

# ANNUAL REPORT

2015

 CONSOLIDATED

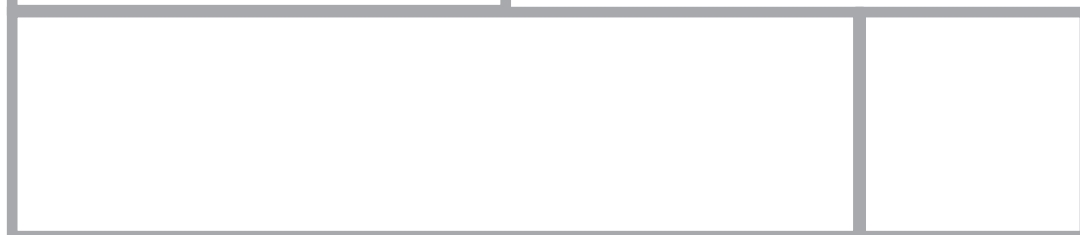
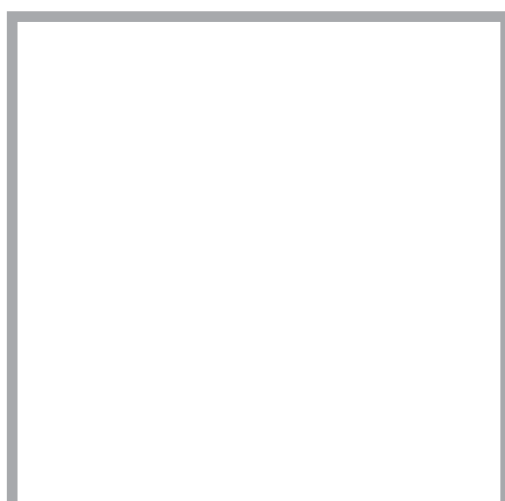


# **Executive Summary**

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Message From  
The Chairman Of  
The Supervisory  
Board

# MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD

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To the

Chairmen and Representatives of the Caixas de Crédito Agrícola,

In a scenario where banking activity continues to be affected by complex constraints (low demand for credit, difficulties of compliance by companies and individuals, new regulatory requirements and the truly anomalous situation of the reference interest rates of the market, the Euribor, being negative for all maturity periods), Crédito Agrícola once again recorded positive net income in 2015, confirming the resilience of our institutions to the adverse exogenous conditions faced by the entire sector.

As a whole, the banking system experienced a more diversified panorama in 2015 than in recent years when the institutions in general presented enormous losses, so it is to our relief and pleasure that some of the largest national banking institutions have returned to show profit, which is naturally good for the stability of the financial system. However, in some case the recorded net income is still clearly slender for their size, while others continue to exhibit negative figures of net income, implying six consecutive years of significant losses. Moreover, as is well known, in certain institutions the profits gained from their activity abroad have contributed to offset the squeezing of profits, or even losses, of the business in Portugal. Concerning the events taking place in the banking system as a whole in Portugal during 2015, special note should also be made of the collapse of yet another institution, BANIF, once again with a considerable impact on the public treasury.

We can thus state that Crédito Agrícola, with the stability that it has portrayed and its uninterrupted trend of positive net income in all years, albeit lower than what we would wish, continues to stand out in a very positive manner within the national banking sector.

The Group's good performance during this last year was decisively influenced by the Caixas Agrícolas, whose total net income, of close to 50 million euros, represents a considerable improvement in relation to the previous year, when the overall net income of the Caixas was negative.

I wish to greatly congratulate the Caixas Agrícolas that, even in a markedly adverse business environment, achieved an excellent performance, and especially those that showed profits in 2015, after a period of

losses. However, it should also be noted that a small number of Caixas continue with significant losses in view of their size, portraying rather unbalanced operating conditions. In some of these Caixas the losses have been recorded year after year, suggesting structural problems that must be attacked and resolved with determination through the definition, and prompt and effective implementation, of specific plans for their regeneration.

In turn, Caixa Central recorded positive net income of around 5 million euros in 2015, clearly lower than the profit achieved in 2014, of around 37 million euros, which, however, benefited from particularly favourable circumstances in the financial markets, which the institution was able to use to its advantage, through its dynamic treasury management. In relation to 2015, the net interest income of Caixa Central was affected by the fact that the remuneration of the surplus liquidity of the Caixas, in spite of being adjusted downwards on various occasions throughout the year, was maintained above the prevailing remuneration in the markets (which, as a consequence of the current monetary policy, fell to historically low levels, and even became negative), without this situation being able to be offset by financial gains in the investment portfolio, as had happened in the previous year. Nevertheless, the net income of Caixa Central in 2015 also reflects the recognition of very significant capital losses in real estate assets acquired via credit recovery, in particular those incorporated in specialised vehicles, such as the CA-Imobiliário Investment Fund.

A factor that contributed in a very direct manner to the important improvement of the net income of the Caixas in 2015 was the containment exercised in the remuneration of deposits. This containment was fully justified in view of the comfortable liquidity margin enjoyed by the Group, which did not prevent deposits from showing significant growth, of over 3% in comparison to the levels of 2014, demonstrating the confidence entrusted by the associates and customers in general in our institution. This is even more expressive when considering the already significant value, of over 2 thousand million euros, invested in off-balance sheet items (capitalisation insurance and investment funds).

The evolution recorded in credit to customers should also be highlighted in the Group's good performance in 2015, where Crédito Agrícola, with an increase of 3.4%, was, among the main institutions operating in Portugal, the only one which managed to grow in this crucial variable of the business. For credit to companies, our Group even achieved growth of approximately 5.1%, which is remarkable considering the current state of the economy and market, when the sector as a whole experienced a contraction of 5.0%. The commercial effort in this area must be continued, as Crédito Agrícola, with its robust solvency and comfortable liquidity, has excellent conditions to assure a healthy expansion of the

credit portfolio, although this advantage should be accompanied by commercial proactiveness, in order to achieve the desired growth.

On the one hand, with respect to default in the portfolio, Crédito Agrícola currently shows an overdue credit ratio in line with the market average, and below the ratios of various other reference institutions, whose default levels have risen significantly with the impact of the economic and financial crisis. On the other hand, concerning the existing provisions for overdue credit, Crédito Agrícola has coverage levels which surpass those of most institutions, indeed with the rather unusually comfortable situation, in our case, of the provisions constituted for the credit portfolio being considerably more than the value of the impairments. Nonetheless, it should be taken into account that there are very different situations among the CCAM, some of which have clearly excessive credit default levels, indicating flaws in the appraisal and management of risk, which require the urgent adoption of corrective measures of readjustment.

With regard to companies, we highlight the good performance in the insurance area, with CA Vida showing net income of almost 7 million euros, and CA Seguros with over 10 million euros. The insurance activity at Crédito Agrícola is currently recognised as a success case, with the banking-insurance model that we have adopted being a particularly well achieved example of articulation of the banking and insurance areas. We also have a great opportunities for growth in the insurance business by making the most of the virtues of this distribution model. In order for us to take further steps in this direction, it is necessary for the Caixas, in general and especially those (already few) which have remained quieter in the insurance business, to concentrate on this mission with more ambition. At the present moment, the insurance activity is already providing a very important contribution to the operating income of many Caixas Agrícolas, with the increased commissions received, which reached more than 28 million euros in the year, having been one of the factors underlying the good performance of the Caixas in 2015. However, the contribution of these commissions to the operating income of the CCAM can still increase significantly.

In view of the relevance of the insurance activity in the Group today, it was decided that a specialised holding should be incorporated to coordinate the activity in this area and make the most of synergies, without hindering the technical autonomy that the insures, inclusively for regulatory reasons of their activity, must maintain. This holding, which was named Crédito Agrícola Seguros e Pensões, SGPS, congregates, as the Caixas were informed at that time, the holdings of CA SGPS in CA Vida and CA Seguros, and the holdings of CA Seguros in CA Vida. Most of the Caixas that are shareholders of these insurers also transferred a large part of their shares to this holding. This operation enabled the Caixas as a whole to achieve capital gains of close to 20 million euros in the transfer of shares to Crédito Agrícola



Seguros e Pensões, SGPS, with this amount naturally being included in the net income of the Caixas as a whole mentioned above (but which does not influence the consolidated net income of the Group)<sup>1</sup>.

Also concerning the insurance area, particular note should be made of the distinction attributed to CA Seguros by the magazine "Exame" as the best insurer in the real branches in its size segment, a distinction awarded for the 5th time, and which has also contemplated CA Vida for the life branch. In a personal capacity and as Chairman of the General and Supervisory Board, I congratulate CA Seguros, its Board of Directors and all other governing bodies, and its entire team of employees, for once again yet another award, which testifies to the quality of the company, clearly reflected in the figures of its economic and financial performance.

In the area of asset and investment fund management industry, entrusted to CA Gest, a more more profit was achieved, of around half a million euros. This activity was in fact affected in mid-year by the retraction of investors in amounts placed in investment funds, which occurred in the market in general.

In the case of CA Imóveis, an instrumental company for the management of the real estate acquired during credit recovery and simplification of its divestment, the net income was negative by around 5 million euros, continuing to reflect the circumstances of the real estate sector and the depreciation of assets in portfolio in relation to their value at the time they were acquired by the company.

In the area of technology and information systems, we highlight the extremely balanced operation both of CA Informática and especially CA Serviços, and even more importantly, the improvement in response times and in the project implementation capacity which has been confirmed over these last few years.

I would like to make special reference to the excellent performance of Group in commercial terms during this last year, which is, indeed, a sign of the evolution in the credit portfolio alluded to above, but where particular note should also be made of the strong growth of production of both the real and life insurance branches (in the risk component). In all truth, it would not be an exaggeration to say, as I have actually heard, that Crédito Agrícola had its best commercial year ever in 2015, with the Caixas, Caixa Central and companies having shown a very positive response to the challenge that was posed aimed at business growth. This performance was largely influenced by the new commercial approach embarked on at full strength by the Group during 2014, in a context of the reorganisation and restructuring of Caixa Central and improvement of its coordination with the companies. As it is known, the new direction was thus based on the integrated offer of products and services covering all areas of the business (banking,

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<sup>1</sup> CA Seguros and CA SGPS also recorded capital gains in this operation.

insurance and asset/investment fund management), with definition of priority segments and classification of the preferential offer for each segment, establishing grids of precise objectives and goals for all business units. This new model has progressively proved to be very fruitful, and suggests that the combination of the Group's traditional strengths, such as proximity and deep roots in local communities, with the new more dynamic direction of the business, is likely to provide us with a considerable competitive edge.

The current times we are experiencing have been characterised by a considerable increase of normative and regulatory obligations, which apart from creating higher own fund requirements are also reflected in reporting of growing complexity, the preparation of which exerts enormous pressure on the information systems of banks and their central services. These measures represent a considerable alteration of the regulatory framework, leading to significant compliance costs for institutions, which have also seen their revenue squeezed by restrictions imposed in terms of behavioural supervision. All this naturally penalises the profitability of banks, in circumstances where banks are already heavily adversely affected by the sluggishness of the economy.

The new regulatory requirements have also encompassed the actual governance of our institutions, involving a much more complex process of registration and qualification of senior staff at the regulator, to which, however, Crédito Agrícola is providing a suitable response which should lead to an elevation of the level of professionalism in the management of our Caixas.

In relation to supervision issues, I would like to raise the awareness, especially among our colleagues, on the topic of anti-money laundering and terrorist financing, where, taking precautions in defence of the good name of Crédito Agrícola, we must always be very strict, due to the current acuteness of the matter and the great scrutiny to which it is subject.

As 2015 coincides with the end of the last term of office, I cannot fail to leave a note of mention in this message of my very positive appreciation of the action of the Executive Board of Directors of Caixa Central, which, under the leadership of its Chairman, Eng. Licínio Pina, launched and implemented, with vision and great determination, the process of reorganisation and restructuring of Caixa Central, accomplishing the transformations that were long felt as indispensable, having been studied from various angles over the years, but which had never been carried out. Today, we have a Caixa Central that is more flexible and operative, rejuvenated in its key positions, with a streamlined permanent staff (a process that is indeed still underway) and functioning in articulation with the Group's companies in a way never achieved before in the past. It can thus be concluded that Crédito Agrícola was right in having decided to entrust the leadership of the executive board of directors of its top institution to an in-house person, of

Crédito Agrícola itself, placing a full stop to the past practice of contracting renowned external personalities who, while highly reputed, had no effective knowledge of the Group and its were foreign to its culture. The same practice of attributing the management responsibilities to people with a long career at Crédito Agrícola has been followed at the insurers and in other companies of the Group, also with excellent results.

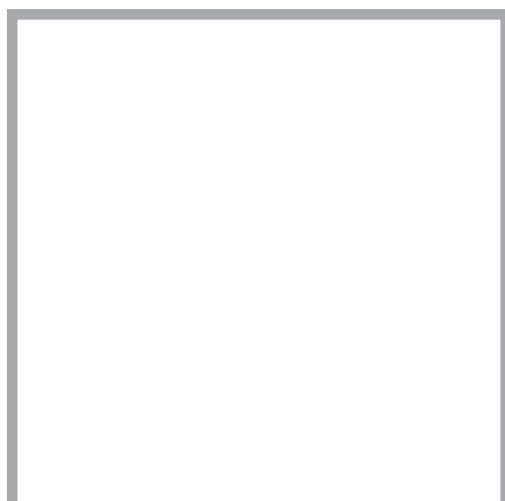
Dear colleagues and friends,

The positive evolution and stability of Crédito Agrícola throughout these years of economic and financial crisis, a unique case in the scenario of the Portuguese financial system, is naturally a motive of great satisfaction. But we cannot allow ourselves to sink into an attitude of comfortable complacency and immobility, thinking that everything is fine and nothing needs to change. Actually, the challenge ahead of us are thoroughly complex. The banking business is undergoing profound transformations, and we must bolster our capacity in time to meet these challenges. Therefore, we must, as leaders, maintain great openness of spirit and willingness to undertake the necessary changes, so that Crédito Agrícola can continue to assert its standing as a reference institution of growing relevance in our financial system. Crédito Agrícola has always shown, in the past, throughout its history, the necessary wisdom and determination to overcome the challenges it has faced, and will also overcome the challenges of present times. This is my profound conviction.

Lisbon, 29 April 2016

The Chairman of the General and Supervisory Board





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Key Indicators of  
The Group and  
SICAM

# KEY INDICATORS OF THE GROUP

## Evolution of GCA

Values in million euros

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012 Dec.	2013 Dec.	2014 Dec.	2015 Dec.
Customer Funds <i>(on and off-balance sheet)</i>	9,282	9,832	10,406	11,048	10,910	10,923	11,390	11,735	12,616	13,184
deposits	8,637	9,122	9,528	9,965	9,939	9,821	10,113	10,123	10,537	10,910
capitalisation funds and insurance	645	710	878	1,083	971	1,102	1,277	1,612	2,079	2,274
Gross Credits to Customers	6,901	7,389	8,300	8,781	8,534	8,507	8,301	8,136	8,099	8,373
Net Credit to Customers	6,620	7,109	7,926	8,366	8,041	7,914	7,660	7,472	7,261	7,555
Net Assets	10,601	11,180	12,122	12,948	14,224	14,241	15,113	14,621	15,051	14,936
Net Worth	765	887	987	1,075	1,108	1,142	1,100	1,141	1,211	1,205
Net Interest Income	375	405	425	341	335	381	367	307	307	310
Net Commissioning	85	76	81	82	93	97	102	101	101	98
Insurance Technical Margin	142	114	14	9	5	10	-4	-9	-21	20
Operating Income	581	611	537	457	478	505	493	486	577	515
Net Income	89	120	121	52	36	55	45	-3	27	54
Ratio of Credit Overdue > 90 days*	4.0%	3.4%	3.8%	4.1%	4.9%	5.8%	6.8%	7.7%	8.0%	7.8%
Ratio of Coverage of Overdue Credit - %	113.6%	108.9%	136.0%	127.4%	127.8%	119.8%	114.2%	121.0%	122.9%	122.5%
Core Tier 1 - GCA - % a)	11.6%	11.6%	12.2%	12.1%	12.7%	12.5%	11.6%	11.9%	n.a.	n.a.
Common equity tier 1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	13.1%	13.1%
Tier 1 - GCA - % a)	11.6%	11.5%	12.0%	11.8%	12.5%	12.3%	11.1%	11.4%	13.1%	13.1%
Total Solvency Ratio - GCA - % a)	14.4%	14.4%	13.3%	12.7%	13.4%	12.7%	10.9%	10.8%	13.1%	13.5%
Efficiency Ratio - GCA - %	45.5%	46.4%	56.8%	68.8%	68.3%	65.4%	67.0%	68.2%	57.5%	63.8%
Return on Equity (ROE) - %	11.6%	13.5%	12.2%	4.9%	3.2%	4.8%	4.1%	-0.3%	2.2%	4.5%
Return on Assets (ROA) - %	0.8%	1.1%	1.0%	0.4%	0.2%	0.4%	0.3%	0.0%	0.2%	0.4%
Number of employees b)	4,114	4,204	4,326	4,392	4,365	4,335	4,296	4,212	4,158	4,121

Notes:

The values for 2010 were calculated in accordance with the standards approved by the European Union, enforced from 1 January 2010 onwards; the values for 2009 and 2008 were restated for purposes of comparability

The values for 2006 are pro-forma (readjusted pursuant to the NCA, enforced from 1 January 2007 onwards)

a) The ratios for 2006 were calculated pursuant to PCSB rules, 2007 in NCAs, and NICs for 2008 onwards. From March 2008 onwards, pursuant to Basel II criteria. The value for 2014 corresponds to common equity tier 1 - phased in

(\*) The values relative to 2006-2011 refer to SICAM

b) Employees with open-ended/indeterminate employment contracts and with fixed/non-fixed term contracts (positions at year end).

