period 2014.

Total operating income was up 17.5% over the preceding year to €2,042.0 million.

Operating costs in the administrative expenditure (down 4.3% by €21.0 million) and depreciation and amortisation (down 4.3% by €4.8 million) components were contained.

Operating costs influenced by the *Plano Horizonte*, reduction of discount rate on pension fund liabilities and expansion of international activity

Employee costs, however, were up 12.4% by €90.5 million, essentially owing to the effects of the provisioning of the *Plano Horizonte.* This programme defines a set of conditions allowing employees to apply for pre or voluntary retirements, with the aim of adjusting employee levels to business conditions and their respective rationalisation according to the needs of different Bank structures. Other contributory factors to higher employee costs were the sharp reduction of the discount rate on pension liabilities in 2015 in addition to the dynamic expansion dynamics of the Group's international activity, with the increase of its branch office network and new employees, particularly in the case of its subsidiaries BCI Moçambique (23 new branch offices in 2015) and Banco Caixa Geral Angola (5 new branch offices). Operating costs were globally up by 4.9% (€64.6 million).

Based on the above and benefiting from the growth of total operating income, the cost-to-income indicator was 66.6%.

OPERATING COSTS AND DEPRECIATION

(EUR million)

			Change	
	2014-12	2015-12	Total	(%)
Employee costs	729.6	820.0	90.5	12.4%
Other administrative expenses	487.4	466.4	-21.0	-4.3%
Depreciation and amortisation	110.7	105.9	-4.8	-4.3%
Total	**1.327.7**	**1.392.3**	**64.6**	**4.9%**

Relevant contributions to consolidated net operating income before impairments from both domestic and international activities

Net operating income before impairments of €649.7 million for the year was up 58.2% over 2014. Special reference should be made to the highly positive performance of domestic commercial activity whose contribution to the referred to consolidated indicator was up €184.2 million to €240.6 million. International activity also made a favourable contribution of €390.4 million.

CONTRIBUTION TO NET OPERATING INCOME BEFORE IMPAIRMENTS

(EUR million)

			Change	
	2014-12	2015-12	Total	(%)
Domestic commercial banking	56.4	240.6	184.2	326.8%
International activity	334.3	390.4	56.1	16.8%
Investment banking	34.6	19.1	-15.4	-44.6%
Other	-14.5	-0.5	14.0	-
Net Operating Income before Impairments	**410.8**	**649.7**	**238.9**	**58.2%**

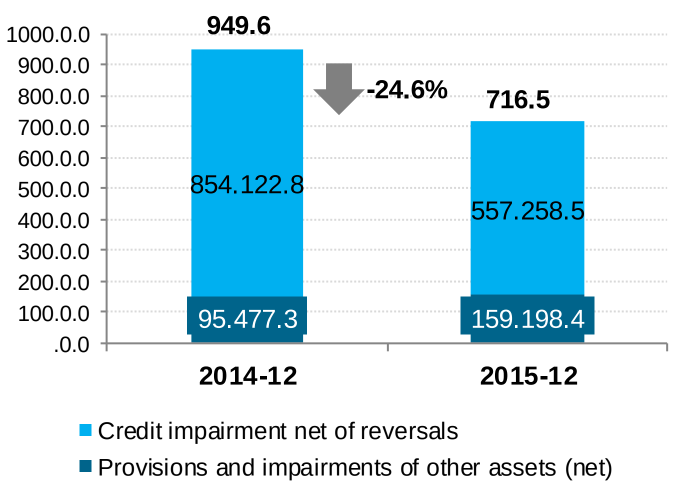
Cost of credit risk reduced to 0.78% (1.18% in 2014)

Provisions and impairments this year were down 24.6% by €233.1 million to €716.5 million. The gradual improvement of the economic and financial environment, as well as CGD's performance in the credit monitoring and credit recovery areas enabled it to reduce credit risk to 0.78% in 2015, against the preceding year's 1.18%.

PROVISIONS AND IMPAIRMENTS IN PERIOD

(EUR million)

Provisions and impairments costs continued to trend downwards



Combining all of the above effects, CGD's net income before tax and non-controlling interests was a negative €-21.3 million although this was an improvement of €490.3 million over 2014, considering the adjustments for the disposal of the insurance companies.

The tax burden of €60.2 million in 2015, reflected the extraordinary contribution payable by the banking sector (€32.2 million) and the impact of taxation on provisions for temporarily non-deductible credit, leading to a negative level of consolidated net income attributable to CGD's shareholder of €-171.5 million although this was an improvement of €454.7 million over 2014, taking the said adjustments into account.

However, with the elimination of the amount of €65.0 million for the provisioning of the *Plano Horizonte* from the costs for 2015, net income before tax and non-controlling interests would have been €43.7 million with negative net income of €-106.5 million.

€490.3 million improvement in net income before tax and non-controlling interest over 2014, considering the adjustments for the disposal of the insurance companies

Balance sheet

The stability of the Group's consolidated net assets is visible in their 0.7% increase over December of the preceding year to €100,901 million at the end of 2015.

Consolidated net assets stabilised at around €100 billion

The loans and advances to customers' portfolio, including credit with repo agreements totalled €71,376 (gross) and €66,178 million (net), comprising year-on-year credit balance reductions of 1.9% and 2.0%, respectively. It should be noted that although new loan agreements were up sharply, in 2015, over 2014, they were insufficient to counteract portfolio maturities.

Total securities investments, including assets with repo agreements and trading derivatives, remained relatively stable at around €20,000 million (up 0.4% by €86 million over the end of the preceding year). The good liquidity situation, however, made it possible to further a strategy of greater diversification of investments, resulting in a change of the composition of the portfolio with the objective of optimising risk-return.

Good liquidity situation allowed greater diversification of securities investments

Customer resources at the end of the year totalled €73,426 million, up €2,292 million in comparison to the same date of the preceding year, reflecting CGD's strong capacity to attract customers' investments, even in an environment of reduced (and falling) interest on deposits.

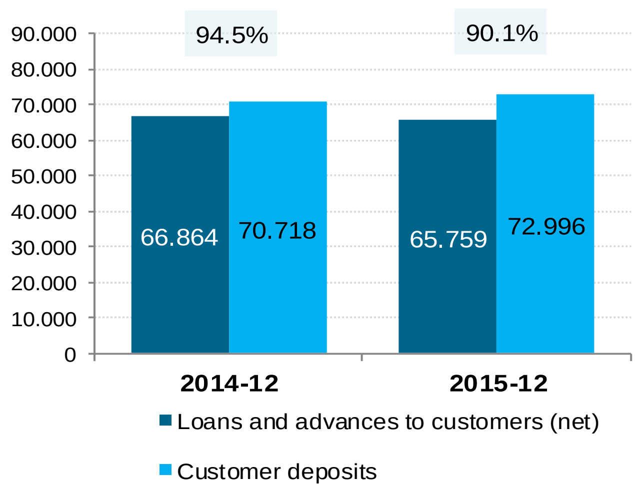
CGD's retail resource-taking operations continued to trend to positive

The fact that customer resources at the end of 2015 made up 77.5% of Caixa's total liabilities, is clearly indicative of the characteristics of a bank geared to the Portuguese retail market, operating on behalf of households and companies.

The loans-to-deposit ratio of 90.1% reflected CGD's strong resource-taking capacity, in addition to the competition scenario in the domestic credit market.

LOANS TO DEPOSITS RATIO

(EUR million)



The credit more than 90 days overdue ratio of 7.2% was very close to last December's ratio of 7.1%. Its respective impairment was 102.2% in December 2015.

The credit at risk and restructured credit ratios, calculated in accordance with Bank of Portugal criteria were 11.5% and 10.0%, respectively against (12.2% and 10.6% in December 2014).

Credit at risk coverage ratio was 63.9% in the consolidated activity. In Portugal, the level of coverage of credit at risk on individuals' loans was 46.4% and 71.8% in the case of corporate loans.