# KEY INDICATORS OF THE BANKING BUSINESS (SICAM)

## Evolution of Banking Business

	Values in million euros									
	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Dec.	2011 Dec.	2012 Dec.	2013 Dec.	2014 Dec.	2015 Dec.
Customer Funds	8,671	9,158	9,613	10,070	9,989	9,884	10,178	10,210	10,620	10,970
Gross Credits to Customers	7,464	7,467	8,373	8,859	8,606	8,587	8,365	8,199	8,147	8,430
Net Credit to Customers	6,685	7,120	7,945	8,392	8,069	7,988	7,717	7,310	7,310	7,578
Net Assets	10,044	10,566	11,447	12,097	13,213	13,027	13,747	12,969	13,267	13,060
Net Worth	828	874	979	1,000	1,026	1,054	1,098	1,106	1,168	1,173
Net Interest Income	352	387	403	315	306	342	318	251	248	245
Net Commissioning	74	76	87	91	110	116	130	132	129	130
Operating Income	424	486	513	424	445	472	465	473	554	503
Net Income	96	113	121	42	36	47	41	2	25	56
Loan-to-Deposit Ratio - % a)	77.1%	77.7%	82.7%	83.3%	80.8%	80.8%	75.8%	71.6%	68.8%	69.1%
Efficiency Ratio - SICAM - %	58.4%	54.1%	55.5%	69.4%	67.1%	64.7%	65.3%	64.0%	54.2%	59.8%
Return on Equity (ROE) - %	11.5%	13.0%	12.4%	4.2%	3.5%	4.5%	3.8%	0.1%	2.1%	4.8%
Return on Assets (ROA) - %	1.0%	1.1%	1.1%	0.3%	0.3%	0.4%	0.3%	0.01%	0.2%	0.4%
Leverage Ratio	12.1	12.1	11.7	12.1	12.9	12.4	12.5	11.7	11.4	11.1
Number of CCAM	105	100	92	88	85	84	84	83	82	82
Number of Branches (Total of SICAM) b)	632	647	670	680	689	686	686	683	683	675
Average Net Assets by CCAM c)	91,648	102,500	116,924	127,626	132,375	133,162	140,695	159,839	161,788	159,266
Average Number of Branches/CCAM d)	6.0	6.4	7.2	7.6	8.0	8.0	8.0	8.1	8.2	8.1
Number of employees e)	3,690	3,755	3,854	3,907	3,878	3,845	3,832	3,760	3,706	3,674

Note:

The values for 2011 were restated for purposes of comparability

a) Calculated as net credit divided by funds pursuant to Banco de Portugal Instruction 23/2011

b) Includes Caixa Central branches

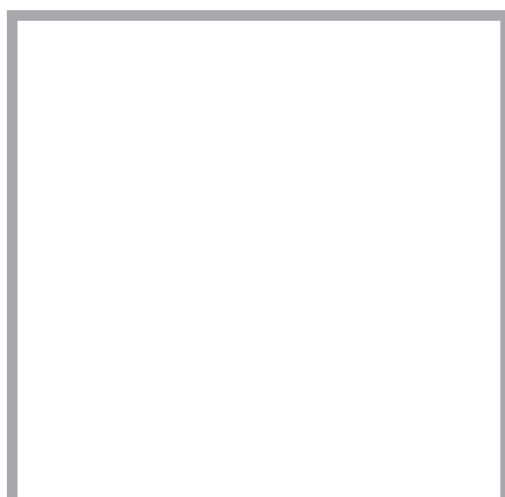
c) In thousand euros

d) Only branches of the Associated Caixas (SICAM)

e) Employees with open-ended/indeterminate employment contracts and with fixed/non-fixed term contracts (positions at year end).







Presentation of  
the Report

# PRESENTATION OF THE REPORT

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## Economic environment

Following the Economic and Financial Assistance Programme (PAEF) in Portugal, completed with a 'clean exit' process on 17 May 2014, it has been progressively recognised that sustainable economic growth can only be possible if, simultaneously, the public finance system is driven by an ongoing effort of budgetary consolidation and the banking system is capitalised and prepared to

face the challenges imposed by Basel III and the Banking Union based on the growing role of the Central European Bank (ECB) which, supported by Banco de Portugal, is responsible for supervising the banking system in Portugal.

After a cycle of economic depression, 2015 witnessed renewed strength in the rate of recovery of the national economy, perceived in 1.6% growth of gross domestic product (GDP) (i.e. +0.7 p.p. above that recorded in 2014), derived from the gradual adjustment of the balances of the different economic agents, public and private, in the wake of the international financial crisis, the sovereign debt crisis in the euro zone and the slowdown of the main economies of the emerging countries. The favourable conditions of external financing, reflecting the broad series of expansionary policy measures of the ECB, were not unrelated to this performance and have constituted a window of opportunity to guide public policies towards enhancing the resilience of the Portuguese economy to overcome adverse external shocks.

In contrast with the past, 2015 confirmed the trends of transfer of productive resources to the sectors of the economy most exposed to international competition (benefiting from the depreciation of the effective exchange rate of the euro) and reinforcement of investment levels, reflecting postponed decisions during the recession period (embodied in the restoration of equilibrium levels in gross fixed capital formation and in stocks of durable goods). In turn, domestic demand was marked by a recovery derived from the positive evolution of the consumer confidence index (essentially explained by the stabilisation of the situation in the labour market, by the decline of the price of fuel and by the lower interest rates), albeit still constrained by the process of deleveraging of the economy in general and households in particular.



**Chairman of the General and Supervisory Board**  
*Carlos Courelas*

## New legal framework

Decree-Law 157/2014 of 24 October amended the Legal Framework of Credit Institutions and Financial Companies, in particular with respect to the policy of assessment of members of the management and supervision bodies and senior staff in key positions. For this reason, Caixa Central started to define Internal Governance policies and rules with a view to meeting the higher requirements in the criteria for appraisal of the adequacy of these persons, pursuant to the law.

Taking into account the time-frame of the terms of office of most of the Associated Caixas, an internal policy was approved and implemented in 2015 for selection and assessment (PISAA) as well as a single assessment model (MUA) for the entire SICAM with the active participation of Caixa Central in 66 commissions, which gave rise to 52 opinions on the application of registration at Banco de Portugal and 43 reports for the respective electoral General Meetings of December. Complementing the above, guidelines were established for the policy of remuneration of members (executive and non-executive) of all the governing bodies, with the desired harmonisation of this remuneration policy having started with the management and supervision bodies.

## Financial performance of the Group

Grupo Crédito Agrícola presented a consolidated net income of 54.1 million euros for the financial year of 2015, continuing to show comfortable liquidity and solvency levels. This performance was primarily influenced by the net income of the banking business which grew by around 130% in relation to 2014, as well as the insurance activity, whose technical margin represented a positive contribution of 20 million euros.

The portfolio of gross credit to customers reached 8.4 thousand million euros, corresponding to growth of 3.4% in relation to 2014, counter-cyclically with the market which, overall, declined by 4.2%<sup>2</sup>, which implied a reinforcement of the market share of Grupo Crédito Agrícola to 4.2% of the credit granted in Portugal.

Credit to companies and the administrative public sector presents a relative weight above 50% in the credit portfolio, with notable growth of 5.1% having been recorded in relation to 2014.

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<sup>2</sup>Source: Statistical Bulletin of the 4th quarter of 2015 – Bank Loans and Deposits (BdP/ECB).

Total customer funds reached 13.2 thousand million euros, due to the year-on-year growth of 4.3%, distributed over deposits which increased by 3.3%, investment funds which increased by 9.1% and capitalisation insurance which increased by 9.4% in relation to the value recorded at the end of 2014.

Operating income fell by 10.6% to 515 million euros, largely on account of the decline of net trading income (-101.5 million euros), as net interest income and the technical margin of the insurance activity presented positive contributions of 2.7 million euros and 41.2 million euros, respectively. Net commissions decreased slightly by 2.3%, having reached 98.3 million euros.

In 2015, the Group's structural costs, including non-recurring effects derived from the Group's reorganisation process, recorded a year-on-year reduction of 0.8% corresponding to a decrease of 2.7 million euros in absolute terms.

Concerning the quality of the credit portfolio of Grupo Crédito Agrícola, the ratio of credit overdue by more than 90 days fell to 7.8% (-0.2 p.p. than in 2014), the ratio of credit at risk decreased to 11.2% (-0.6 p.p. than in 2014) and the ratio of coverage of overdue credit stood at 122.5% (-0.4 p.p. than in 2014).

Grupo Crédito Agrícola's own funds reached 1,145 million euros (+97 million euros in relation to the same period of the previous year), corresponding to growth of 9.2%. Own fund requirements to cover credit and operating risks increased as a whole by 6,1% in relation to 2014.

In this context, the common tier 1 and total solvency ratios calculated for 2015 based on application of the transitional provisions (phased-in) and full application (fully implemented) of the rules established in Regulation (EU) 575/2013, are comfortably above the regulatory minimum stipulated by Banco de Portugal.

During 2015, in a context of widespread reduction of lending activity in Portugal and the continued reduction of interest rates and inflation, it should be highlighted that the 16 Associated Caixas with recovery plans for net operating income agreed with Caixa Central recorded favourable progress, with 4 of them having terminated their specific supervisory process.

## Corporate simplification

Under the strategic plan for the three-year period 2013-2015, the holdings in funds and other non-strategic assets or available for sale previously held by Caixa Central, namely its participated company CCCAM Gestão de Investimentos, Lda., were concentrated in Crédito Agrícola SGPS (CA SGPS). In the meantime, Crédito Agrícola Finance, Gestão de Activos (IFI), S.A. with head office in Cape Verde and without activity since its transformation, held by CCCAM Gestão de Investimentos, has been wound up.

Under CA SGPS and CCCAM Gestão de Investimentos, minority stakes are held in legal entities which are not part of Grupo Crédito Agrícola, with their monitoring being ongoing up to their liquidation or divestment.

In order to accentuate the features of this banking and insurance group and with prior agreement of the Insurance and Pension Fund Supervision Authority, CA Seguros e Pensões SGPS (CA SeP) was incorporated at the end of 2015. This holding is dedicated to the area of insurance and pensions, where, apart from concentrating the holdings of CA Seguros and CA Vida and simplifying the processes inherent to the management of the activity, this also permitted including CA Vida and CA SeP itself in the consolidation perimeter for tax purposes, which already includes Crédito Agrícola SGPS and the Group's participated companies in which the Group directly holds more than 75% of the capital.

## Organisational and technological development projects

In the context of the planned activity to develop information systems and technologies, during 2015 and in close collaboration with the business and supporting areas, 69 structural projects and 298 microprojects were completed, which respectively accounted for a total of 115,480 and 21,637 dedicated hours, equivalent to about half the information technology development capacity of the in-house teams and external reinforcement of capacity provided by personnel outside the CA Group.

The strong increase of the ratios of overdue credit in the Portuguese financial system and that were also experienced at Crédito Agrícola, stemming from the financial crisis of 2008, led the Group to invest in the adjustment of its human, organisational and technological resources so as to enable monitoring the non-performing credit. In this context, apart from the updating of the Group's regulations, Caixa Central with the support of CA Serviços has progressively enhanced the levels of integration, automation and production of information based on operating tools for granting credit (analysis, concession and accounting), monitoring exposure to risk (from the very first indications of default) and credit recovery

(both in and out of court). By the end of 2015, the current levels of use of these tools by the Associated Caixas was above 90% for the Group's entire series of technological tools mentioned above.

Concerning the Group's risk management, improvements were implemented in the credit impairment model, through the validation, review and recalculation of the risk parameters used, and introduction of new variables and indicators.

With a view to contributing to ensuring the adequacy of customer relations strategies in a commercial perspective and relative to the management of limits and charging, firms steps were taken in the programme of implementation of scoring and behavioural models. Furthermore, the implementation of a model was completed, which consisted of an initial approach of allocation of regulatory capital and impairment to existing and future credit operations (enabling simulation of the cost of the risk for optimisation of the application of the pricing policy, notwithstanding the necessary substantiated analysis prior to taking decisions).

Together with the business areas, the "Risk" and "Market" modules were developed in the Business Information Portal (PIN) and training was carried out aimed at disseminating the knowledge derived from (i) the analysis of information on monitoring, quality, concentration and recovery of the credit portfolios; and (ii) the competitive analysis of the banking business in the geographic markets in which the Group operates, respectively.

With the objective of diversifying the customer base and simplifying the increasingly more complex process of opening an account, the "CA Express" solution was launched at all the Group's branches. This solution aims to ensure the rapid opening of accounts and registration of customers, while enabling appropriate compliance with the internal regulatory and information requirements, which constitute the technological basis for the transformation of the operating processes for subscription of products and services of the CA Group, fostering the simplification and electronic recording of business processes.

In order to build the Group's capability to face the challenges inherent to a particularly demanding segment and enhance the service level and relations with companies with suitable risk levels, steps were taken towards the creation and capacity-building of the "company customer manager" figure at the Associated Caixas. The Associated Caixas, being inserted in markets with business potential, had not yet been sufficiently well organised or endowed to offer a more qualified or proactive response to the needs of SMEs.

In an attempt to foster a more proactive approach among the employees with commercial duties, by freeing up their time, the Group followed through with a series of initiatives to simplify the sale process integrating technological solutions. Supplementary to the above, initiatives were completed aimed at improving processes and applications supporting the commercial activity and multi-channel activity (e.g. IGC, CA GPS, ISM, CA Mobile Companies).

The year of 2015 was also marked by the start-up of the management of Crédito Agrícola's official presence in the social networks (*facebook, youtube, instagram, linkedin*).

The implementation of an analytical accounting tool was completed in 2015. This tool shall enable, in the short term, simulating the pricing and costing of the services provided by Caixa Central and CA Serviços / CA Informática to the Caixas Agrícolas and companies of the Group, which should permit the evolution, during these next coming years, of the organisational model of the Group's central structure, in coordination with the strategy, vision and legal system of Crédito Agrícola.

In 2015, Caixa Central with the support of CA Imóveis continued the Group's strategy of real estate divestment, with particular focus on the: (i) commercial area, involving Associated Caixas and potential investors (e.g. via Internet portal, CA direct line, national and local real estate agents, real estate shows and exhibitions, presentation to institutional investors); and (ii) operational area (e.g. support to decision-making, support in the development of projects aimed at preparing assets for sale, improvement of assets for sale, improvement of the information systems supporting the management and maintenance of real estate assets). The number of real estate properties divested in 2015, excluding sales to specialised vehicles of the Group, reached 761 (i.e. 63 more properties than in the previous year). This outcome is indicative of some recovery of the real estate market in Portugal as well as a greater involvement and effort of classification and sale of properties by the Group.

An operation is at a final stage for the sale of credit written off from the assets of the value of around 160 million euros. Being a first experience, the intention is to promote similar operations in the future, including credit under recovery that has not been written off.

The growing competitive and regulatory pressure has kept the Group attentive to issues concerning efficiency and cost containment. In this context, the Group's Procurement Portal consolidated an average of 100 monthly requisitions which is on an upward trend with the progressive availability of product and service procurement categories and advantages in terms of economies of costs, control of consumption and management of suppliers.

In the area of banking security, the implementation of the alarm reception station of Crédito Agrícola was followed up and completed. Concerning the management and remodelling of buildings, projects have been prepared for the CCAM of Serra da Estrela, Arruda dos Vinhos, Coruche, Caldas da Rainha, Óbidos and Peniche, with Caixa Central having supervised the works in the last two locations.

The process of reorganisation of the Bloom Building was also supervised, which included the transfer of CA Vida and CA Gest to this site, as well as the process of moving out of the Building on Av. da República, which has been leased in the meantime with a purchase option for the tenant.

A programme has been developed since 2014 aimed at increasing the coverage of processes, risks and controls primarily involving the areas of systems and means of payment, customer management (retail and companies) and account management.

Follow-up has been given to the migration of international means of payment to the central system with the consequent release of employees for other activities or to situations of early retirement, with benefits in terms of management of information and efficiency.

In the prevention of money laundering and financing of terrorism, a tool has been implemented to control transactions with components for detection of cases, issue of warnings and provision of historical information, and training has been ministered to the commercial network and compliance monitors, as supplementary to the operationalised tools and processes.

The recording and management of detected constraints have been followed up in the context of the internal control system, proposed mitigation/resolution measures, monitoring of the implementation of the proposed action measures and response to the information needs of the supervisory entities.

## Market recognition

In terms of recognition, Crédito Agrícola was considered by the British magazine *The Banker*, in its study "Top 1000 World Banks", the third most solid bank operating in Portugal and the first of exclusively national capital.

CA Seguros, the non-life insurer of Grupo Crédito Agrícola, was elected for the fifth time as the Best Non-Life Insurer of its segment (study conducted by the magazine EXAME in partnership with Deloitte and Informa D&B). Regarding asset management, the Fundo de Investimento Mobiliário Aberto de Obrigações



CA Rendimento was distinguished with the "National Management of Collective Investment Bodies" award in the "Indexed Rate Bond Funds" (APFIPP/DE) category. CA Monetário, in its category and in the context of the Portuguese Association of Investment Funds, Pensions and Assets (APFIPP), was the most profitable fund in the "Euro Monetary Market Funds" class for the sixth consecutive year.

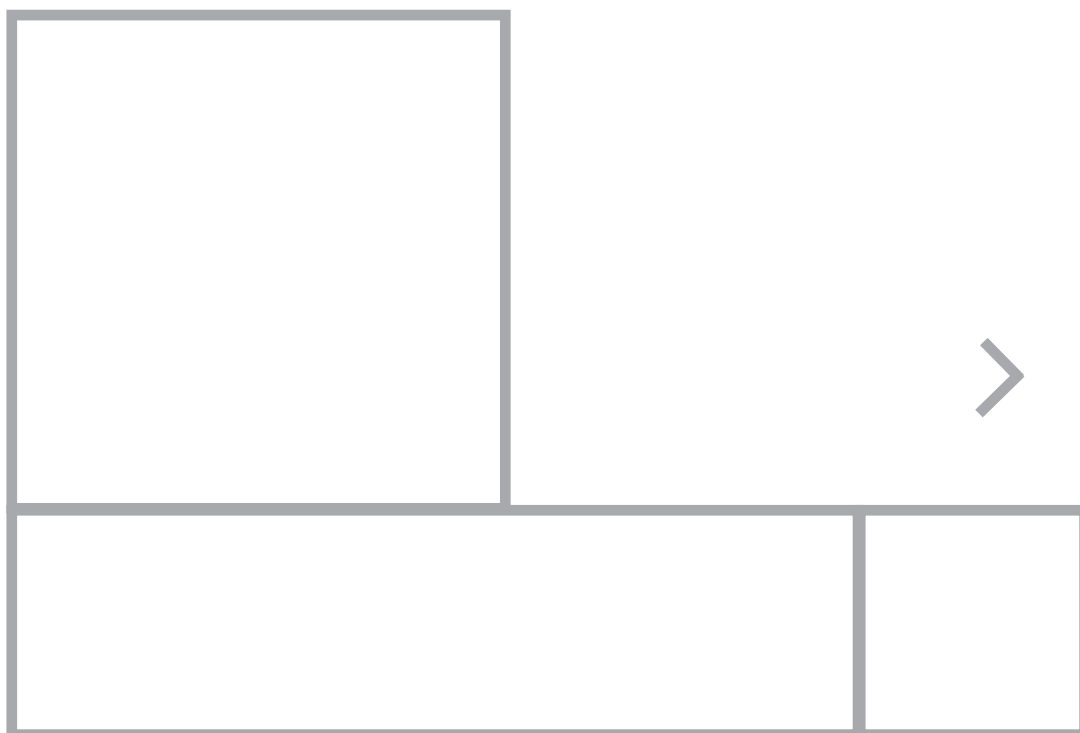
Crédito Agrícola, as a universal financial group with comfortable capital and liquidly levels, confirms being prepared to continue to contribute, in an unequivocal manner, to meeting the financial and protective needs and aspirations of its Associates and Customers. This will be delivered through flexible processes and excellence in compliance with value propositions, by boosting the economic, social and cultural development of local communities, investment in sustainable projects, fostering institutional relations with pertinent entities on matters of supervision of the financial system, an increasingly more proactive and system approach to business opportunities offering interesting prospects of continued profitability and the reinforcement of cooperative values, while safeguarding the respect for prudential regulations and limits, ethical behaviour standards and compliance rules.



**Executive Board of Directors**

*Renato Feitor, Sérgio Raposo Frade, Licínio Prata Pina (chairman), Ana Paula Ramos, José Maia Alexandre (from left to right)*





Relevant Facts of  
2015

# RELEVANT FACTS OF 2015

## Distinctions achieved by Crédito Agrícola

The Bank was considered by the British magazine The Banker, in its study “Top 1000 World Banks”, the third most solid bank operating in Portugal and the first of exclusively national capital.

The Five Stars Award 2015, promoted by U-Scout based on a market study<sup>3</sup> conducted by Ipsos APEME, was attributed to Crédito Agrícola in the “Banking, customer attendance service” category. For Grupo Crédito Agrícola, this distinction reveals the dedication of all its teams in providing the best proximity service to the customer, doing justice to the motto of this banking institution “a national bank with a local accent”.

**Crédito Agrícola holds 557th place in the world ranking of Banks in 2015**



**Grupo Crédito Agrícola holds 3rd place in the national ranking in terms of solidity (2015)**

TOP 1000 BY COUNTRY										
Ranking	Country		Date	Strength		Soundness				
				Tier 1 capital	%	%	%	rank		
				\$bn	%ch.	latest	prev.	latest		
<b>PORTUGAL</b>										
1	148	Caixa Geral de Depositos	12/14	8,099	-16.81	6.66	6.25	5		
2	188	Millennium BCP	12/14	6,162	-20.87	6.65	6.88	6		
3	198	Novo Banco	12/14	5,461	n/a	6.87	n/a	4		
4	FOS	Banco Santander Totta	12/14	3,282	-7.57	6.51	6.19	7		
5	301	Banco Portugues de Investimento (BPI)	12/14	3,070	-35.98	5.93	8.14	8		
6	490	Caixa Economica Montepio Geral	12/14	1,560	-26.58	5.72	6.69	10		
7	557	Crédito Agrícola	12/14	1,273	-13.66	6.97	8.25	3		
8	694	Banif	12/14	887	-36.1	5.57	7.40	11		
9	FOS	Banco Popular Portugal	12/14	843	-8.4	8.27	7.24	2		
10	FOS	Banco BIC Portugues	12/14	428	-10.38	5.77	6.36	9		
11	990	Banco Finantia	12/14	401	-12.44	14.84	14.65	1		

**Five Star Award 2015 in the category: “Banking - customer attendance service”**



**Exame Magazine Award “Best non-life insurer in its segment”**



CA Seguros, the non-life insurer of Grupo Crédito Agrícola, was elected for the fifth time as the Best Non-Life Insurer of its segment. This distinction was the result of a study carried out by the magazine EXAME in partnership with Deloitte and Informa D&B.

Regarding asset management, the Fundo de Investimento Mobiliário Aberto de Obrigações CA Rendimento, managed by Crédito Agrícola Gest – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A. (CA Gest), was distinguished with the "National Management of Collective Investment Bodies" award in the “Indexed Rate Bond Funds” category by the APFIPP and Diário Económico.

<sup>3</sup> This Marketing certification is attributed based on methods supported by criteria audited by a technical committed as well as market studies conducted to Customers and Non-Customers, where the attribution of the certification requires a positive assessment above 70%.

## Other relevant facts of the activity of 2015

### January

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- Completion of the internal selection process for candidates to the company manager position at Associated Caixas.
- Partnership between Crédito Agrícola and the Portuguese Press Association (API).
- Implementation of the integrated application supporting the sale and issue of non-life insurance policies.
- Provision of a system of real estate market indicators to the Associated Caixas.
- Crédito Agrícola supports the fruit sector in partnership with Centro de Frutologia Compal.

### February

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- Launch of the new advertising film focused on personal credit solutions of Crédito Agrícola.
- Implementation of improvements in the credit simulation application.
- Review and automation of the models for attribution of risk rating to companies and individual assessment of impairments.
- Preparation of the communications infrastructure for mobility (VPN with potencial for 800 users).

### March

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- Disclosure of the results for 2014 of Grupo Crédito Agrícola: positive net income of 26.9 million euros.
- Crédito Agrícola distinguished with the Five Stars Award 2015 in the category of Banking attendance quality.
- Launch of the new CA Companies Mobile.
- Opening of the representation office Crédito Agrícola in Geneva.
- Stimulation of the partnership protocols with AJAP and Confagri within the Crédito Agrícola network.
- Completion of the workplace renovation cycle with acquisition of around 4,100 new items of equipment between December 2013 and March 2015.
- Renewal of the Quality Certification and Environmental Certification of CA Seguros.

### April

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- Crédito Agrícola achieves the milestone of 4% in market share of credit granted.
- Launch of the 2nd edition of the Entrepreneurism and Innovation Award (Inovisa/Crédito Agrícola partnership) and beginning of the cycle of seminars aimed at boosting the culture of innovation in agriculture, agro-industry, forestry and the sea.
- Crédito Agrícola signs a partnership agreement with CAP for support to the agricultural and agro-industrial sector.

- Crédito Agrícola reinforces the capital available to finance SMEs and medium-capitalisation companies (mid-caps) by 50 million euros, with an agreement signed with the European Investment Bank.
- Completion of the 1st training wave ministered to company managers at Associated Caixas.
- Crédito Agrícola launches an official page in the social networks (*Facebook, Youtube, Instagram, LinkedIn*).

## May

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- Commemoration of the 20 years of activity of CA Seguros.
- Participation in the 5th edition of the International Competition of Extra Virgin Olive Oil (Ovibeja award) as exclusive sponsor.
- Implementation of a tool for competitive analysis of the banking business.
- Launch of the new payment service MB WAY (SIBS).
- Launch of new functionalities in CA Companies Mobile.
- Completion of the change of the data centre of CA Serviços (ACE instrumental).
- Accomplishment of the application of the special tax system for groups of companies to Grupo SGPS.

## June

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- Participation of Crédito Agrícola in the National Agricultural Fair (Santarém) as a sponsor.
- Participation in the 4th edition of the Portuguese Real Estate and Tourism Exhibition (Paris Expo Porte de Versailles France).
- Participation of Crédito Agrícola in the Auto Fair at Exponor (Porto) as a sponsor.
- Launch of the "CA Cyclist" solution under the non-life branch of insurance activity.
- Completion of the process of reorganisation of the Bloom Building (Campolide, Lisbon).
- Implementation of the Customer Digital Dossier solution (documental management).
- Implementation of a quality management tool (complaints).
- Provision of new functionalities in the DFOA Online application (including the real estate management module).

## July

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- Publication of the Top 1000 World Banks Bankers, which places Crédito Agrícola as the 3rd most solid bank operating in Portugal and the 1st of exclusively national capital.
- Participation in the 25th edition of Expofacil - Agricultural, Commercial and Industrial Fair of Cantanhede as official sponsor.
- provision of new functionalities in the on-line service (individuals and companies).

- Holding of the final of the National Band Competition – Antena 3 / RTP (CCB in Lisbon), sponsored by Crédito Agrícola, which seeks to identify new musical talent.
- Disclosure of the 4th edition of the EACB Award for Young Researchers, dedicated to the theme of Cooperative Banks, as a member of the European Association of Co-operative Banks.
- Adjustment of procedures and information systems to the new tax system for Other Credit Institutions, concerning its duties as an investment fund marketing and depository institution.
- Centralisation and virtualisation of the bank branch servers.
- Implementation of the Crédito Agrícola alarm reception station.

## August

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- Participation in the FATACIL Fair (Algarve) as official sponsor.
- Disclosure of the six-monthly results for 2015 of Grupo Crédito Agrícola: positive net income of 25.6 million euros.

## September

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- Winding up of "Crédito Agrícola Finance IFI", a company based in Cape Verde and without activity.
- Migration of the international means of payment (1st wave) to the central system.
- Concession of authorisation for disclosure of information on the deposit guarantee system to the European Commission.
- Adjustment of information processes and systems to the new rules for subscription and redemption of participation units of real estate investment funds.

## October

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- Distinction of CA Seguros as the best small and medium insurer, by the magazine Exame and for the 5th time in 8 years.
- Launch of the book "A Floresta em Portugal: Estudo Jurídico Económico", by Professora Glória Teixeira, lecturer at the University of Porto, in a meeting about the future of Forests in Portugal, held in the Great Hall of the Lisbon Science Academy.
- Participation in the 18th edition of the Portuguese Real Estate Exhibition (SIL), at FIL in Lisbon.
- Crédito Agrícola celebrates World Saving Day with a quiz in the social networks.
- Awareness-raising among customers on the importance of the early detection of breast cancer, in an initiative promoted by CA Vida.
- Participation of CA Vida in the solidarity events "Prevention is half the battle" and "Breast-marathon".
- Crédito Agrícola's participation in the MB WAY system, which enables customers to make payments and transfers by mobile devices (smartphone, tablet or PC).
- Start-up of the issue of risk products at branches of Crédito Agrícola.

- Stabilisation of the procurement portal of Crédito Agrícola.
- Implementation of a tool to control transactions with components for detection of cases, issue of warnings and provision of historical information.
- Implementation of improvements in the management of the B24 service.
- Implementation of the platform to control current activity (IS/IT service desk) at Associated Caixas.

## November

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- Holding of the 2nd Wine Competition of Crédito Agrícola at FIL (Lisbon) aimed at producers who are customers or members of Crédito Agrícola.
- Participation in the 4th edition of the Christmas Market as official sponsor (Lisbon).
- Promotion of a Solidarity BTT ride, in favour of the Portuguese Association of Cerebral Palsy of Faro.
- Implementation of a model for allocation of regulatory capital and impairment as a business decision-making factor.
- Implementation of the integrated analytical accounting tool for Caixa Central, CA Serviços and CA Informática.
- Satisfaction questionnaire indicates that 97% of customers with claims (motor vehicle insurance) would recommend CA Seguros to family and friends.

## December

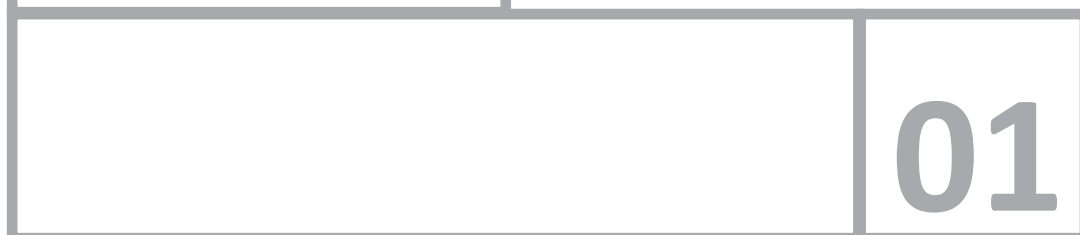
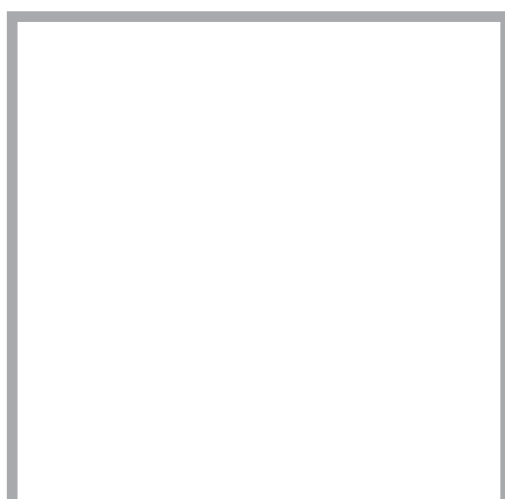
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- Holding of electoral General Meetings (term of office 2016/2018).
- Appraisal and selection of members for all the governing bodies and issue of guidelines regarding remuneration policy (DL 157/2015).
- Incorporation of the holding "CA Seguros e Pensões SGPS", enabling more dedicated management and the inclusion of CA Vida in the perimeter for tax purposes.
- Launch of CA Express with a view to simplifying and assuring the electronic recording of customer and account opening processes.
- Simplification of the subscription of life risk products.
- Launch of the Rural Development Programme 2020 (PDR 2020), foreseeing financial support to companies or entrepreneurs in agricultural, forestry and research areas.
- Preparation of the image for tablets to be given to employees of commercial areas.
- Holding of the "Once Upon a Time" Solidarity Campaign, in partnership with the União das Misericórdias Portuguesas, aimed at supporting the Occupational Activities of the Centro de Apoio a Deficientes João Paulo II.



- Implementation of the first behavioural scoring models in the areas of credit cards and consumer credit.
- Implementation of a management information application concerning credit portfolio monitoring, quality, concentration and recovery.
- Reformulation of the telephone infrastructure and contact centre of Crédito Agrícola (Castilho and Bloom buildings).
- CA Vida achieves 5th place in the ranking of life insurers and 7th place in the Portuguese insurance market (composed of 42 companies).