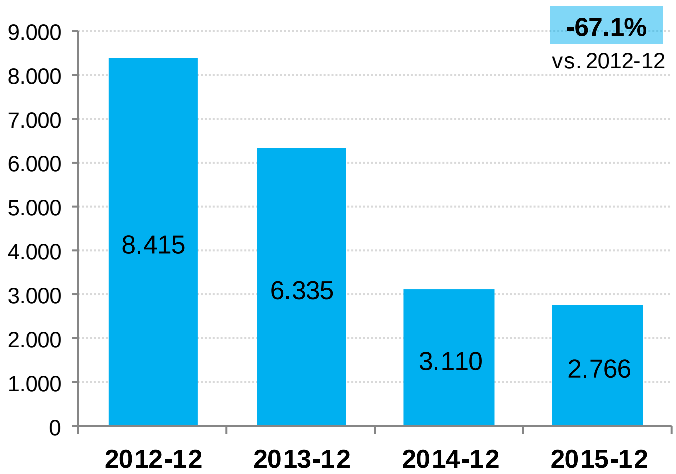
Liquidity

Sustained reduction of ECB financing

CGD Group continued to replace a part of its Eurosystem funding by TLTROs ("targeted longer-term refinancing operations") in 2015. It simultaneously reduced its borrowings by €344 million to €2,766 million given its comfortable liquidity situation. Borrowings, solely in the case of CGD, were down €250 million to €1,250 million.

ECB FUNDING (CONSOLIDATED)

(EUR million)



CGD Group's portfolio of assets eligible for the Eurosystem pool were down €452 million in line with the reduction of the funding obtained to €11,625 million at the end of December. The level of assets available in the pool, however, remained practically unchanged at €8,857 million at 31 December.

LCR of 146.4% confirmed excellent liquidity position

The liquidity coverage ratio (LCR) achieved a comfortable 146.4% (103.6% at the end of December 2014), significantly higher than the minimum requirements and confirming CGD's excellent liquidity position.

New issuance of €1 billion in covered bonds at a historically low coupon rate of 1%, in January 2015

CGD's launch of a new covered bonds issuance for an amount of €1 billion with a maturity of 7 years and a coupon rate of 1%, at the start of 2015, was a historically low level for a Portuguese debt issuance with this maturity. Benefiting from an expressive, geographically dispersed level of demand the amount exceeded the two preceding issuances and was sold at a considerably lower financing cost.

Considering the relatively inexpressive outstanding balance in the market for Nostrum Mortgage 2003-1 bonds and in light of the Group's comfortable liquidity situation, CGD took the initiative of making an early repayment of these bonds, in September. This operation was the first securitisation of mortgage loans made by CGD which was collateralised by a portfolio of mortgage loans totalling €1 billion.

The quality of the assets used as a guarantee with an average LTV (loan-to-value) ratio of 44%, as well as CGD's financial strength, earned it the status, at the time, of being one of the best operations performed in the European market. The low funding cost and quality of its structure, with an AAA rating on 98% of the total amount of the operation also bore witness to its success.

Solvency

The Group's shareholders' equity was 4.8% down by €309 million over the end of December 2014 to €6,184 million at the end of December 2015, having been particularly influenced by the evolution of "Other reserves and retained earnings".

SHAREHOLDERS' EQUITY

(EUR million)

	2014-12	2015-12
Share capital	5.900	5.900
Fair value reserves	412	259
Other reserves and retained earnings	-438	-691
Non-controlling interests	967	887
Net income	-348	-171
Total	**6.493**	**6.184**

CET 1 phased-in and fully implemented totalled 10.8% and 10.0%, respectively

The Common Equity Tier 1 (CET 1) phased-in and fully Implemented ratios, calculated in accordance with CRD IV / CRR rules and considering the application of the special deferred tax assets regime, totalled 10.8% and 10.0%, respectively, at 31 December 2015 against 11.1% and 10.2% for the preceding year.

CGD's pension fund and employees' healthcare plan

At 31 December 2015, CGD's liabilities for its employees' retirement pension liabilities amounted to €2,287.7 million, up €76.2 million over the preceding year's €2,211.6 million. At the end of 2015 100.6% of the liabilities were covered by the pension fund in comparison to 97% in 2014. The fact that the pension fund's effective yield was higher than the discount rate led to a positive actuarial deviation, partly offsetting the deviations deriving from the changes in the actuarial premises. At the end of the year the actuarial deviations associated with pension liabilities amounted to around €425 million.

Liabilities associated with CGD employees' post employment healthcare plan were fully provisioned and amounted to €500.6 million and €512.8 million at 31 December 2014 and 2015, respectively. At the end of the year, actuarial deviations associated with healthcare liabilities totalled around €109.8 million.

At the end of December 2015, CGD adjusted its assumptions regarding wage increases to 0.5% between 2016 and 2018 and 1.0% for the following years.

5 – Operating segments

Commercial banking

CGD Group continues to develop relationships with its “internationalised” customers, backing the increase of foreign trade business

Caixa’s strategic focus, in 2015, continued to be its backing of companies, development of customer service, loyalty and satisfaction levels, in addition to strengthening its levels of operational efficiency and rationalisation of distribution costs, geared to optimising the capillarity of its distribution network. This was also the year of closer relational management and an improved customer experience, via an increase in interaction means and functionalities with customers, particularly on a level of digital and mobile banking channels. This is exemplified by the creation of the foreign exchange trading platform which has translated into improved functionalities in the sphere of companies’ foreign trade operations, an increase in the level of brokerage operations in the individual customers’ segment (Caixadirecta), and the development of initiatives to further strengthen the integrity of information on electronic channels.

In 2015, commercial promotions for companies centred on a campaign structure geared to customer relationships and were designed to improve the levels of service provided to customers and the partnership relationship deriving from a global involvement between Caixa and companies, in addition to promoting the cross-border business of “internationalised” companies to markets in which Caixa is present, to provide direct support to local investment projects. At the same time, the commercial promotion of corporate business continued to be consolidated by the Caixa Empresas service model, underpinned by a personalised and financial advisory service to customers.

The individual customers segment witnessed a fresh set of actions designed to increase the possession of cards and use of Caixadirecta, prospecting for new customers and business, recovering the involvement, knowledge and satisfaction of customers, with information on residence being used to improve CGD’s offer to Residents Abroad.

CGD continues to have the only branch office network with a physical presence in all municipal districts nationwide

Considering its strategic commitments to strengthen its levels of operational efficiency and rationalise its distribution costs, CGD has furthered its programme for the optimisation of its distribution network. Accordingly, 2015 witnessed an adjustment of CGD’s presence on a level of its domestic retail business which, at the end of the year, comprised 695 general branches (25 fewer than at the end of 2014) and 26 Caixa Empresas corporate offices (1 fewer), to a total of 721 business units and 43 self-service branches.

Notwithstanding this reduction, Caixa’s continues to have the only branch office network with a physical presence in all municipal districts nationwide and which continues to focus on positive differentiation in its customers’ experience and commercial dynamics, by expanding its dedicated management services to cover more than 1 million individual and 41,300 corporate customers.

Reference should be made to the implementation of the *Drive* project on the corporate office network during the course of the year, reformulating the organisation of the commercial work of account managers in the corporate segment, to help identify business opportunities and improve the level of customer service.

CGD continued to further a portfolio rationalisation/optimisation policy in the means of payment and payment services area, in 2015, with a new image on CGD cards associated with a strong communication and business promotion campaign designed to increase market profitability and differentiation, based on innovative, exclusive projects, in which Caixa remains the leader in its domestic market share of bank cards.

Resources

In the sphere of the strategic priority associated with taking-in and retaining resources which produce adequate returns, Caixa launched several savings and investment solutions on various types of products (deposits, tracker deposits, financial and capitalisation insurance and funds) and adjusted its deposits offer as part of its usual price revisions.