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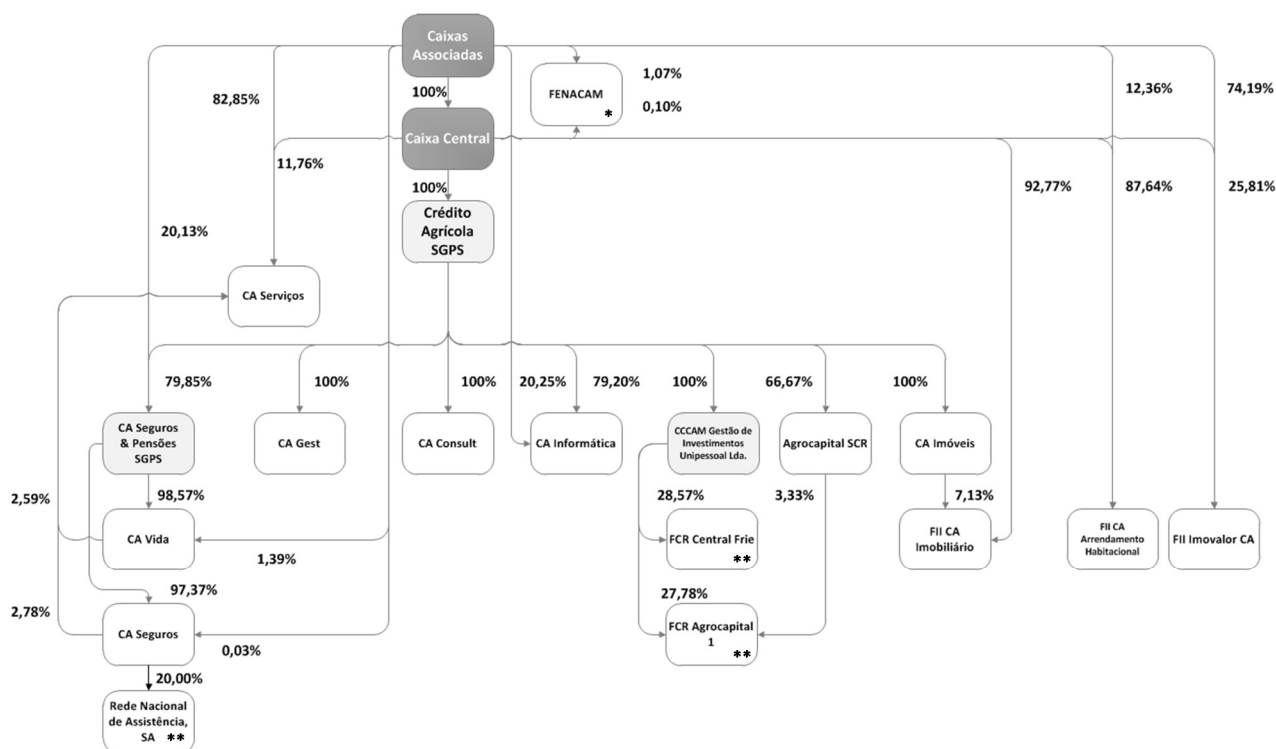
Presentation of  
Grupo Crédito  
Agrícola

# I. PRESENTATION OF GRUPO CRÉDITO AGRÍCOLA

## 1.1 STRUCTURE OF GRUPO CRÉDITO AGRÍCOLA

The corporate organisation of Grupo Crédito Agrícola is driven by its sustainability and support to the competitiveness of the 82 Associated Caixas. The Group's companies are directly held by Caixa Central and/or Associated Caixas, or indirectly by Crédito Agrícola SGPS (holding 100% held by Caixa Central).

### a) Corporate structure



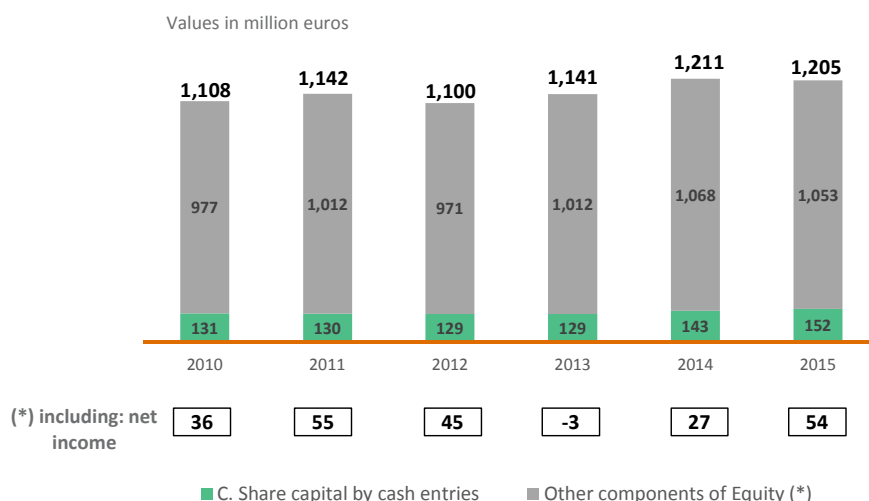
(\* ) FENACAM holds 98.80% of its equity.

(\*\* ) Consolidation under the equity method.

Note: With respect to the Associated Caixas, during 2015 and up to the date of the present report, the corporate names of two grouped entities were changed: from Caixa de Crédito Agrícola Mútuo da Região de Bragança e Alto Douro, C.R.L. to Caixa de Crédito Agrícola Mútuo do Alto Douro, C.R.L.; and from Caixa de Crédito Agrícola Mútuo do Douro, Corgo e Tâmega, C.R.L. to Caixa de Crédito Agrícola Mútuo de Trás-os-Montes e Alto Douro, C.R.L.

## b) Equity structure of Grupo Crédito Agrícola

Grupo Crédito Agrícola has demonstrated, in a consistent and unique form in the sector in Portugal, its capacity to comply with the capitalisation level requirements imposed by Basel III and derived from the Banking Union (Capital Requirements Directive IV), exclusively with reinforcement of the participation of its current Associates and the entry of new Associates (in total, 17% growth was recorded in terms of value between 2013 and 2015) and, fundamentally, via the incorporation of the annual net income over the years.



## c) Cooperative Model of Crédito Agrícola and SICAM

### i. Structure of the legal mechanism

Grupo Crédito Agrícola is a cooperative/mutuality group, regulated by a specific legal system, the Legal System for Mutual Agricultural Credit and Agricultural Credit Cooperatives (RJCAM) and, simultaneously, by the Legal Framework of Credit Institutions and Financial Companies.

The Integrated System of Crédito Agrícola Mútuo (SICAM) is composed of Caixa Central and its Associated Caixas Agrícolas. Caixa Central is the “head of the Group”, operating as a central body which coordinates and represents the Group, being responsible for the coordination and planning, supervision, guidance and intervention in the Associated Caixas, reporting to the supervisory entities, integrated liquidity management, overall monitoring and control of risks and the definition and follow-up of the main policies and regulations of the Group, including, among others, those related to human resources, information systems and marketing.

SICAM's mutuality/cooperative principle is based on a mechanism of solidarity which, when activated by any financial imbalance in any of the Associated Caixas, assures that Caixa Central is liable first and only

afterwards the remaining Associated Caixas. In turn, Caixa Central, in a situation of financial imbalance, is backed by its Associates for reinforcement of its own funds. This mechanism is legally binding by the RJCAM.

Pursuant to the RJCAM, this system of mutual liability is a formal mechanism of crossed guarantees where: (i) Caixa Central fully guarantees the liabilities undertaken by the Associated Caixas, under terms by which the guarantor backs the secured entity; and (ii) the Associated Caixas, whenever requested for such, underwrite and pay in share capital increases to the amount required to correct any financial imbalances of Caixa Central, which are reflected in a reduction of own funds to a level below the legal minimum requirement or in non-compliance with the applicable prudential ratios and limits.

Supplementary to the above, the Crédito Agrícola Mútuo Guarantee Fund (FGCAM) provides a reinforcement of the support mechanism through the possibility of using part of the amount of this fund, to guarantee the solidity and sustainability of SICAM.

## **ii. Crédito Agrícola Mútuo Guarantee Fund**

The Crédito Agrícola Mútuo Guarantee Fund (FGCAM) operates as a reinforcement of GCA's solidarity mechanism. This fund not only guarantees the liabilities in relation to depositors of GCA, but also supports the solvency and liquidity of its system, through loans to the Associated Caixas, referred to as Financial Assistance Contracts.

The Crédito Agrícola Mútuo Guarantee Fund is a legal person governed by public law, endowed with administrative and financial autonomy, which operates with Banco de Portugal, and is totally independent of the Deposit Guarantee Fund for the Portuguese banking sector. This fund is managed by a Steering Committee, its Chairman is a Director of Banco de Portugal and it has two appointed members, one in representation of the Ministry of Finance and the other in representation of Caixa Central de Crédito Agrícola Mútuo. The supervisory duties are entrusted to the Audit Board of Banco de Portugal.

The deposit guarantee mechanism is analogous to that governing the Deposit Guarantee Fund, applicable to the banking system in general, taking into account the particularities of the Caixas de Crédito Agrícola Mútuo belonging to SICAM. Thus, the FGCAM guarantees up to 100 thousand euros, per depositor and per institution, the repayment of deposits constituted at Caixa Central de Crédito Agrícola Mútuo and in its associated Caixas de Crédito Agrícola Mútuo. This Fund has never been called on to guarantee deposits.

This fund is strongly capitalised, with the value of own resources having reached 346.4 million euros as at 31 December 2015. Of this total amount, 199.9 million euros corresponded exclusively to investments intended to guarantee the deposits constituted at SICAM.

In conformity with the provisions in the Legal System regulating the activity, the FGCAM applies the available resources in financial investments, based on an investment plan defined by the Steering Committee, pursuant to which 30% of its assets should be invested in deposits repayable on demand and in highly liquid financial instruments. As at 31 December 2015, total financial investments reached 261.1 million euros.

## d) International Presence of GCA

Aware of the importance of the international market, Grupo Crédito Agrícola has progressively strengthened its presence worldwide through commercial and investment agreements, together with the expansion of the network of representation offices and commercial agents and enlargement of the offer of products and services aimed at supporting the international business of Portuguese companies.

### CA geographic footprint (2015)

<b>Europe</b>	<b>Africa</b>
Germany	Cape Verde
Belgium	
France	
Luxembourg	
Portugal	
Switzerland	
Spain	



#### Caption:

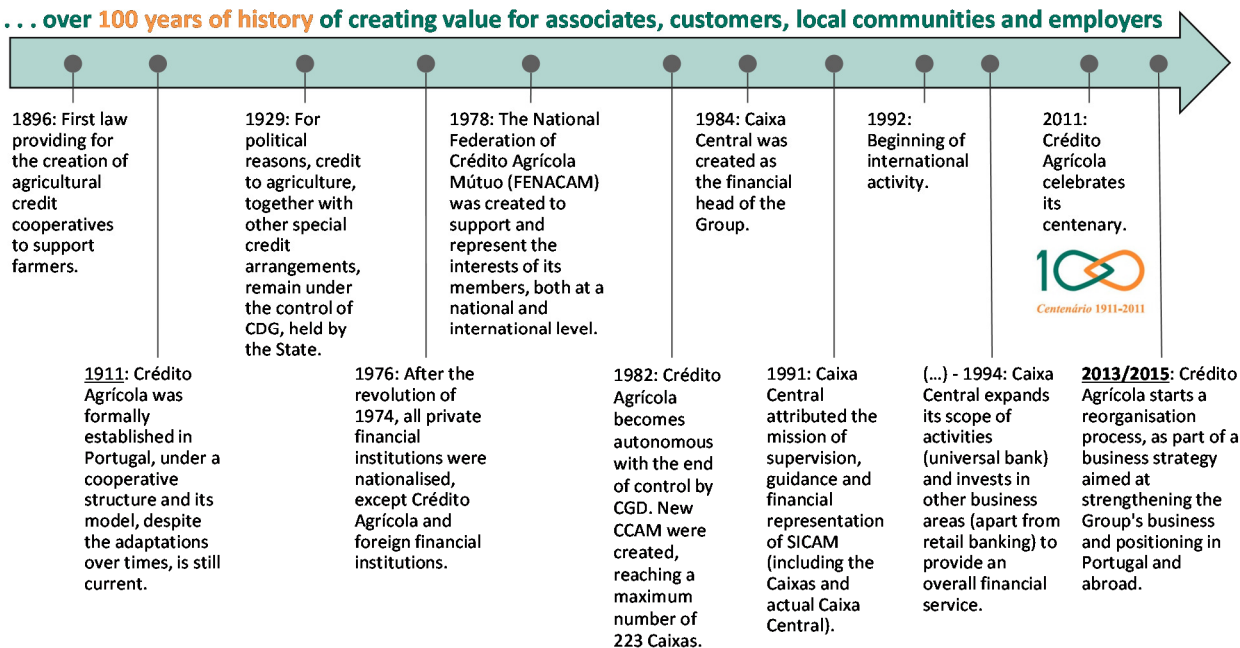
- Domestic network
- Offices (ER/EI)
- Agents
- IFI/SFE
- Partnerships with banks

## 1.2 VISION, MISSION, VALUES AND STRATEGIES OF THE GROUP

### a) Historic milestones

In Portugal, cooperative banking is represented by Grupo Crédito Agrícola portraying a remarkable secular history of contributing to society and the national economy.

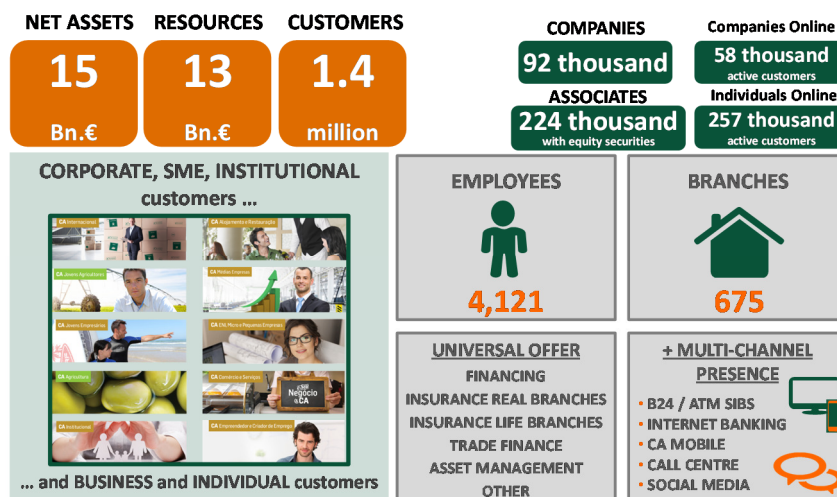
... over 100 years of history of creating value for associates, customers, local communities and employers



### b) Grupo Crédito Agrícola in 2015

Crédito Agrícola is a financial group with a universal offer representing 15 thousand million euros of net assets, 13 thousand million euros of customer funds and a base of 1.4 million customers. With a net worth of 1.2 thousand million, the Group interacts with its Customers and Associates through its 675 branches spread all over the country and its offer of non-presential and digital channels.





## c) Mission, Vision and Values of Grupo Crédito Agrícola

Being a cooperative-based and centenary Group and not being subject to the regulations and pressure of the capital markets, Crédito Agrícola focuses on a strategy of reinvestment of its generated net income and maximisation of value in the long term.

### Mission and Vision of the CA Group

**Grupo Crédito Agrícola (and its Associated Caixas) aims to be:**

#### Mission

The **engine driving the development of local communities** through relations of proximity with customers, contributing to the accomplishment of their ambitions and financial projects; and

#### Vision

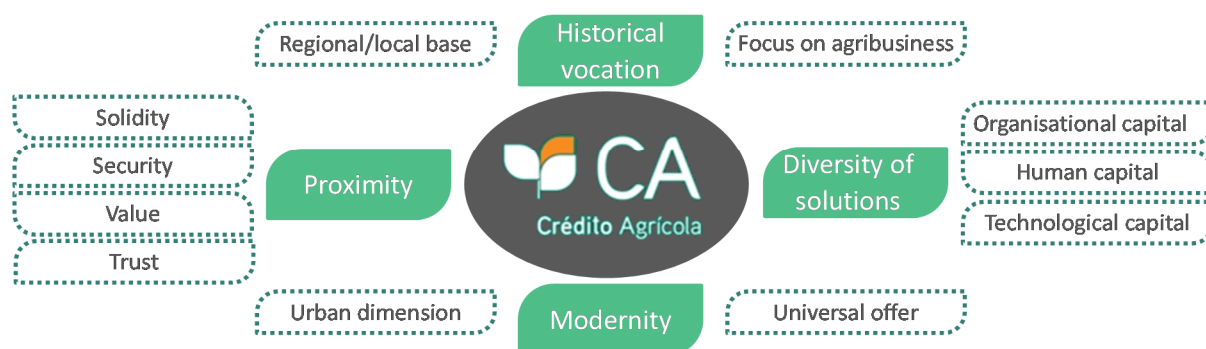
Recognised as the **“Best Financial Group” in the markets in which it operates.**

Grupo Crédito Agrícola concentrates on relations of proximity to meet the ambitions and financial projects of its customers and communities, being distinguished from the competition by reinvesting the profit created by each Associated Caixa in the actual region (the cases of distribution of net income is insignificant). This reinvestment is accomplished by investing the captured deposits in funding projects of the region of these depositors, by contributing the lower the unemployment levels of the regions where it operates (local recruitment) and by decentralising decision-making on loans taking into account the limits of exposure and policies of the Group in force.

The origin of the principles of solidarity and social responsibility of Grupo Crédito Agrícola, which guide its mission and values, go back to the fifteenth century, to the time of the foundation of the *Santas Casas da Misericórdia* in Portugal. These entities were pioneer in granting credit to farmers, from the middle of the eighteenth century, launching the bases to create the *Caixas de Crédito Agrícola Mútuo*. This system evolved continuously over the centuries, becoming increasingly important in the country's social and

economic fabric, leading to its current legal and prudential framework and to its notable progress on matters of corporate governance and integration.

### Values of the CA Group



### d) Principles of strengthening of sustainability

In order to maintain the sustainability of the current business model, GCA has clearly demonstrated its capacity to adapt to change and respond with flexibility, standing on equal terms with the largest banks of the national banking system.

#### Guiding principles for the sustainability of the business model of CA

- **Monitoring of social trends on urbanisation and electronic recording.**
- **Modernisation of the brand** by fostering the brand's evolution to a concept of **universal bank**.
- **Driving the entire organisation towards knowing the Customer.**
- Maintenance and **encouragement of a discipline of rigour and cost containment.**
- Fostering a **culture of careful and strict appraisal of credit risk-taking.**

### e) Integrated marketing and commercial strategy (bancassurance)

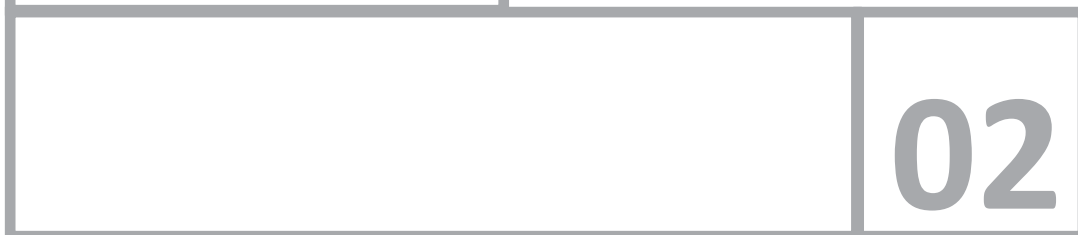
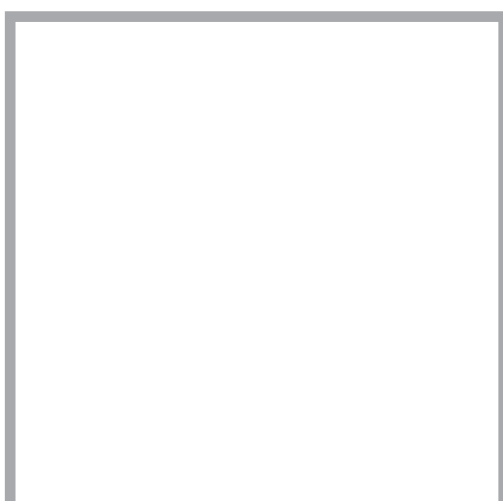
With the definition of a common strategy focused on the Customer and with the support of the senior management, Crédito Agrícola has reaped the benefits of its implementation of an integrated management of the banking business, insurance activity and asset management, which involves:

- Definition of commercial objectives aimed at focusing the branch network on the most profitable and binding segments/products (common strategy);
- Budgeting and attribution of incentives to the commercial staff of the branches so as to stimulate individual performance in compliance with the Group's objectives;
- Planning and accomplishment of campaigns, protocols and other marketing actions aimed at customer segments;
- Investment in tools to simplify the process of commercial interaction;

- Implementation of training cycles formatted according to the outcome of individual assessment of knowledge;
- Regular monitoring in the field of compliance with objectives;
- Preparation of commercial visits to customers and non-customers (when necessary, with the support of product specialists).

The transformation programme successfully focused the marketing and commercial strategy on a group model (banking-insurance). With these new dynamics, the insurance and asset management activities have been able to increase their participation in the generation of value for the Group.





02

Responsible  
Banking model of  
Crédito Agrícola

## II. RESPONSIBLE BANKING MODEL OF CRÉDITO AGRÍCOLA

As a cooperative bank, Crédito Agrícola (CA) has an operating model that is distinctive from that of traditional banking. The sustainable action of CA is therefore closely tied to its cooperative identity and to a business mission which strives towards the development of the economy and social well-being of the regions in which each of the 82 Caixas de Crédito Agrícola operate. In this chapter, we present CA's performance in terms of sustainability, by reflecting the indicators of all the CCAM as a whole.

### 2.1 RESPONSIBILITY TO CUSTOMERS

#### a) Products with Social and Environmental Benefits

The commitment to sustainability at the CA Group involves the integration of social and environmental aspects in the offer of services provided, which in turn generate social and environmental benefits.

The sustainable offer for business customers, fostering the development of the Portuguese business fabric and, consequently, employability, in 2015 included financing lines for micro and small enterprises, financing lines for companies of strategic sectors of the Portuguese economy, financing lines for projects in the areas of renewable energy, and support to microcredit projects.

CA Sustainable Offer for Business Customers	Value of financing in 2015 (in thousand euros)
Support to the competitiveness of micro and small enterprises	903
Microcredit	888
Support to companies of strategic sectors of the Portuguese economy	443,250
Credit to renewable energy (wind and solar power plants)	7,077

In the area of individual customers, the sustainable offer fosters financial inclusion, eco-credit, support to education and health. Crédito Agrícola also offers solutions to enable the creation of saving habits at a household level, in a perspective of responsible financial management.

### CA Sustainable Offer for Individual Customers in 2015

Financial Inclusion Account minimum banking services	321 accounts
Eco-credit	73 thousand euros
Support to Education	1,828 thousand euros

## b) Measures implemented to foster competitiveness and entrepreneurial action

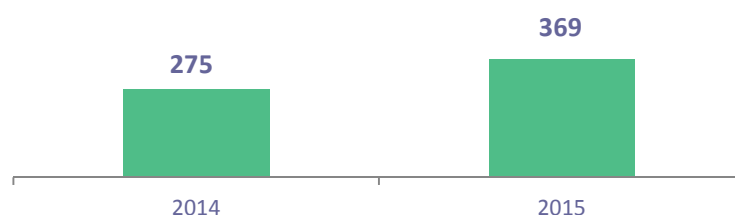
The initiatives aimed at fostering competitiveness and entrepreneurial action include, in particular due to the role they have played in the Group's history, the protocols with business associations, namely those of the main economic sectors structuring our credit portfolio, which attribute special conditions for subscription of financial products and services to their associates/members.

Protocols with Business Associations	Number of Protocols
New Protocols	5
Renewal of Protocols	5

## c) Map of branches and ATM

A network of branches marked by high capillarity and presence in the interior of the country has impact on employability and contributes to the development of the regional economy. This is also embodied in a profound knowledge of the local community and in the building of long-lasting relations of trust with Customers. In 2015, Crédito Agrícola had a network of 675 Branches, reflecting the high capillarity and hinterland nature of the network and the concern in providing financial services in localities of the interior and with lower population density. In 369 localities of the country, Crédito Agrícola is the only existing bank institution, a figure which actually increased by 34% in relation to the previous year (275 branches).

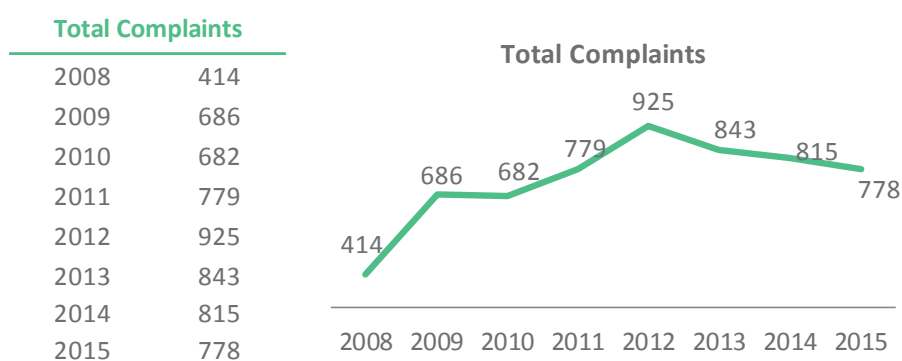
### Number of CCAM Agencies where there is no other



In 2015, the ATM network increased to 1,497 units, corresponding to 2.18% more than in the previous year (1,465). Of the total number of ATM, 616 are situated in localities where no other such equipment exists, having increased by 3.4% compared to 2014.

### d) Relations of trust with customers

During 2015, 778 complaints were recorded, corresponding to a 5% decrease in relation to 2014.



Based on information disclosed by Banco de Portugal (Interim Report 2015 produced and issued by the Behavioural Supervision unit of Banco de Portugal), Crédito Agrícola continues to stand, in almost all areas, as one of the Credit Institutions receiving less complaints, this naturally reflects the positioning and attitude of proximity that the Associated Caixas have with their Customers.

From the submitted complaints recorded in 2015 it is possible to infer that the population is provided with a plethora of channels to access information on the nature and movements of its banking interaction, either by means offered by the actual financial institutions, or disclosed by the supervisors as well as by consumer associations.



In this regard and concerning the distribution of complaints by entry channel, it should be noted that the Customer Ombudsman Office continues to be the first and primary receiver of complaints submitted at Crédito Agrícola, with 29% of direct entries out of the total complaints received.

Source of Complaints	2012	2013	2014	2015
Customer Ombudsman	399	382	251	225
Direct Line/CCCAM	237	148	199	201
Complaints Book	173	154	166	167
Banco de Portugal	112	154	148	128
Other	4	5	51	57
<b>Total</b>	<b>925</b>	<b>843</b>	<b>815</b>	<b>778</b>

The type of "subject of the complaint" is distributed as follows:

Subject of the Complaint	2012	2013	2014	2015
Attendance and Premises	24	21	29	28
Cards	67	82	67	49
Credit Liabilities Centre	5	14	19	20
Cheques	75	42	54	38
Commissions and Expenses	178	136	107	122
Deposit Accounts	193	193	203	165
Credit to Companies	9	17	41	27
Mortgage Loans	106	47	44	42
Consumer Credit (and other credit)	84	133	59	83
Direct Debits/Charges	7	5	18	19
Infrastructures	N/A	N/A	N/A	3
Infrastructures (ATM)	12	7	14	14
Infrastructures (other POS Networks)	6	4	3	5
Cash Transactions	7	11	20	25
Other Issues	79	75	93	26
Insurance - ISP	15	11	4	14
Requests	N/A	N/A	N/A	16
Bank Confidentiality	N/A	N/A	N/A	1
Protest Centre	0	2	1	0
Equity Securities	36	29	29	29
Transfers	13	11	5	13
Securities - CMVM	6	3	5	4
Cancelled Papers	N/A	N/A	N/A	35
Counterfeiting and/or False Notes	3	0	0	0
<b>Total</b>	<b>925</b>	<b>843</b>	<b>815</b>	<b>778</b>

The subjects "Deposit Account" and "Commissions and Expenses" account for about 37% of the recorded complaints.

On a general note, it is also important to highlight that in the total complaints received a significant dispersion was maintained over the different Associated Caixas. Among these, the one receiving the most complaints did not exceed 5% of the total number.

Caixa Central specifically received around 6% of the total complaints received by the entire SICAM. It also continues to be the case that the majority of the Associated Caixas receiving most complaints (including Caixa Central, due to its specific nature and centralising some services) are located in urban areas.

It should also be noted that 11 requests were received in 2015 from DECO aimed at providing Customer support, a figure that remains identical to that of the previous year.

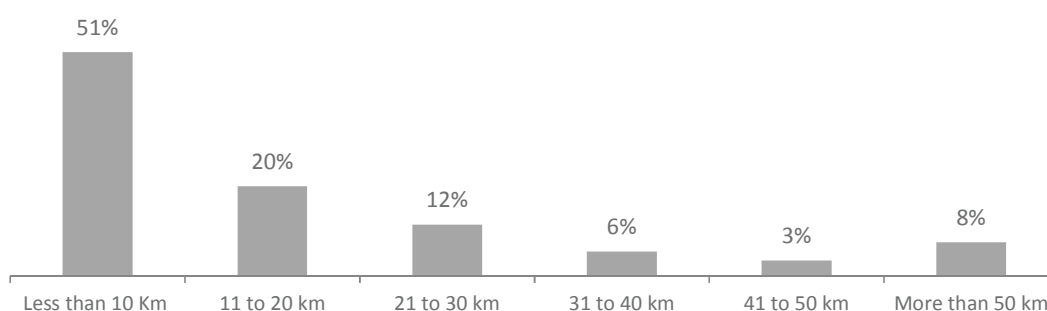
Source	Number of Requests in 2014	Number of Requests in 2015
DECO	11	11

The Customer Ombudsman Office would also like to highlight the collaborative and interested attitude of the Governing Bodies of the Associated Caixas, as well as that of the staff of this office, a fact that it continues to acknowledge with appreciation.

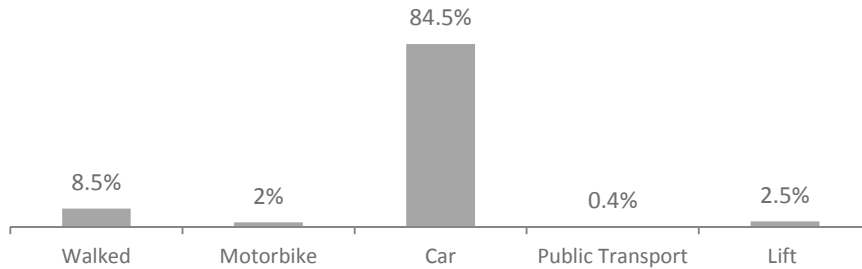
## e) Local employability

One of the impacts of the organisational structure and branch network of Crédito Agrícola is the creation of direct employment, especially in the interior and rural areas of the country. Of the total employees of the CCAM, 50% live at a distance of less than 10 km from the branch where they work. 8.5% of employees walk from home to work.

### Home-work-home distance travelled by CCAM employees



### Means of transport used by CCAM employees



## f) Suppliers

The acquisition of products and services from local suppliers is an important indicator of the integration of the principles of sustainability in the operation of a company. By making local purchases, the company is boosting the development of the local economy and job-creation in the region. At the same time, and in cases where the products are also produced locally, the company is also contributing to the existence of lower environmental impacts and lower energy costs associated to the transport of products. In 2015, 60% of the contracts were made with local suppliers.

Another indicator which reflects the sustainability of procurement is the percentage of the value of the purchases made from local suppliers, which was 48% in 2015.

### **Procurement Indicators of 2015**

Number of suppliers with contracts signed in 2015	2,609
Total value of contracts awarded in 2015	€ 45,631,225
% of number of local suppliers	60%
% of the contractual value awarded to local suppliers in 2015	48%

## g) Mutual assistance in development

As a partner of local economic development, investment continued to be made during 2015 in a series of activities fostering entrepreneurial action and stimulating strategic economic sectors for the country's economy. In addition to enabling, through its support/sponsorship, the holding of fairs and seminars which perform an important role in the dissemination of innovation, in the debate of future opportunities and in the promotion of the network among the main players, 2015 was marked by the institutionalisation of three key initiatives: the CA Innovation Award accompanied by a new cycle of national seminars on innovation in "Agriculture, Agro-Industry and Forestry", and the "II Wine

Competition of Crédito Agrícola”. As a whole, these initiatives embody the Group's Sustainability Policy on matters of mutual assistance towards development.

### **Cycle of Seminars on Innovation in “Agriculture, Agro-Industry and Forestry”**

A cycle of seminars has been organised in partnership with Inovisa, the coordinating entity of the Inovar network, to promote the culture of innovation in the agriculture, agro-industry and forestry of Portugal. Directed at business people, farmers, producers and entities linked to the primary sector, these seminars aim to debate the future opportunities of these sectors, and raise the awareness of the participants on the measures to support investment under the 8th Community Framework.

<b>Cycle of seminars on Innovation in “Agriculture, Agro-Industry and Forestry”</b>	
6	Seminars held in 2015, 4 of which outside Lisbon and Porto
1,042	Participants
70	Speakers
7	Case studies presented
7	Work sessions with entrepreneurs

### **Crédito Agrícola Innovation Award – Agriculture, Agro-Industry and Forestry**

The objective of the Crédito Agrícola Entrepreneurism and Innovation Award is to recognise merit and excellence, contributing in an effective manner, to the dissemination of a culture of entrepreneurial action and innovation in the agricultural, agro-industrial and forestry sectors. The aim of the competition is to select, disclose and award innovative ideas, projects and companies in 5 major categories. The winning projects of the 2015 edition are presented in greater detail at <http://www.premioinovacao.pt/vencedores/>.

The winning projects of each category were awarded a cash prize of the value of 5 thousand euros, and preferential conditions in financing lines and other financial products/services of Crédito Agrícola. The honourable mentions were awarded 2.5 thousand euros and special conditions in Crédito Agrícola services. The process of selection of the project or company involves assessment based on criteria such as degree of innovation, relevance, technical and economic feasibility, market potential and sustainability.