CGD retains leadership of customer deposits with a market share of 28.0%

Its domestic market share of customer deposits accordingly continued to be dominant in Portugal, with 28.0% in November 2015, particularly individual customers' deposits with 31.6%.

In 2015, Caixa promoted its integrated offers targeted at customers' specific needs in the form of *My Baby*, Young People, *Caixa Activa* and *Caixa Woman*.

CGD keeps pace with technological evolution with a new process for opening accounts in the university segment

In the university segment, the "New Academic Year" campaign was organised at the beginning of September, in which Caixa secured more than 45,000 new customers at its reception desks in partner schools. The account opening process, this year, was strongly marked by innovation with the use of mobile devices (iPad) to collect information on customers, photographs and legal documents. The use of cutting edge technology in reception services improved the level of assistance to students and achieved savings of more than 1 million sheets of paper and consumables, associated with around 100,000 photocopies.

Resource-taking on the domestic branch office network was up € 570 million (up 0.8%) over December 2014. This evolution derived from the positive evolution of deposits (up 0,7), 14.4% in funds and 7.8% in financial insurance. In turn, there was a 36.7% reduction in bonds.

The 10.1% decrease of resources witnessed in the corporate segment reflected a year-on-year decrease of 11.7% in deposits. Unit trust investment funds (up 14.4%) and financial insurance (up 4.4%).

Domestic branch office network dynamic in terms of resource-taking

Individual customers were responsible for a 3.4% increase in all savings products taken across the branch office network, particularly the 14.4% increase in funds, 7.9% increase in financial insurance and 3.3% increase in deposits.

In terms of the Group as a whole, the resources-taken balance (excluding the interbank market) totalled €111,074 million, i.e. up 2.8% by €3,047 million over December 2014. Contributory factors, in addition to customer deposits and covered bonds were the favourable evolution of off-balance sheet resources.

Excluding resources taken from institutional investors and CoCo bonds, the year-on-year change was €2,927 million (up 2.9%).

RESOURCES TAKEN BY CGD GROUP – BALANCES

(EUR million)

			Change 2015-12 vs 2014-12	
	2014-12	2015-12	Total	(%)
Balance sheet	**80.737**	**82.555**	**1.819**	**2.3%**
Retail	72.796	74.494	1.698	2.3%
Customer deposits	70.718	72.995	2.277	3.2%
Other customer resources	2.078	1.499	-579	-27.9%
Institutional investors	7.041	7.161	120	1.7%
EMTN	2.282	1.456	-825	-36.2%
Covered bonds	4.579	5.584	1.005	21.9%
Other	180	121	-59	-33.0%
Portuguese State - Conting. convert. bonds	900	900	0	0.0%
Off-balance sheet	**27.291**	**28.519**	**1.228**	**4.5%**
Investment funds	3.663	4.186	523	14.3%
Real estate investment funds	1.327	1.246	-81	-6.1%
Pension funds	3.172	3.414	242	7.6%
Wealth management	19.129	19.673	544	2.8%
Total	**108.027**	**111.074**	**3.047**	**2.8%**
Total (excl. inst. inv. and Portuguese state)	**100.086**	**103.013**	**2.927**	**2.9%**

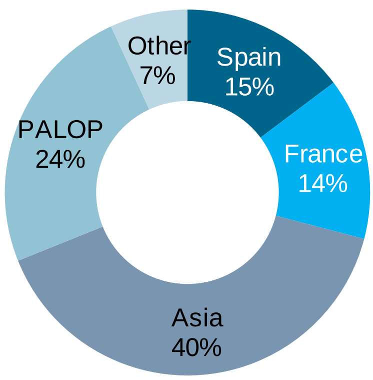
Deposits in the international area up 11.2%, particularly in the units in Asia, Africa, France and Spain

Customer deposits were up by an annual 3.2% by €2,277 million to €72,995 million.

The international area's contribution to total deposits remained highly favourable with an increase of 11.2% over 2014 to €17,035 million particularly fuelled by CGD's business units in Asia, Africa, France and Spain.

CUSTOMER DEPOSITS - INTERNATIONAL ACTIVITY

(%)



Note: PALOP – Portuguese Language Speaking African Countries

Off-balance sheet assets were up 4.5% by €1,228 million over December 2014 to €28,519 million, owing to the warm welcome afforded by customers to unit trust investment funds (up 14.3%) and pension funds (up 7.6%). The amount of assets under management was also highly favourable with a 2.8% increase of €544 million.

Credit

Strengthening its role as the driving force behind the domestic economy with a strategic focus on customer proximity, intensity of relationships and quality of service provided, Caixa took a series of steps to enhance its corporate offer, across 2015, particularly:

- Its launch of "Agrocaixa", a global financing and financial advisory solution for the primary, agro food and forestry sector;
- Launch of the EIB 2015 €300 million line of credit to back a wide range of projects, with extended maturities and price reductions based on the existence of a commercial relationship;
- Launch of Caixa 2020, a distinctive and valuable global financing and technical advisory solution, for companies to back candidatures to the Portugal 2020 Programme;
- Launch of a series of special/governmental lines of credit, particularly the *PME Crescimento* ("SME Growth") 2015, a line for Portuguese Companies with an Internationalisation Process in Angola, a line of credit to promote and reinvigorate companies and the Mezzanine Financing IFD 2015, line of credit to back the growth and internationalisation of domestic companies;
- Launch of the *Solução Taxa Fixa* ("Fixed-rate solution) providing corporate customers with a fixed indexer to guarantee the amount of their instalments across the loan maturity period;
- Launch of the *Caixa Comércio e Serviços* ("Commerce and Services") pack as an integrated banking products and services solution, including automatic payment terminals with price benefits in comparison to one-off product sales and payment of a fixed monthly charge.

Strategic focus:

- customer proximity
- strength of relationship
- quality of service

Caixa has also been strengthening its communication for the corporate segment. This comprises a series of sectorial offer campaigns, i.e. Tourism and Restaurants, Commerce and Services, Entrepreneurship and Capitalisation, Primary Sector, Industrial Sector, Exports and Internationalisation.

Improved communication in the corporate segment

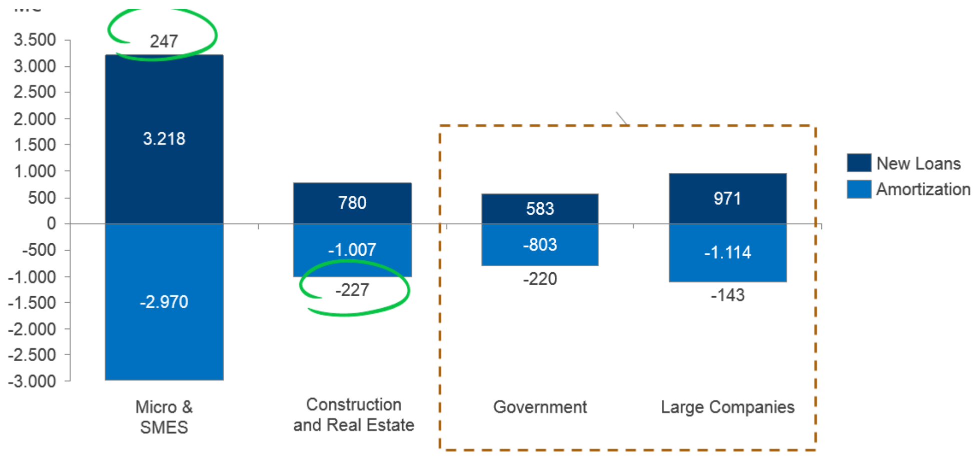
The moderate return to growth in Portugal and its main trading partners in the euro area continued to condition corporate demand for credit. Notwithstanding CGD's success in terms of its guideline strategy for financing small and medium-sized companies, as shown by the growth of new operations achieved in 2015, both by the individual and corporate networks (+15%), and corporate offices (+34%) it has still not proved possible to make up for the natural rate of portfolio repayments. There has been a 3.8% decrease in the respective balance over the end of 2014, originating from loans and advances to major companies.

CGD's level of involvement in backing the investment projects of Portuguese companies, in 2015, continued to be very high and comprehensive (micro, SME and major companies), translating into €2,629 million in loans for new medium and long term operations across the year.

New credit operations in the micro and SME segment totalled €3,218 million in 2015, €247 million in excess of repayments for the year, as opposed to the construction and real estate, government and state's business segments and major companies with a net reduction of €590 million in 2015.

NEW LOANS AND AMORTIZATION BY SEGMENT – CORPORATE LOANS (PORTUGAL)

€M



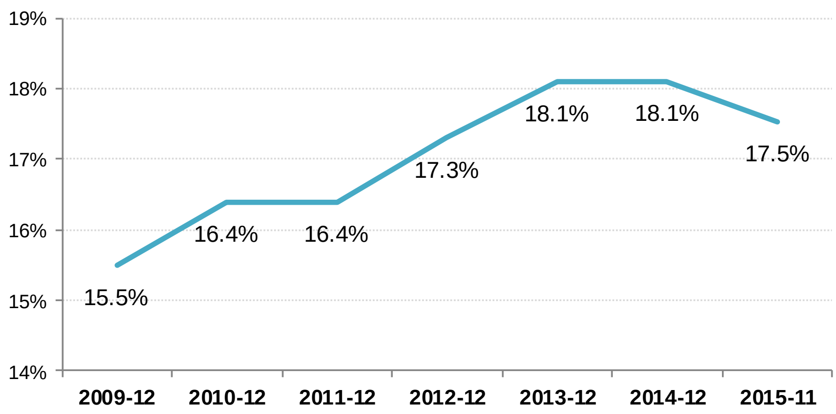
Note: Excluding cards, credit accounts, loans to branches, overdrafts and commercial paper.

Around €299.1 million of the referred to new loans were made under Crédito PME Investe/Crescimento ("SME Invest/Growth") lines of credit, to a portfolio total of €1,482 million at the end of December.

17.5% share of corporate loans market

In a context of the strong approach of the major banks operating in this segment in Portugal, CGD had a 17.5% market share of loans and advances to companies in November 2015 (18.1% at the end of 2014).

MARKET SHARE – CORPORATE LOANS (PORTUGAL)



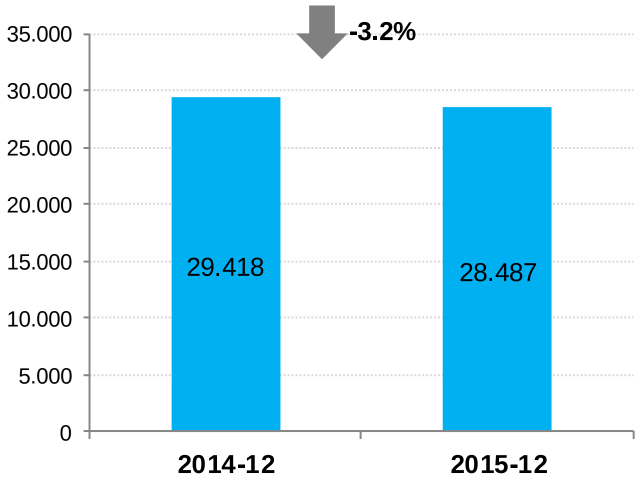
Initiatives designed to strengthen competitiveness and enhance the value of CGD's offer:

- revision of mortgage loans pricing
- improvement of fixed-rate interest indexers

In the sphere of mortgage lending to individual customers CGD continued to further initiatives designed to increase its offer's competitiveness and value, particularly as regards the revision of the pricing of its mortgage loans, adjusting them to market conditions and risk levels in addition to improving its offer of fixed-rate indexers based on the availability of new maturities and attractive rates, providing customers with greater stability in the amount of their instalments and protecting them from the impact of any hike in variable rates.

MORTGAGE CREDIT PORTFOLIO – BRANCH OFFICE NETWORK (PORTUGAL)

(EUR million)



CGD's new mortgage loans (Portugal) have been trending to growth, with a further 5,126 operations in 2015, up 93.9% by €506 million over 2014, increasing the amount of loans taken out across the year to €1,045 million. However the balance on CGD's mortgage lending portfolio was down 3.2% over the end of the preceding year to €28,487 million at the end of December 2015, owing to the fact that the volume of repayments and settlements was higher than the amount of new operations.

Consolidated loans and advances to customers (gross) were down 1.9% by €1,409 million to €71,376 million at the end of 2015, in comparison to the end of the preceding year. CGD Portugal accounted for €53,345 million, with the remaining Group units accounting for €18,030 million, representing 75% and 25% of total loans and advances to customers, respectively.

LOANS AND ADVANCES TO CUSTOMERS [(a)] (CONSOLIDATED)

(EUR million)

			Change 2015-12 vs 2014-12	
	2014-12	2015-12	Total	(%)
CGD's operations in Portugal	**55.023**	**53.345**	**-1.678**	**-3.0%**
Corporate	20.642	19.855	-787	-3.8%
General government	3.139	3.111	-27	-0.9%
Institutionals and other	768	883	115	14.9%
Individual customers	30.474	29.496	-979	-3.2%
Mortgage loans	29.418	28.487	-931	-3.2%
Other	1.056	1.008	-48	-4.5%
Other CGD Group companies	**17.762**	**18.030**	**269**	**1.5%**
Total	**72.785**	**71.376**	**-1.409**	**-1.9%**

(a) Before impairment and including loans with repurchase agreement.

Internationally, CGD Group increased its loans and advances to customers (gross) by 5.7% to €15,320 million at the end of 2015. In Asia, BNU Macau achieved an increase of €809 million (up 35.6% over 2014). In Europe, the France branch recorded the highest level of growth with an 8.1% increase of €302 million over the preceding year, followed by BCG Spain with a 7.5% increase of €219 million. The amounts achieved by the banks located in Africa were down 2.4% over the same period.

Reference should be made to the 35.6% and 8.1% growths of gross credit in BNU Macau and the France branch, respectively

Investment banking, specialized credit and asset management

Investment banking

CaixaBI reaffirmed its leading position among investment banks in Portugal in 2015

Although 2015 was yet another highly challenging year for CaixaBI, the Bank succeeded in making its mark with a good level of performance in the main domestic market investment banking operations, obtaining the recognition of its customers and partners, consolidating its leading position in the main sector rankings and winning several important international distinctions.

Project finance

In the renewable energies area in Portugal, CaixaBI was involved in financing First State's acquisition of a wind portfolio and an increase of the installed capacity of a Tecneira wind portfolio.

The economic-financial rebalancing of the municipal public service concession for the supply of water to the municipality of Cascais – "Àguas de Cascais"– including an extension to the financing agreements was completed in 2015. The "Tratolixo" restructuring financing operation was also completed.

Abroad, the Bank provided its advisory services for the structuring and organisation of finance to Sodiba for the development of a brewery in Angola, in coordination with Banco Caixa Geral Angola.

Structured finance

CaixaBI provided its advisory services for the structuring and organisation of the process for the reorganisation of the financial liabilities of Promor Group, Marques Group and Efacec Power Solutions. As regards the latter operation, the Bank was also involved in the structuring and organisation of acquisition finance for its equity shares. Financial advisory services on the disposal of a total nominal amount of around €250 million in loans were also provided to CGD's Spain branch.

CaixaBI was the arranger for the acquisition finance of several Portuguese-Brazilian investors on four share blocks for 30% of the share capital and voting rights in Brisa – Concessão Rodoviária, SGPS, S.A..

The Bank was the manager and agent for a portfolio of 107 commercial paper programmes in the SME segment, involving a global maximum nominal amount of around €315 million.

CaixaBI was also involved in restructuring the financial liabilities of the Tuinzone and Astatine photovoltaic portfolios in Spain.