Crédito Agrícola Innovation Award – Agriculture, Agro-Industry and Forestry	
102	Candidatures received
15	Elements
8	Awards
32,500	Euros of investment in the attributed awards
5	Financing with advantageous conditions for the winning projects

### **Wine Competition**

The "II Crédito Agrícola Wine Competition", directed at producers and cooperatives of all wine-producing regions of the country was held in 2015, in partnership with the Associação dos Escanções de Portugal. This initiative aimed to support to sector and local development of the regions where wine is produced, and foster the development of the cooperatives and producers. A total of 51 white and red wines were distinguished, from the wine-producing regions of the Vinhos Verdes, Douro, Beiras, Dão, Bairrada, Lisbon, Península de Setúbal and Alentejo.

### **Sponsorships and Fairs**

In 2015, Crédito Agrícola once again sponsored a series of initiatives thus enabling their holding through sponsorships, support and partnerships. Special note should be made of our sponsorships and presence at fairs related to the primary sector of the Portuguese economy. The support given by Crédito Agrícola is particularly important in the current economic scenario being experienced in Portugal, where boosting the feasibility of these supported initiatives pays a crucial role in stimulating the economy, reinvigorating economic activities and fostering entrepreneurial activity in key sectors of the Portuguese economy and society.

Main sponsorships and support to fairs
AgroNegócios (Agro-Business)
Feira Nacional de Agricultura (National Agricultural Fair)
Ovibeja (Beja Sheep and Agricultural Fair)
Mercado de Vinhos (Wine Market)
Olive oil competitions
AGRO – Feira Internacional de Agricultura, Pecuária e Alimentação (International Fair of Agricultural, Livestock and Food)
Portugal Agro
Feira Nacional do Porco (National Pig Fair)
Fruit Attraction
Fruit Logistic

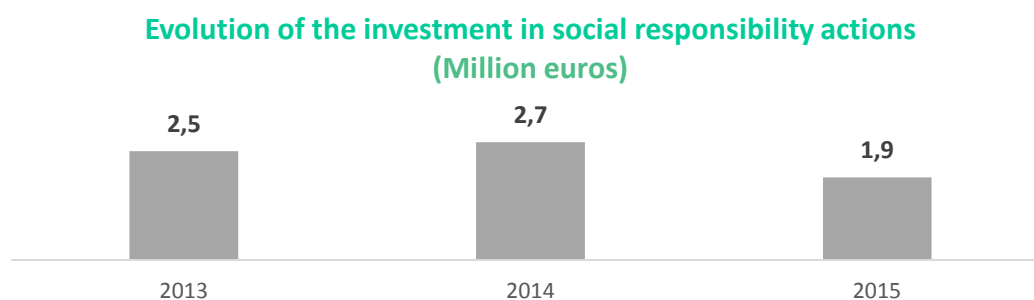
## 2.2 RESPONSIBILITY TO COMMUNITIES

CA's social responsibility is focused on supporting initiatives and institutions which develop their activity in 5 areas: culture; sports; social solidarity, senior citizens and education. The types of support granted are classified as monetary donations, sponsorships and/or donations in kind.

The national initiatives, concentrating on a specific topic, are complemented by the surgical action of each CCAM in response to the main problems and challenged faced by each local community. This model thus assures that CA is an agent that contributes to the effective well-being and development of the local community.

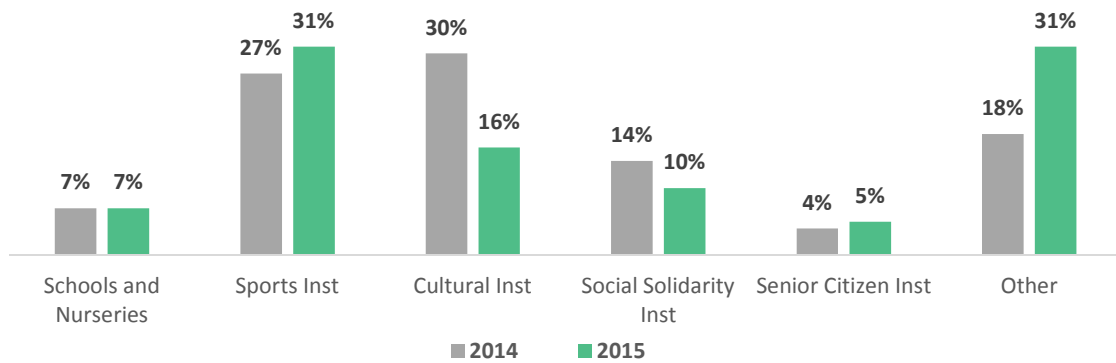
Indicators of Social Responsibility with the Local Community in 2015	
1.9	Millions of euros invested in the community in social responsibility actions
2,474	Institutions supported
31%	Weight of the total value of investment in the area of sports
16%	Weight of the total value of investment in the cultural area

In 2015, the CA Group invested 1.9 million euros in initiatives supporting the community. This figure corresponds to a 30% decrease relative to 2014.



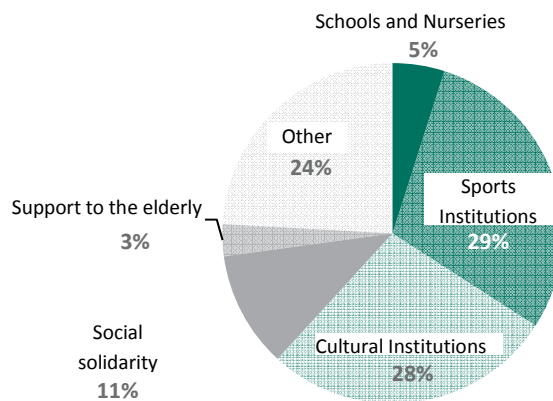
In 2015, the investment with the heaviest weight was in the area of sports, with 31%, representing an increase of 4 p.p. compared to 2014. The investment in culture accounted for 16% in 2015, having been the area with the 3rd largest budget allocation.

## Evolution of the value of investment in social responsibility per area



A total of 2474 entities were supported in 2015, corresponding to 16% less than in 2014. The distribution of the supported entities shows a higher weight of institutions dedicated to the areas of sports and culture.

## Type of supported entities in 2015



### a) Culture

The CA Group supports cultural manifestations in various artistic and entertainment areas. The cultural initiatives supported in 2015 include:

- The Antena 3/Crédito Agrícola National Band Competition, derived from the association of the CA Group with the RTP Group. This initiative involved a mega tour, with various regional qualifying rounds, and visits to Coimbra, Setúbal and Guimarães. The grand finale, at Belém Cultural Centre, confirmed the Lisbon band *Antony Left* as the winner. By supporting this initiative, Crédito Agrícola gave its contribution to the revelation and affirmation of young talent who, being located in less urban zones, often experience greater difficulty in making a name for themselves in the world of the arts;

- Crédito Agrícola's support to the Rádio Alfa Festival 2015, one of the largest events of the Portuguese community in France;
- CA's support of the North Alentejo in Crato Handicraft and Gastronomy Fair.

## b) Education

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Crédito Agrícola has performed an important role in attributing awards to students with the best school performance. These initiatives, which are held all over the country, are relevant as they encourage young people to pursue values that will determine the quality and well-being of their future life and that of the community in which they live. The following are examples of these initiatives:

- The awards attributed by the CA of Cantanhede and Mira to the best students of these two municipalities;
- The Caixa Agrícola Foundation of the Northwest attributed, for the third consecutive year, five Study Grants due to merit and economic insufficiency, of the value of 1,000 euros per grant, to students of the district of Viana do Castelo and municipality of Barcelos;
- Under the "CA Youth" campaign, the CA Grade 20 programme continued to award good school grades, constituting a stimulus to students between the 7th and 12th year of schooling. The 20 best students of each academic year, from the third cycle to secondary education, received monetary prizes of values between €100 and €1,000;
- The Crédito Agrícola of Alenquer, under the "Personnel of Value" project, which annually distinguishes the performance of the students of the Agrupamento de Escolas de Abrigada (AEA), once again awarded the most outstanding students with the attribution of the sports, academic and personal merit award.

## c) Social Solidarity

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Various initiatives were implemented throughout 2015 to support social institutions and causes. The following are examples of actions supported by CA:

- The awareness-raising carried out by the CA Group's Life Insurer among its customers on the importance of the early detection of breast cancer. This initiative, which involved all CA branches, awarded all policyholders of the CA Woman insurance with 1% of the annuity of this insurance, which was donated to the Portuguese League Against Cancer;
- The CA of Pombal, in partnership with Soure Business Association, supported the construction of the website [www.eucomproca.pt](http://www.eucomproca.pt), a local trade and service directory. This initiative sought to reinvigorate local trade in the area of influence of the CA of Pombal, providing information on the existing trade outlets through the internet, social networks, local and regional press.



- The CA of Douro and Côa, in a wave of responsible citizenship, promoted the donation of solidarity cheques to the Côa Red Cross Delegation and to the Humanitarian Association of the Voluntary Fire-Fighters of Vila Nova de Foz Côa.

## d) Sports

Supporting the values underlying sports and its associated well-being has been one of the hallmarks of CA's culture of responsibility. In this sphere, the Group has enabled various sports institutions to accomplish their mission, stimulating thousands of young people to actively participate in sports.

CA maintained its policy of continuity of sponsorships in 2015 in the following areas: motorcycling – cross-country, car racing, cycling in various categories and bodyboard, among others. This policy of proximity which characterises the Group has also been applied in terms of the sponsorships and support granted at a national level, including sports.

Main athletes/events/modalities of sports supported	
Motorcycling	Mário Patrão
Car racing	João Ruivo, Paulo Ramalho, Rui Ramalho, Rafael Lobato
Cycling	Tour of the Alentejo Alcobaça Cycling Club Velo Club of the “Anicolor-Mortágua” Centre
Bodyboard	Teresa Almeida

## e) Financial Literacy

In the context of its secular connection with local communities, its positioning as a financial partner of proximity and, more recently, its social responsibility policy, the CA Group has increasingly invested in the area of financial literacy. The implemented initiatives are divided among local and national action. Concerning local initiatives, 15% of the CCAM developed financial literacy campaigns in 2015 for the communities in their geographic zone of influence. Schools were the main target group of these campaigns, representing 82% of the initiatives carried out in this area.

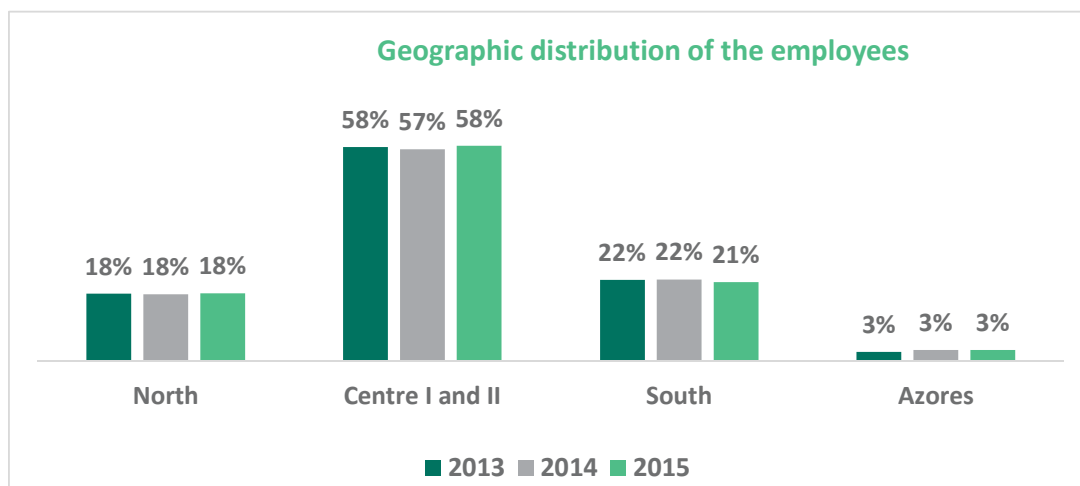
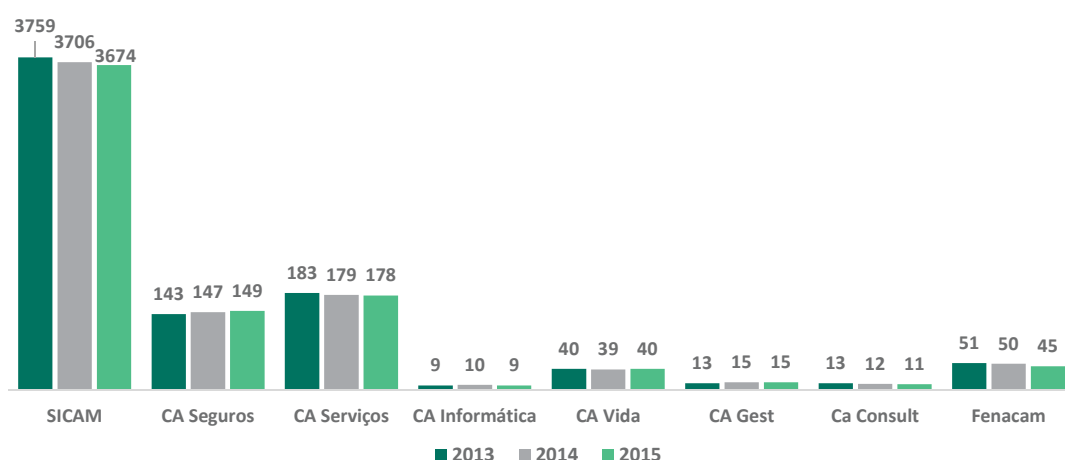
Target groups of the financial literacy initiatives implemented at schools in 2015			
1st cycle schools	2nd and 3rd cycle schools	Secondary schools	Higher education schools
24%	24%	41%	12%

## 2.3 RESPONSIBILITIES WITH OUR EMPLOYEES

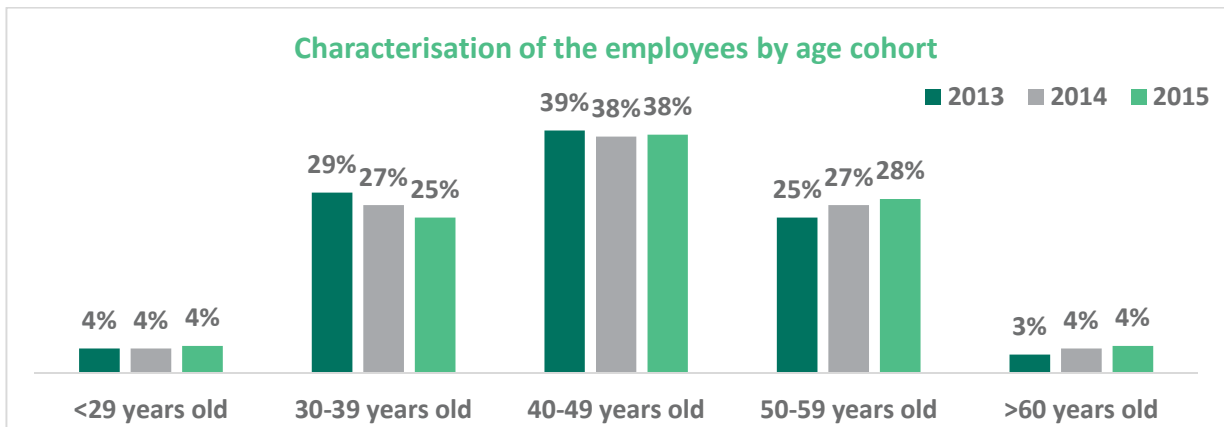
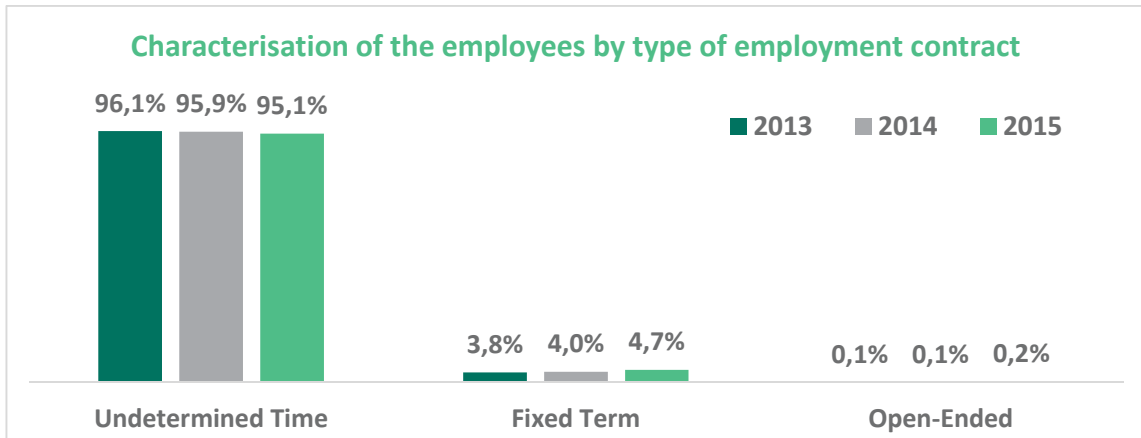
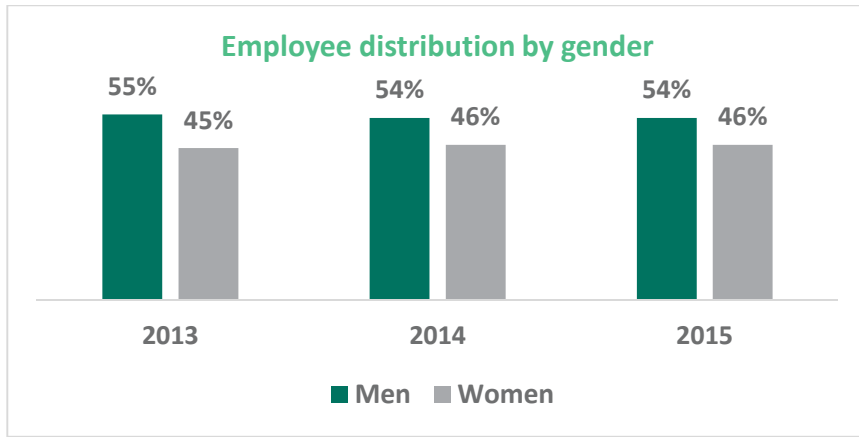
### a) Grupo Crédito Agrícola Team