Corporate finance – advisory

Reference should be made, in this segment, to CaixaBI's participation as a financial advisor in the following deals:

- Ardian: acquisition of a 50% equity stake in five Ascendi Group, SGPS, S.A. road concessions.
- Efacec: disposal of the full amount of the capital of Efacec Handling Solutions and a 65.4% equity stake in Efacec Power Solutions.
- José de Mello: disposal of a 30% equity stake in Brisa - Concessão Rodoviária.
- Springwater Capital: acquisition of GeoStar.

- Caixa Capital: disposal of a 10% equity stake in Vila Galé Hotéis.
- Parparticipadas: disposal of Banco Efisa.
- Fidelidade: economic and financial assessment of Via Directa.

CaixaBI came 1st in the M&A ranking in Portugal, according to data on operations announced in 2015 published by Bloomberg.

Corporate debt finance

Portuguese public debt continued to be a priority for CaixaBI in the sovereign debt segment, namely in the framework of its status as a specialised securities trader. Special reference should be made to the following issuances in 2015:

- Joint lead manager for the January syndicated placement of the dual tranche T-bonds 2.875% operation maturing in 2025 and 4.1% operation maturing in 2045, for the amounts of €3.5 billion and €2 billion, respectively, classified as the SSAR Bond of the Year by the International Financing Review. Reference should be made to the fact that it includes the Republic's first issuance with a maturity of 30 years since 2006.
- Co-lead manager for the syndicated placement of the previously referred to tap on the dual tranche issuance, for the amounts of €2 billion with a maturity of 10 years and €500 million with a maturity of 30 years.
- Co-lead manager for the syndicated placement of the T-bond 2.2% operation maturing in 2022 for the amount of €3 billion.

Reference should be made to CaixaBI's performance on a level of private entities' issuances:

- Joint bookrunner and joint lead manager for three of the four Eurobond issuances of Portuguese corporate issuers in 2015 (REN, EDP and Brisa) and one of the two covered bonds issuances of domestic financial institutions (CGD) to be sold on the market.
- Bookrunner and lead manager for the NOS and Hovione inaugural bond loans for sale to institutional investors in the domestic market.
- Leader for the Altri/Celbi, Sonae, Visabeira and Portucel bond loans and an institutional private sale in the Autonomous Region of the Azores.
- Global coordinator for the Mota-Engil bond issuance in a public subscription and a public share exchange offer, comprising the first operation of this type by a Portuguese corporate.
- Joint lead for the public subscriptions for Benfica SAD, Sporting SAD and FC Porto SAD bonds to be sold in the Portuguese retail market.
- Co-lead manager for the Bank of America bond issuance.

CaixaBI also organised and led 24 new commercial paper programmes for a global amount of more than €500 million.

The Bank also came 1st in the Bloomberg ranking for bookrunners of Eurobonds issued by domestic entities for the eighth time in the last nine years.

Equity capital market

Reference should be made to CaixaBI's participation in three capital market operations:

- Mota-Engil: CaixaBI was the global coordinator for the Mota-Engil SGPS share capital increase of approximately €81.6 million, completed in December 2015.

- REN: CaixaBI was joint bookrunner for the accelerated bookbuilding process on a block of 26.7 million shares held by Novo Banco, comprising 5% of the equity of REN, for a total amount of approximately €70 million.
- EDP: CaixaBI was the joint bookrunner for the disposal of an equity stake of José de Mello Energia, S.A. in EDP in the form of an accelerated bookbuilding process. The referred to equity stake consisted of a block of 73.2 million EDP shares for 2.0% of its share capital. The operation comprised a total amount of approximately €249.0 million.

In terms of Portugal's equity market, CaixaBI was the highest placed domestic financial institution in the ECM League Table for 2015, coming 3rd in the ranking.

Brokerage operations

During the course of 2015, CaixaBI was the joint bookrunner for the accelerated bookbuilding process on 2% of the share capital of EDP, 5% of the share capital of REN and around 22.5% of the share capital of Havas, in the Ecoslops and ELTEL IPOs.

Reference should also be made to the roadshows and events promoted by the Bank, in collaboration with the European Securities Network (ESN), to energise relationships with institutional customers.

Syndication and sales

CaixaBI was joint lead manager and bookrunner for the previously referred to dual tranche 10 and 30 year T-bond operations and co-lead manager for the respective tap issuance in April. As a specialist securities trader, CaixaBI was also involved in various public debt auctions in 2015.

CaixaBI was joint lead manager and bookrunner for the CGD, REN, NOS, EDP and Brisa corporate issuances, sole lead manager for the Visabeira and Hovione Group issuances and co-manager for a Bank of America issuance.

The Bank was also responsible for organising 172 commercial paper issuances for around €2,300 million.

Venture capital

Caixa Capital continued to diversify its offer in 2015, particularly focusing on expanding its indirect operational area and in funding technological area companies. Reference should, herein, be made during the year to the formation of the FCR TTA Ventures fund for financing the most promising acceleration programmes partnered by Caixa Capital. Following the Caixa Empreender Award event, the fund made twelve investment operations for a global amount of €2 million.

An amount of €303 million was invested out of total funds under management of around €605 million at the end of 2015, in the form of 96 subsidiaries/associates. 48 of the 171 investment opportunities analysed in 2015 for a total amount of €73.5 million were approved in 2015. 53 investments were made (27 new and 26 additional capital investments in portfolio subsidiaries) involving an amount of €67.1 million.

Specialised credit

Caixa Leasing e Factoring, Instituição Financeira de Crédito, S. A. (CLF) represents CGD Group for specialised credit. Its commercial performance in 2015 was highly favourable across all business segments in which it operates.

CLF with a highly favourable level of commercial performance in 2015 in all of its business segments

In the case of real estate leasing operations, CLF's sales were €108 million. Although down 7.2% over the preceding year, the 19.8% increase in the number of operations signified a reduction of the average amount per operation.

Equipment leasing sales totalled €268 million during the year, a change of 36.2% over 2014. Reference should be made to the 44.8% increase in loans for light vehicles which accounted for around 43% of the business's global sales.

Factoring accounted for €2,341 million in 2015, up 12.2% over the preceding year. This performance particularly derived from the international and confirming businesses which were up 33.3% and 75.3%, respectively.

Consumer finance was up 9.8% over 2014 to €6.6 million. Motor vehicles continued to account for the highest proportion with 99.1%, with around 61% comprising new vehicles.

The 7.1% increase in Caixa Leasing e Factoring's net assets, translated a 7.0% increase in the loans and advances to customers portfolio (net) and an increase of €23 million in the investment properties account heading based on the recovery of a commercial building being used by the Company.

A contributory factor to net income of €24.2 million, in 2015, was the €1.1 million increase in net interest income and the €40.1 million reduction in provisions and impairments account headings.

Locarent retains second place in a highly competitive market in sales and portfolio terms

Locarent, Companhia Portuguesa de Aluguer de Viaturas, S.A. is the CGD Group company that specialises in "renting" which consists of the hiring of new vehicles with an associated package of services, guaranteeing all of the management service components of the vehicles owned by corporate and individual customers.

The company's strategic positioning is based on outsourcing the operational risk and capitalising upon the banking channel as a source of prospecting for business. The product is sold across CGD's banking network under the Caixarenting logo.

Locarent operates in a highly competitive market in which it has succeeded in retaining second place both in sales (4,486 vehicles for an amount of €86.4 million in 2015) and in portfolio terms (14,379 vehicles for an amount of €219.6 million at the end of 2015), with a market share of 17%. Locarent's commercial sales, excluding the shareholders' fleet, was up 12.4% in 2015 over the preceding year.

Locarent has considerably increased its profitability, having strengthened all of its indicators, achieving its highest ever level of net income of €7.5 million in 2015 which corresponded to a contribution of €3.75 million to the consolidated net income of CGD Group.

Asset management

Renewed and growing interest of individual customers in open pension funds and unit trust investment funds

The continuous downwards trend of interest on deposits across 2015, in parallel with a change in the profile and behavioural pattern of CGD customers, fuelled greater interest in other savings solutions such as investment and pension funds.

This being the case and taking into account the strategic objective of promoting an innovative offer with adequate levels of return and risk, for the final customer and the management company, Caixa Gestão de Ativos has been taking several steps to publicise and promote its activity, products and services, both with CGD's branch office network and, in several cases, with the final customer.

In such an environment and following developments in 2014, the amount of assets under management continued to increase, albeit at a lower rate than in the preceding year, to €28,770 million, up 2% over the preceding year. This increase resulted from the already mentioned renewed and growing interest from customers in open pension funds and unit trust investment funds. Reference should also be made to the fact this occurred in the context of a visible reduction of the savings rate of individual customers.

As in the preceding year, the level of management revenues on CGD Group assets in 2015 continued to trade to positive, to an amount of €57,031 million, up 10.6%, a change comparable with that of 2014 (8.9%).

Contributing to such growth were all categories of funds under management, except for real estate funds which, both in the case of the Fundimo fund and closed-end funds, have, as yet to reflect the start of the recovery of the Portuguese real estate market slowly being witnessed.

The asset management area contributed €10.8 million to consolidated net income in 2015.

Unit trust investment funds – Caixagest

At the end of 2015, Caixagest managed 29 unit trust investment funds for an amount of €4,186 million, invested in different international financial markets.

The volume of unit trust funds under management was up 14.3% by a net amount of €523 million over the preceding year. All fund categories were up, particularly the money market funds as well as multi-active and share funds promoted by Caixagest, working closely with the branch office network and CGD's marketing services which were warmly welcomed by customers.

Notwithstanding the downwards revision of commissions charged by several funds, with the aim of providing customers with good levels of return (involving greater difficulty in the current environment of low interest rates), commissions earnings across the year were up 19%, over the preceding year to €26.8 million.

Portfolio management - Caixagest

Caixagest created a new wealth advisory service for the upper affluent segment based on a proactive, innovative proximity-based approach to CGD's branch office network and its respective customers portfolio. The proposals endeavoured to converge to CGD's customers' needs and objectives, aiming to find new external sources, which, as a policy it endeavours to pursue, as part of the current environment in the Portuguese financial system.

Commissions of €11.6 million earned from this service were up 16% over 2014.

Real estate funds – Fundger

At the end of December, the 27 real estate funds managed by Fundger were down 6.1% over the preceding year to €1,246 million, owing to the negative volume of subscriptions to the Fundimo fund, as a result of the reduced appeal of real estate investment.

As regards the closed-end funds managed by Fundger, most of which allocated to real estate development and promotion, activity, which was primarily geared to asset restructuring operations and financing structures, continued to slow.

Commissions earned by real estate funds were down 16% over the preceding year to around €12 million, as a result of the slowdown in collecting commissions in the Fundimo fund.

Pension funds - CGD Pensões

At the end of 2015, the net worth of the pension funds managed by CGD Pensões was up 8% over 2014 to €3,414 million. 2014 was a year in which significant growth had already been observed. Special reference should be made to sales of open pension funds on the individual customers' branch office network, with fresh growth of €96 million, up by around 22%.

The commissions earned by pension funds were up 40% over 2014 to €6.6 million.

International operations

In 2015, in its awareness of the international area's role in the Group's current development and the business potential existing in the geographic diversity of its international platform, CGD incentivised the links between diverse entities with the aim of leveraging their business and that of their customers based on a single international branch office network. With companies' ever more pressing needs to expand their business across borders, the international platform is a factor of differentiation in terms of CGD Group's offer for exporting companies or companies intending to internationalise their operations, in exploiting commercial flows between different geographies.

International platform is a factor of differentiation in terms of CGD Group's offe

Caixa committed to working closely with the Group's units abroad (Spain, France, Angola, Brazil, Mozambique, South Africa, China/Macau), with the objective of developing the relationship with customers with international operations in these markets and building upon foreign trade business, especially intra-Group.

Trade finance business up by more than 25%

It should be noted that Caixa Group, as the only financial institution with a presence in 6 of the 8 CPLP countries ("Portuguese Commonwealth"), excluding Portugal, after having achieved the leading position in Mozambique in 2015 also achieved a leading position in 4 of these 6 countries.

CGD's position as the main financial partner of customers resident outside Portugal continues to be one of the Group's strategic operating areas

The various promotional and business training activities, both in Portugal and in several of Caixa's priority markets, led to a more than 25% growth of the trade finance business, particularly operations for the financing of import and export flows and bank guarantees.

An amount of €41.3 million was disbursed by lines of credit for Portuguese exports, both concessionary and commercial, culminating in the negotiations to extend the periods for the use of the China and Morocco lines and Social Housing lines in Cape Verde.

Caixa's status as the main financial partner for the individual customers resident abroad segment continues to be one of the Group's strategic areas. Caixa is present in 11 of the 12 main destinations for Portuguese emigration and also provides a 24/7 dedicated telephone banking service (Caixadireta Internacional and Caixazul Internacional).

Caixa remains highly dynamic in prospecting for new customers in the residents abroad segment

Relevant migratory flows continued to be witnessed in Portugal across 2015. These pose a real challenge to the Bank's relationship with this collection of new customers resident abroad with a markedly heterogeneous profile and very diverse range of age bands and motivations who find, the answer to their demands in the segmentation and differentiated approach involved in their relationship with Caixa in Portugal.

The strengthening of Caixa's value proposal helped to boost business in this customer segment by more than 5%, accounting for more than 9% of the total resources taken from individual customers, with a positive impact on Caixa's results.

Greater involvement with multilateral institutions

In 2015, owing to the branch office network's focus on this segment, growth in the number of new customers was higher than 4% of the total number of active customers in this segment and particularly included increases in the United Kingdom, Switzerland and France.

Reference should be made to greater involvement in the sphere of the development of cooperation with multilateral institutions in terms of funding, namely the setting up of a USD 20 million line of credit by the IFC with the objective of financing the foreign exchange operations originated by CGD's customers in the said country through BCG Brasil. In terms of hedges, CGD is a member of the four main Foreign Trade Facilitation Programmes enabling commercial and political risk in countries in which CGD does not have credit limits to be assumed.

Geographies

With diverse levels of growth in line with their operating markets, the units making up CGD Group's international area have continued to pursue their objective of strengthening their position and particularly so in African countries with the aim of playing an active role in the population's and economy's use of the banking system.

Contributions to the Group's consolidated net income, in 2015, particularly included:

Macau

BNU Macau continues to develop its commercial banking activity while, at the same time, operating as one of Macau's two mints.

BNU continued to post good growth levels in terms of its business revenues

In spite of the economic climate and greater competition, BNU continued to perform well on a level of the growth of its business revenues. Particular reference should be made to the growth of around 36%, both in credit and customer resources, with the loans-to-deposits ratio remaining at 53.1%.

BNU's net interest income performed well, up 45.1% on account of the increase in business volume and the foreign exchange impact. Increased customer loyalty and higher levels of cross-selling of products contributed to the 6.2% increase in non-interest income.

The reduction of provisions on overdue credit contributed to the positive evolution of 18% in provisions and impairments.

BNU Macau's contribution of €58.8 million to CGD Group's net income was up 40.2% over the preceding year.

Over the course of 2015, BNU continued to develop new products and services, committing to innovation. This will have a highly significant impact on the development of the Bank's activity over the next few years.

Mozambique

BCI is the bank with the highest recognition factor out of Mozambique's major banks

Banco Comercial e de Investimentos (BCI) has continued to contribute towards Mozambique's social and economic development, working directly with the population to promote the development of households. Special reference should be made to its branch office network expansion policy and the strengthening of its presence in several of the main urban centres and development corridors and in its adoption of a balanced approach in its concern to cover suburban and rural zones, in which service levels are insufficient.

BCI's net assets were up 2.7% in 2015 to €2,484 million. As opposed to loans and advances to customers, which were down 3.9% by €56.4 million to €1,392 million, customer resources were slightly up over the preceding year (0.5% by €9.6 million), to €1,816 million.