In 2015, Grupo Crédito Agrícola had a team of 4,121 employees. In 2015, the distribution of the number of employees throughout the different companies of the Group, and their geographic distribution, remained similar to the previous year, as follows:

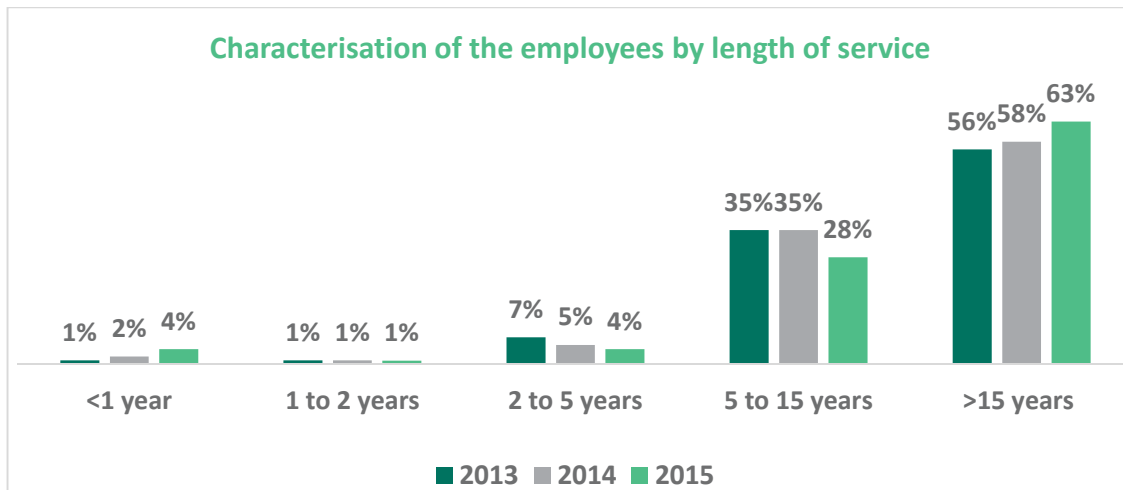
#### Distribution of the employees in SICAM, Participated Companies and FENACAM



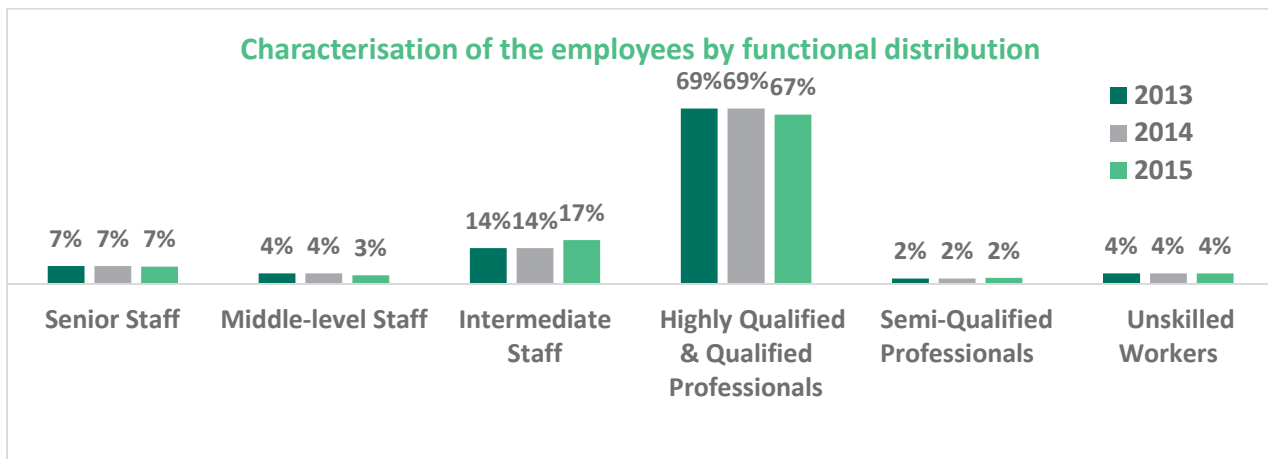
The team of employees is relatively balanced in terms of gender, as 54% of the employees are men and 46% are women. Around 96% of the employees has contracts for an undetermined period of time. The age structure of the team shows a pattern similar to 2014, with the age cohort of 40 to 49 years old accounting for around 38% of the employees.



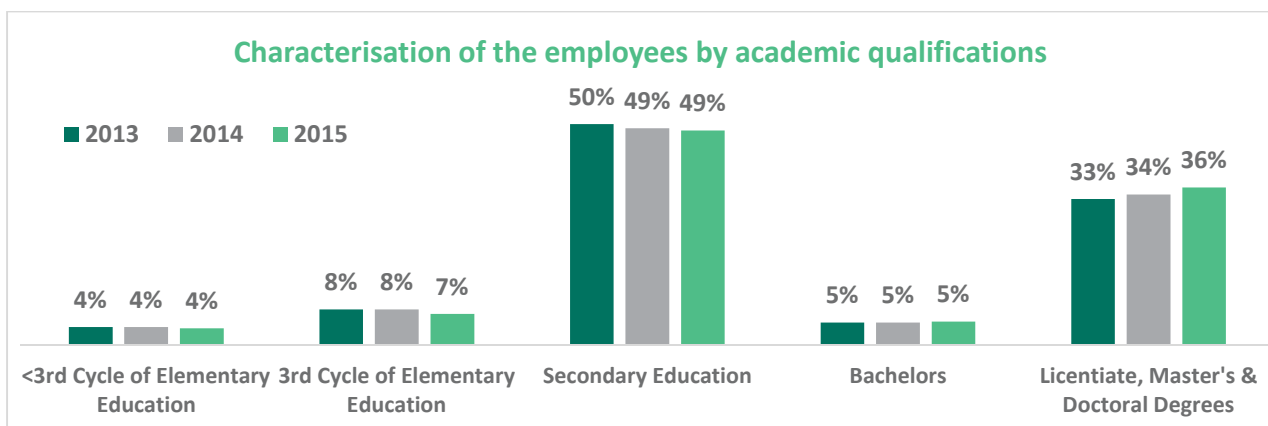
The CA Group shows a strong capacity to retain its employees, expressed in the length of service of the employees: 63% of the employees have worked at the Group for more than 15 years.



Regarding functional distribution, 67% of the employees are included in the highly qualified or qualified professional category; 17% are intermediate staff, 7% are senior staff and 3% are medium staff.



The academic qualifications with greatest weight are secondary education with 49%, followed by higher education with 36%.



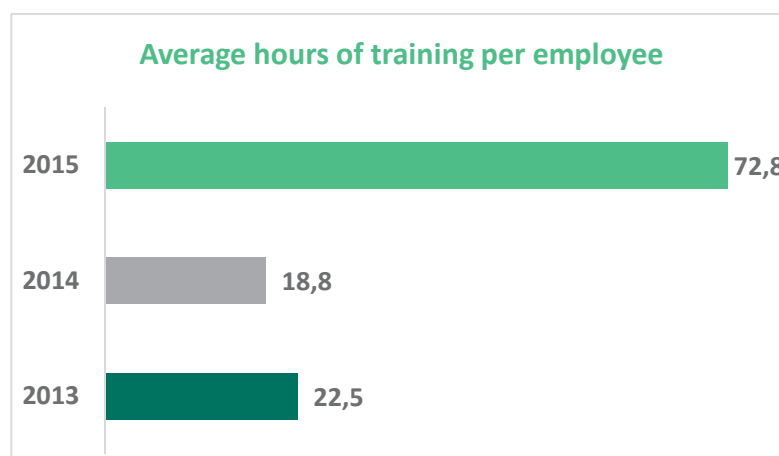
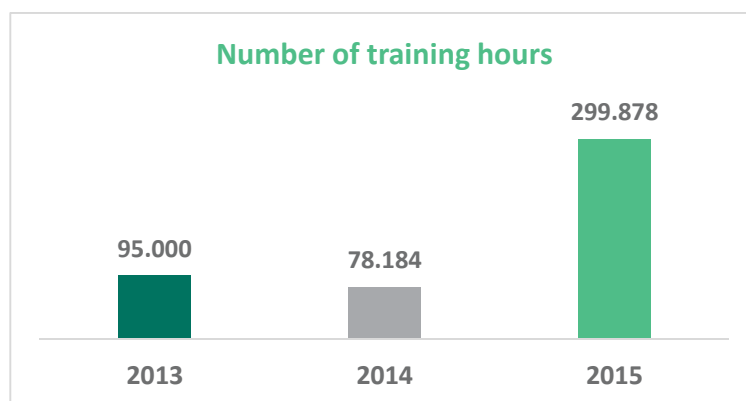
## b) Training

The number of participants as well as the training hours per employee increased substantially in 2015. In total, the training actions held in 2015 were attended by 13,954 participants.

Number of Participants <sup>(1)</sup>	2014	2015	Var. % 2015/2014
Physical attendance	7,338	9,862	34.4%
E-learning	5,063	4,067	-19.7%
Distance Learning	3	25	733.3%
<b>Total</b>	<b>12,404</b>	<b>13,954</b>	<b>12.5%</b>

(1) The same employee could have attended various training courses

Number of Hours	2014	2015	Var. % 2015/2014
Physical attendance	46,537	49,002	5.3%
E-learning	31,107	246,531	692.5%
Distance Learning	540	4,345	704.6%
<b>Total</b>	<b>78,184</b>	<b>299,878</b>	<b>283.6%</b>



## c) Benefits

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The benefits attributed to the employees are segmented in the 3 areas noted below, with the costs related to social protection paid by CA being stated at the end of this sub-chapter:

- Benefits related to health, training and family
- Credit
- Culture, Sports and Well-Being

### Health, training and family

In 2015, the CA Group attributed its employees the benefits referred to below, apart from those established in the banking legislation:

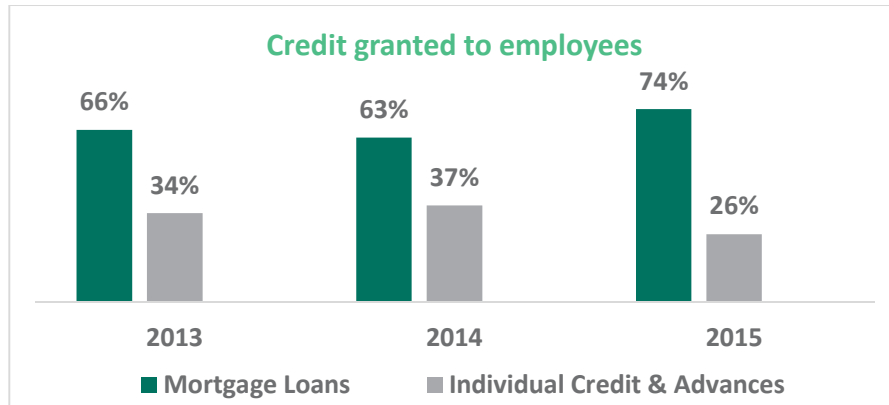
- Weekly medical service at the premises of Caixa Central;
- Financing and support to the enhanced academic and specialised training of the employees, which, in 2015 corresponded to an investment of 103 thousand euros;
- Investment in the development of employee skills, to a total of 498 thousand euros;
- Collaboration with the IFB in the qualification of year students with 12th year of schooling, by receiving interns under a scheme of alternation and contribution of 18 thousand euros;
- International competitions of Drawing, Poetry, Prose and implementation of the "CA Stories" programme.

### Credit

The Employees of Crédito Agrícola benefit from special conditions in various financial products and services, namely:

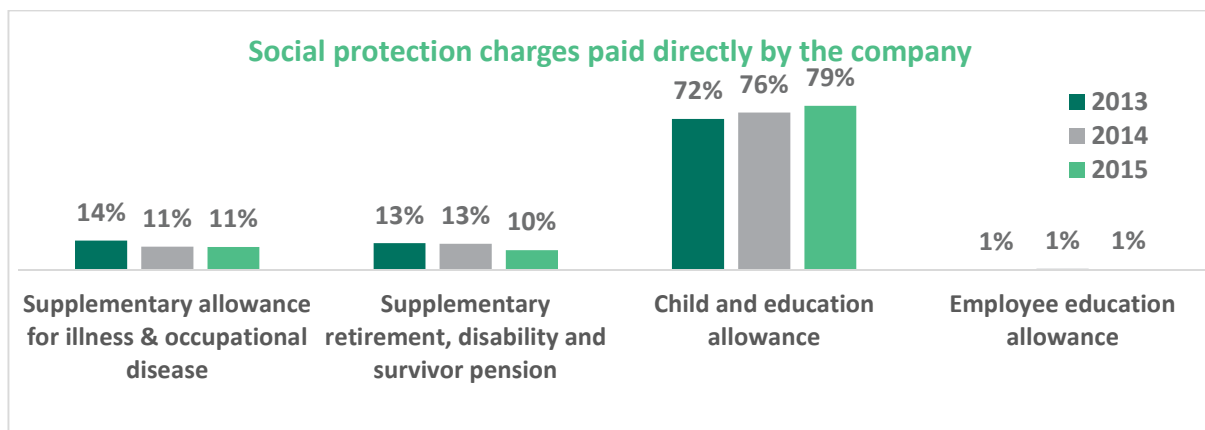
- In the use of mortgage loans;
- In taking out various insurance policies;
- By lower maintenance expenses in the annuity of credit and debit cards;
- By lower maintenance expenses in the issue of cheques;
- By exemption of maintenance commission expenses in demand deposits;
- Credit for personal expenses at symbolic rates.

Of the credit to employees 74% involved mortgage loans, and 26% was individual credit and advances. The weight of mortgage loans increased in relation to 2014, and individual credit decreased in 2015 in relation to the previous year.



### Social Protection

Among the social protection charges paid directly by the company, the allowance for children and education accounts for 79% of the value invested, corresponding to an increase of 3 p.p. in relation to 2014.



Along with support to and relations with the community, internal social responsibility is an important dimension of the Social Responsibility Policy of the CA Group. In this sphere, initiatives are implemented aimed at about 4,000 employees of the Group, and sometimes extend to their families. Apart from activities in the areas of culture, sports and well-being, special note should be made of the Annual Meeting of Crédito Agrícola as a great occasion gathering all the employees and their families together.

### Culture, Sports and Well-Being

The Cultural and Sports Centre of the CA Group has played a relevant role in the context of social responsibility towards GCA's employees and specifically in the organisation of entertainment activities, such as:

- Travel, rally paper, peddy paper and guided visits;

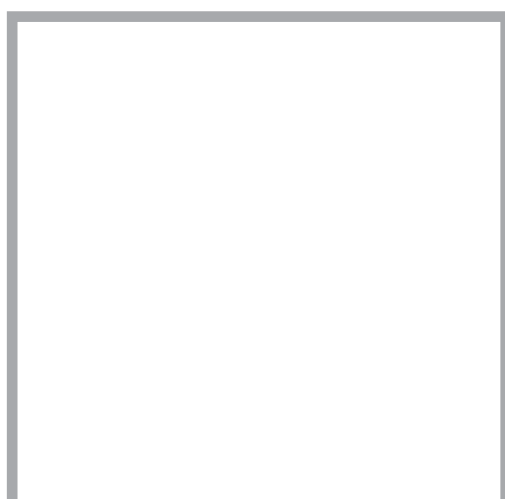
- Organisation of cultural activities: painting exhibitions at Caixa Central, books and other work of employees and persons outside the Group; discounts for performances and shows and at the ticket office for various cultural institutions;
- Organised groups for Billiards, Cross-country Cycling, Golf, Motorcycling and Sport Fishing;
- Establishment of partnerships which enable obtaining discounts for travel, acquisition of healthcare and aesthetic products, at restaurants and schools;
- Agreement with Inatel for holidays of the employees;
- Fuel discounts: Galpfruta and BP; Agreement enabling discounts at car parks for CCCAM employees;
- Agreement with a communications company;
- Portal of advertisements to support employees in the publicising and offer of goods and services;
- Local service of a cobbler, cafeteria, meals and delivery of medication.