Net interest income, up 3.5% to €95.4 million, was influenced by the increase in the volume of term deposits. Non-interest income was up by an expressive 38.1% to €100.3 million.

The 16.4% increase of structural costs over 2014 particularly derived from the process of organic growth with the addition of 23 branch offices (up 13.7% over December 2014) and a 22.5% increase of 553 in the total staff.

Notwithstanding the fact that the evolution of profitability was substantially affected by the foreign exchange effect, BCIM's contribution to consolidated net income totalled €19.8 million, up 26.6% by €4.2 million over 2014.

BCI is the bank with the best recognition factor out of all of Mozambique's banks, both domestically and internationally, in the eyes of diverse entities. This recognition reflects the quality of the work being performed by BCI over the last few years and the significant number of prizes won and nominations achieved by the bank in 2015.

Angola

Banco Caixa Geral Angola continued to tighten its strategic focus on the business segment in Angola during the course of 2015, working in close collaboration with the Group's other banks and overseeing Group customers' business operations, both in terms of backing investment in Angola and promoting foreign trade between Angola and the diverse geographies in which the Group is present.

In a very difficult environment, loans and advances to customers were up 4.3% and overdue credit significantly down to a year end overdue credit ratio of less than 1%. Resources were up 3.2%.

Strengthening of Group's corporative links:

- new brand
- new image

The 37.6% increase in net interest income enabled the Bank to contribute €33.9 million to the Group's net income.

The year ended with a name change for the Bank, a new brand and new image, strengthening the corporative connection with Caixa Geral de Depósitos Group while also laying the groundwork for the Bank to continue to grow and solidify its position in Angola's financial sector.

The need to accelerate the diversification of Angola's economy is considered fundamental and Caixa Angola, with its value proposal as a corporate bank geared to backing the domestic economy, aims to be a winner in this process of change, based on motivated employees, commercial dynamism, high standards of corporative management and internal control, organisational structure and enhanced means and a high level of customer service.

France

France branch's net assets were up 3.3% in 2015, driven by an 11.9% increase of loans and advances to customers. Customer resources were up 1.5% over the preceding year by €37.4 million.

France branch contributed €43.2 million to consolidated net income

Total operating income was up €15.9 million over 2014, fuelled both by the effect of net interest income (up 9.9%) and non-interest income (up 21.5%). The €8.8 million increase of net interest income is explained by the reduction of the cost of funding, the lower interest on borrowing which is regulated and fixed by the government and retail activity dynamics.

Structural costs were in line with last year's. Employee costs were down 1.5%. The increase in total operating income saw an improvement in efficiency with a cost-to-income ratio of 46.1% (down 5.5 pp) over the preceding year.

The Branch contributed €43.2 million to the Group's consolidated net income, driven both by retail and international activity, as opposed to last year's losses (deriving from impairments on GES).

Spain

BCG surpasses all of the targets set out in the restructuring plan agreed between the Group and DGComp

In Spain, Banco Caixa Geral (BCG) surpassed all of the objectives set out in the restructuring plan agreed between the Group and DGComp, ensuring the continuity of the presence of a CGD Group bank in the Spain market.

With a branch office network comprising 110 branch offices and an employee complement of 521 at the end of the year, the Bank recentred its operations, backing Spanish and Portuguese companies operating in the Iberian and foreign markets, translating into a 55% growth of lending to "cross border" companies. As a result of this policy, total lending was up for the first time since 2010, by 7.6% across the year to €3,091 million, with growth of lending to companies more than offsetting the reduction deriving from repayments of the mortgage loans portfolio.

Deposits were up 8.1% to €2,512 million, counteracting the downwards trend in Spain and enabling the loans-to-deposit ratio to remain at 123%. The requirement to meet funding needs without the Group's non-recourse funding were also met.

BCG also met the demands of the restructuring plan in terms of capital, with the existing capital and returns continuing to keep the ratios higher than requirements, permitting a continuation of business growth and meeting funding needs without net non-recourse funding from the Group.

The efficiency ratio of 46.5% was competitive with the remaining banks operating in Spain as well as being higher than the limit established in the Restructuring Plan.

Special reference should be made to the 18.8% reduction of operating costs, improving profitability and contributing €25.3 million to the Group's net income.

Net operating income before impairments of subsidiaries and branches abroad, up by a highly positive 16.8% over the preceding year

The results represented around 4.9% of the Bank's share capital, comparing adequately with the returns achieved by banking institutions' operations in Spain.

Contributions from the international area

CGD's Group's international area contributed €390.4 million to consolidated net operating income before impairments in 2015, up 16.8% over the preceding year, to around 60.1% of the Group's consolidated total operating income.

In net income terms particularly noteworthy were the highly positive performances of CGD's units in Africa and Asia, with BNU Macau increasing its contribution by 40.2% to €58.8 million and Banco Caixa Geral Angola and BCI Moçambique contributing €33.9 million (up 87.0%) and €19.8 million (up 26.6%), respectively.

Significant contribution to Group liquidity made by resource-taking in the international area

In the case of Europe the contributions made by the France branch and BCG Spain to net income also evolved favourably to €43.2 million and €25.3 million (up 25.7%), respectively.

Resource-taking from customers in the international area was up 11.3% to €17.3 billion. This made a significant contribution to the Group's liquidity as this area represents around 23.6% of the Group's resources, (up 1.8 pp over the preceding year). The main contribution was made by BNU Macau (up 35.7% by €1,537 million), followed by Banco Caixa Geral Spain (up 7.8%, by €189.2 million). Reference should also be made to the markets of Angola (up 3.2% by €46.4 million), Timor (up 50.1% by €66.8 million) and France (up 1.5% by €37.4 million).

6 – Rating

The main agencies reviewed their global ratings on the banks in 2nd quarter 2015, following the regulatory and legislative measures introduced by the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism (SRM) which significantly reduced the probability of State support to the banks.

Ratings affected by the reduction of the probability of government support for banks

Fitch Ratings accordingly downgraded its long-term issuer default rating on CGD from ‘BB+’ to ‘BB-’ on 22 May, having reaffirmed its viability rating of ‘bb-’. It also upgraded its outlook from ‘negative’ to ‘stable’.

In turn, on 11 June, as a result of the implementation of its new rating methodology on the banks, Moody’s upgraded its ‘standalone baseline credit assessment (BCA)’ rating on CGD from ‘caa1’ to ‘b3’. At the same time, it downgraded its long term rating on deposits and senior debt from ‘Ba3’ to ‘B1’, with a ‘stable’ and ‘negative’ outlook, respectively. The short term ratings on deposits and senior debt remained ‘not prime’.

Based on the change in systemic support, DBRS also put its ratings on a broad range of European banks under review on 20 May, having, however, stated that the ratings on CGD are not affected by this action as the ‘intrinsic assessment (IA)’ of ‘BBB’ (low) on the bank did not currently benefit from the ‘uplift’ deriving from state aid. On 20 November 2015, DBRS reaffirmed the long and short term ratings on CGD, of respectively, 'BBB (low) and R-2 (middle)' with 'stable' trend.

In 22 September 2015, Standard & Poor's reviewed CGD’s outlook from stable to positive. At the same time, the agency reaffirmed CGD’s long-term and short-term ratings, of 'BB-' and 'B' respectively.

Credit ratings assigned by the major agencies to CGD and the Portuguese Republic are the following:

	CGD			Portugal		
	Short Term	Long Term	Date	Short Term	Long Term	Date
Standard & Poor's	B	BB-	2015-09	B	BB+	2015-09
FitchRatings	B	BB-	2015-05	B	BB+	2015-09
Moody's	N/P	B1	2015-06	N/P	Ba1	2014-07
DBRS	R-2 (mid)	BBB (low)	2015-11	R-2 (mid)	BBB (low)	2015-11

7 – Prizes and distinctions

CGD continues to occupy a leading position as a Bank committed to investing in the future of the Country, based on a long term vision.

The recognition of Caixa's merit and sustainable performance and the commitments it continues to assume for the future, on behalf of various generations, society, the domestic economy and environment are shown by the prizes and distinctions awarded to CGD Group.

CGD continues to be a benchmark operator in the Portuguese financial sector, guaranteeing its leadership of the banking sector, with consumers in general, as the Portuguese Banking Brand with the Best Reputation, according to the Ranking Reputation Institute. These results are based on the Reptrak Pulse survey methodology of the international Reputation Institute (RI), which measures 4 corporate behavioural/sensorial vectors with stakeholders: admiration, respect, trust and esteem.

CGD continues to be the benchmark operator in the Portuguese financial sector

The Brandscore study positions CGD as: the banking brand with the highest brand recognition rating; the banking brand most associated with sustainability (social and environmental); the brand with the greatest relevance and support for companies and universities and the banking brand with the greatest support and sponsorship for musical events, culture, social and environmental responsibility.

Acknowledged by Portuguese and Superbrands specialists, Caixa has consolidated its domestic and international position and has been distinguished for the 7th consecutive time with Excellence Brand status.

CGD: Portuguese Banking Brand with the best reputation

According to Brand Finance, CGD retained a good reputational index, in 2015, with consumers in general – 64.9 points – giving it the status of the Portuguese Banking Brand with the Best Reputation.

Marketeer, in its 7th prize giving edition, rewarding the best performers in the marketing, advertising and communication areas distinguished CGD in the Banking category.

The *Caixa Plim* campaign won the silver medal from the *Clube dos Criativos* in the *Digital/Web Campaigns* category and was also recognised by *Meios & Publicidade* for its advertising format (silver), social networks (bronze) and best use of digital (silver) categories.

CGD was also the winner of the Criatividade Meios e Publicidade prizes, the Eventos prize for the Caixa Alfama festival and was awarded an honourable mention (Social Engagement) for the NOS Alive festivals. CGD was also the bronze prize-winner in the financial sector category in the sphere of the Caixa nos Festivais (Caixa at the Festivais) campaign.

Caixa was, one again recognised by the Carbon Disclosure Project (CDP) for the reduction of its carbon emissions and climate change strategy and for achieving the maximum score of 100 points for Disclosure and as a member of the Iberian Climate Disclosure Leadership Index (CDLI).

The classifications awarded by CDP are an important tool for investors and other agents with the decision-making capacity to assess the preparation of companies to meet new market demands and the robustness of their performance in terms of reducing the impacts of climate change.

In September 2015 CGD was awarded the *ACEPI Navegantes XXI* prize in the digital marketing innovation category. ACEPI (Associação Economia Digital) Navegantes XXI, awards annual prizes for the best achievements in the most varied aspects of the Digital Economy in Portugal.

CGD: Best Bank in Portugal prize

It should also be noted that, in March 2015, Caixa was awarded the Best Bank in Portugal prize from Europe Banking Awards 2014, by EMEA Finance magazine.

CaixaBI succeeded in establishing a presence, owing to its good performance in the main domestic market investment banking operations, achieving the recognition of its customers and partners, consolidating its leading position in the sector's top rankings and winning several important international distinctions.

CaixaBI: Best Investment Bank in Portugal prize

CaixaBI was also once again the winner of the Best Investment Bank in Portugal Prize from Euromoney Magazine. The same distinction was awarded in 2015 by other magazines of repute such as Global Finance and EMEA Finance.

Euronext also awarded CaixaBI its “No. 1 Corporate Bond House 2015” distinction in the Euronext Lisbon Awards.

In Mozambique, BCI won the Euromoney 2014 prize in the Social Responsibility category, deriving from the launch of the “daki” debit card product with its innovative differentiated features regarding purchases made using POS terminals which enable BCI to increase its backing for Charitable Institutions based on a percentage of the amount of the transaction, at no cost to cardholders.

8 - Consolidated accounts

Balance Sheet at 31 December 2015

(EUR million)

			Change 2015-12 vs 2014-12	
Assets	2014-12	2015-12	Total	(%)
Cash and cash equivalents with central banks	2.118	2.880	762	36.0%
Loans and advances to credit institutions	3.012	4.785	1.773	58.9%
Loans and advances to customers	66.864	65.759	-1.105	-1.7%
Securities investments	18.972	18.986	14	0.1%
Assets with repurchase agreement	1.281	1.081	-200	-15.6%
Non-current assets held for sale	804	830	26	3.2%
Investm. in subsid. and associated companies	319	277	-41	-13.0%
Intangible and tangible assets	828	754	-74	-8.9%
Current tax assets	55	37	-18	-32.4%
Deferred tax assets	1.425	1.474	49	3.4%
Other assets	4.474	4.037	-437	-9.8%
Total assets	**100.152**	**100.901**	**749**	**0.7%**
Liabilities				
Central banks' and credit institutions' resources	6.002	5.433	-569	-9.5%
Customer resources	71.134	73.426	2.292	3.2%
Financial liabilities	2.121	1.739	-383	-18.0%
Debt securities	7.174	6.700	-474	-6.6%
Provisions	842	992	151	17.9%
Subordinated liabilities	2.428	2.429	1	0.0%
Other liabilities	3.958	3.998	40	1.0%
Sub-total	**93.659**	**94.718**	**1.058**	**1.1%**
Shareholders' equity	**6.493**	**6.184**	**-309**	**-4.8%**
Total	**100.152**	**100.901**	**749**	**0.7%**

Income Statement at 31 December 2015

(EUR thousand)

	2014-12	2015-12	Change Total	Change (%)
Interest and similar income	3.339.246	2.958.069	-381.177	-11.4%
Interest and similar costs	2.350.511	1.844.421	-506.090	-21.5%
Net interest income	988.735	1.113.648	124.913	12.6%
Income from equity instruments	49.554	74.267	24.713	49.9%
Net interest inc. incl. inc. from eq. investm.	**1.038.289**	**1.187.915**	**149.626**	**14.4%**
Income from services and commissions	659.055	641.952	-17.104	-2.6%
Costs of services and commissions	144.039	130.456	-13.583	-9.4%
Commissions (net)	515.016	511.495	-3.521	-0.7%
Income from financial operations	201.657	350.011	148.354	73.6%
Other Operating Income	-16.545	-7.410	9.135	-
Non-interest income	**700.128**	**854.097**	**153.968**	**22.0%**
Total Operating Income	**1.738.417**	**2.042.012**	**303.594**	**17.5%**
Employee costs	729.580	820.041	90.461	12.4%
Other administrative expenses	487.393	466.374	-21.019	-4.3%
Depreciation and amortisation	110.690	105.896	-4.795	-4.3%
Operating costs and depreciation	1.327.663	1.392.311	64.648	4.9%
Net Operating Income before Impairments	**410.754**	**649.701**	**238.946**	**58.2%**
Provisions and impairments of other assets (net)	95.477	159.198	63.721	66.7%
Credit impairment net of reversals	854.123	557.258	-296.864	-34.8%
Provisions and impairments	**949.600**	**716.457**	**-233.143**	**-24.6%**
Income from subsidiaries held for sale	**285.935**	**-1.610**	**-287.545**	**-100.6%**
Income from associated companies	**19.396**	**47.099**	**27.703**	**142.8%**
Net Inc. before tax and non-controlling interest	**-233.515**	**-21.267**	**212.247**	**-**
Tax	**29.780**	**60.209**	**30.429**	**102.2%**
Current and deferred	-8	28.031	28.040	-
Extraordinary contrib. on the banking sector	29.788	32.178	2.390	8.0%
Consolidated net income for period	**-263.295**	**-81.477**	**181.818**	**-**
of which:				
Non-controlling interest	84.749	89.976	5.227	6.2%
Net income attrib. to CGD shareholder	**-348.044**	**-171.453**	**176.591**	**-**

Caixa Geral de Depósitos

04 February 2016

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