#### **d) Annual Meeting of Grupo Crédito Agrícola**

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The Annual Meeting of the CA Group is an initiative developed for all the employees and their families. The event is above all an occasion to foster entertainment activities among GCA's entire "extended family", and also includes team-building activities. The holding of the event is the responsibility of one Associated Caixa. In 2015, the Annual Meeting was held at Expolima in Ponte de Lima. The host was the Associated Caixa of the Northwest, and was attended by 1,000 people, among employees and their family.





Economic  
Environment

03

## III. ECONOMIC ENVIRONMENT

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### 3.1 INTERNATIONAL ECONOMY

According to the most recent forecasts of the International Monetary Fund referred to in the update of the World Economic Outlook of January 2016, the world economy grew by 3.1% in 2015, representing a slowdown compared to the 3.3% growth of 2014. The evolution of the largest economies of the world, advanced and emerging, was quite different.

The factors which contributed to this differentiation include the continuation of expansionary monetary policies and less restrictive budgetary policy in the developed countries, as well as macroeconomic imbalances and political instability in some commodity exporting economies, which is especially the case of Brazil and Russia with larger contraction of their economies. In China, the reorientation of economic policy towards a model more based on the domestic market has led to a gradual decrease of its economic growth, with impact on global demand for commodities, with China thus being overtaken by India, whose economic growth accelerated in 2015.

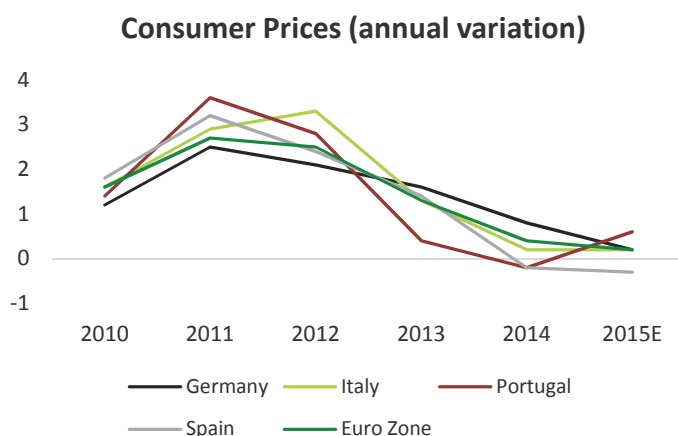
On the other hand, the fluctuations in the price of oil also contributed to a heavy decline in commodity prices.

In the euro zone, the activity was characterised by continued economic recovery, in spite of the scenario of uncertainty regarding the financial situation of Greece. This favourable development was due to the evolution in the price of commodities and the monetary policy of the European Central Bank (ECB), as well as the implementation of ECB's financial asset purchase programme (Expanded Asset Purchase Programme).

It is estimated that GDP grew by 1.5% in the euro zone in 2015, essentially due to the impact of the depreciation of the euro (which has taken place since mid 2014), the maintenance of low interest rates (fostered by the expanded asset purchase programme), the favourable effects on income level derived from the lower prices of energy products (especially oil) and the quantitative easing policies applied by the ECB. Most of the members of the EU have followed along this growth trend.

In relation to the labour market, a widespread reduction of the unemployment rate has been observed in the euro zone. Unemployment has continued on its trend of recovery over the last two years, standing at 11% in 2015 (0.6 p.p. in relation to 2014). This improvement is explained by factors such as the favourable impact of wage moderation, the recent reforms of the labour market, the economic recovery and the

recent budget incentives. Even so, it should be stressed that the high values of 2015 are, to a large extent, explained by the peripheral economies, which includes countries such as Spain (21.8%) and Greece (26.8%).

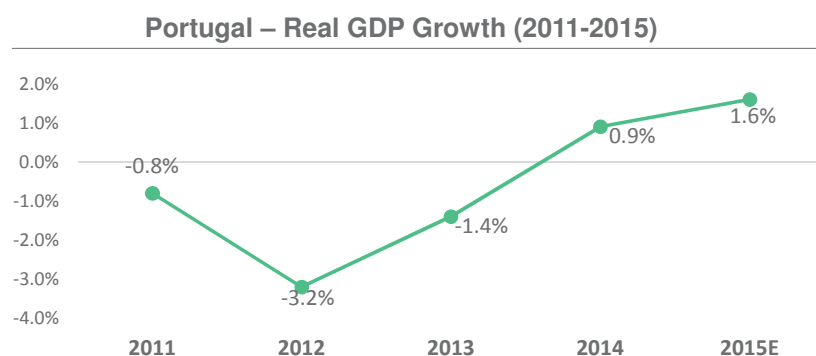


*Source: World Economic Outlook, October 2015, updated in January 2016*

In order to combat the deflationary pressure, various measures were announced by the ECB, on 22 January 2015, among which the following: (i) the launch of an expanded asset purchase programme, with monthly purchases of the value of 60 thousand million euros up to the end of September 2016, or until the Board of the ECB considers that a sustained adjustment has occurred in the inflation trend, compatible with its objective of achieving low inflation rates but close to 2% in the medium term; and (ii) the alteration of the interest rate of the remaining six targeted long term refinancing operations (TLTRO). Therefore, the interest rate applicable to future targeted LTRO shall be equal to the interest rate of the main refinancing operations (MRO) of the Eurosystem prevailing on the date when each directed LTRO is conducted, thus annulling the differential (spread) of 10 b.p. above the interest rate of the MRO applied in the two first targeted LTRO.

More recently, on 3 September 2015, the Board of the ECB decided that the interest rate applicable to (i) main refinancing operations, (ii) the permanent liquidity assignment facility, and (iii) the deposit permanent facility should remain unchanged at 0.05%, 0.30% and -0.20%, respectively.

## 3.2 NATIONAL ECONOMY



*Source: Banco de Portugal - Boletim Económico - December 2015*

After 0.9% growth in 2014, the Portuguese economy showed greater strength which justifies the estimated growth of 1,6% in 2015, reflecting growth slightly above the average figure for the euro zone.

### Macroeconomic indicators (2013-2015)

		2013	2014	2015E
<b>External Demand</b>	<b>avr</b>	<b>1.3</b>	<b>4.6</b>	<b>3.9</b>
EUR/USD Exchange Rate	avr	3.1	0.1	-6.4
Price of Oil (euros)	avr	-4.1	-9.5	-29.7
<b>Gross Domestic Product</b>	<b>avr</b>	<b>-1.4</b>	<b>0.9</b>	<b>1.6</b>
Private Consumption	avr	-1.7	2.1	2.7
Public Consumption	avr	-1.8	-0.7	0.1
Gross Fixed Capital Formation	avr	-6.6	2.3	4.8
Exports	avr	6.1	3.4	5.3
Imports	avr	2.8	6.2	7.3
Harmonised Consumer Price Index	avr	0.4	0.7	0.6
Saving Rate (%)	aav	4.5	6.9	7.0
Employability (private sector)	avr	n.d.	2.3	0.8
Unemployment Rate	%	16.2	13.9	11.8
Remuneration by Worker (private sector)	avr	n.d.	-1.3	0.0
Current and Capital Balance (% GDP)	avr	2.6	2.1	2.4
Balance of Goods and Services (% GDP)	avr	1.7	1.1	1.6
ECB Reference Rate (average)	%	0.37	0.16	0.05
3-Month Euribor (average)	%	0.29	0.21	0.00
Yield of German 10 Y TBonds (average)	%	1.93	0.54	0.53
Yield of Portuguese 10 Y TBonds (average)	%	6.13	2.69	2.41

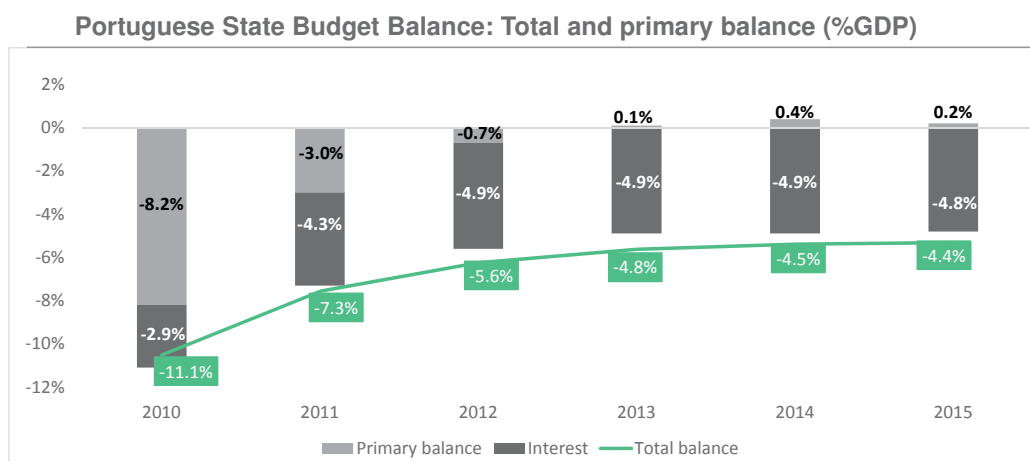
*Source: Banco de Portugal (December 2015) and European Central Bank (December 2015)*

*avr: Annual variation rate; aav: annual average variation*

The acceleration of the activity in 2015 was primarily influenced by the evolution of Portuguese exports, which increased by 5.3%, and benefited to a large extent from the evolution of external demand directed at the Portuguese economy. This buoyancy was related to the economic recovery of some of Portugal's main trading partners of the euro zone, in particular Spain, France and Italy. Exports to countries outside the euro zone benefited from the depreciation of the euro and growth of external demand derived from various important partners, in particular the United Kingdom and USA.

Growth of private consumption (2.7% year-on-year, compared to 2.1% growth recorded in 2014) was associated to an improvement in the outlook on the evolution of household permanent income, combined with a scenario of favourable monetary and financial conditions.

The unemployment rate reached 11.8% in 2015, standing 2.1 p.p. below that observed in 2014, in the context of a dwindling active population. Notwithstanding this reduction, the percentage unemployment continues historically high, exacerbated by the existence of a high level of long term unemployment.



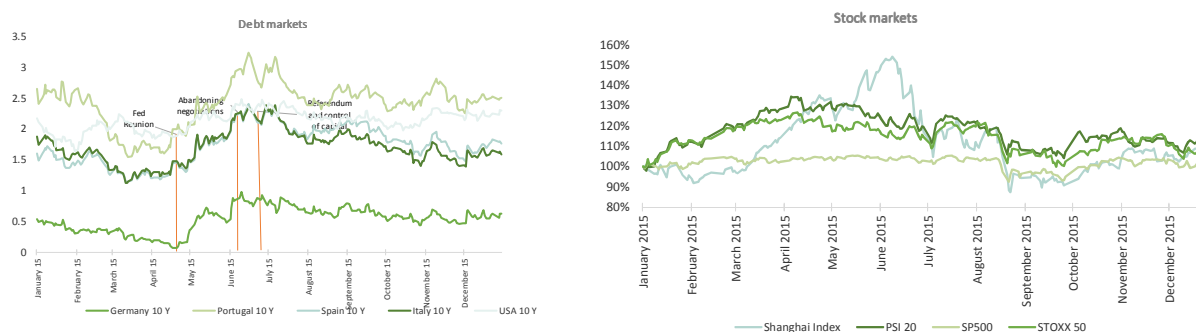
The year of 2015 ended with a budget deficit of 4.4% of GDP, largely due to the resolution of Banif which occurred at the end of the year. It is estimated that the impact of this measure on public accounts will be close to 2,255 million euros (1,766 million euros in an injection of capital in the bank and 489 million euros in the transfer to the Resolution Fund), which will increase the deficit by 1.4 p.p. of GDP. Excluding this impact, the budget deficit would have been 3% in 2015.

The value of 4.4% is above that foreseen in the State Budget of 2015 for the entire year (2.7%), but does reflect a year-on-year improvement of 0.3 p.p. derived from an increase of revenue higher than that of expenditure.

## 3.3 FINANCIAL MARKETS

During 2015, the attention of investors was essentially focused on the activity of the Central Banks, in a situation of uncertainty regarding the evolution of Greece, the progress of the emerging economies and commodity prices. In Portugal, the year was marked by the legislative elections, the uncertainty surrounding the formation of the new Government, the losses generated by the debacle of Banco Espírito Santo, and finally by the resolution of Banif with the divestment of its activity and opening of investigation procedures on the state assistance granted in 2013.

In Europe, the 1st semester of 2015 was marked by the announcement of the beginning of the quantitative easing programme by the ECB. This programme was created for the purpose of increasing the levels of inflation in the euro zone, and due to the tense negotiation process between Greece and the Troika (ECB, EC and IMF) concerning the application of economic reforms, which led to increased uncertainty among investors and, consequently, higher volatility in stock and public debt markets.



In China, at the end of the 1st quarter, the People's Bank of China (PBOC), in order to stimulate the economy, cut interest rates and lowered deposit remuneration rates by 0.25 p.p.

The 2nd quarter started with the decision of the American Federal Reserve to maintain its monetary policy unchanged, keeping the reference interval of fed fund rates at 0% - 0.25%.

In the euro zone, the quarter was marked by the movement of the Euribor at three months into negative terrain (-0.001%) as a result of the policy followed by the ECB.

In the stock market, the Chinese market started to decline, with the Shanghai Composite index having devalued by 11% just in the month of June. This crash occurred after a run on shares, with the Chinese having resorted to credit to place on the stock exchange. As such, the Chinese Central Bank on two occasions (once in May and once in June) cut the reference interest rate and deposit rate by 0.25 p.p.

In the 3rd quarter there was great volatility in the stock market. As the devaluation recorded by the Chinese shares indicated that Peking's measures were not alleviating the investors' fears, the Chinese regular and the PBOC advanced with additional expansionary measures, primarily (i) the prohibition of sale of shares by investors with qualifying positions, (ii) the devaluation of the yuan by 1.9%, and (iii) the reduction of deposit interest rates by 0.25 p.p. These measures warned investors to the slowdown of the second largest economy of the world, with contagion spill-over effects on European and American indices as well as on commodities.

In terms of monetary policy, both the ECB and Federal Reserve kept their policies unaltered in the September meetings.

In the 4th quarter, the attention of investors was focused on the decisions of the Central Banks, on the evolution of commodities and on the elections held in the Iberian region.

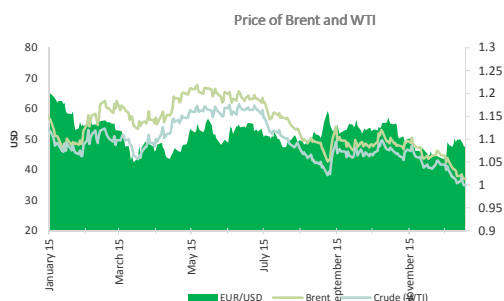
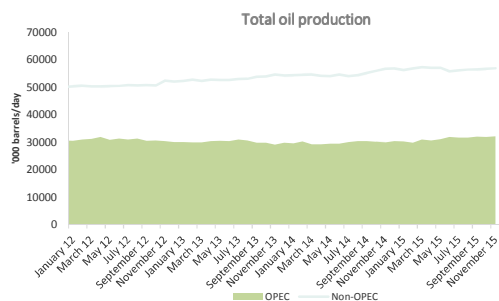
In the euro zone, the ECB took additional measures at its December meeting, in particular: (i) cutting the deposit interest rate by 10 b.p. to -0.30%, maintaining the reference interest rate and liquidity assignment rate unchanged; (ii) extending the asset purchase programme to at least March 2017; and (iii) reinvesting the interest gained with the purchased assets; and (iv) including the debt of regional and local government in the scope of the debt acquisitions of the ECB.

In turn, in the USA, the Federal Reserve increased the reference interest rate for the first time since 2006, with the interval of variation of the fed fund rate shifting to between 0.25%-0.50%, justified by the significant improvement in labour market conditions (the unemployment rate stood at 5% in December) and estimated increase of inflation in the medium term.

In China, the Central Bank cut the interest rates of loans to the banking system and the interest rate of bank deposits at the Central Bank, having also decreased the capital reserve requirements of banks by 50 b.p. and injected 150 thousand million yuan in the economy, aimed at increasing the liquidity level of the Chinese banking system.

The year under review was also marked by a certain political instability due to the dispersion of votes among the different parties in the Portuguese and Spanish elections, creating uncertainty as to the process of government formation in these countries.

In the commodities market, the spotlight was on the price of oil, which devalued by around 18% in the 4th quarter and 31% throughout 2015, due to the excess supply in the market and the intensification of conflicts affecting producer countries. The price of agricultural products fell by around 2.4% in the last quarter and 12% over the year.



The evolution of the price of commodities also had a direct impact on the inflation levels of the main countries, namely: (i) in the USA, the year-on-year rate was 0.5% in the month of November, while the core rate<sup>4</sup> was 1.4%; and (ii) in the euro zone, according to Eurostat, the year-on-year rate was 0.1% in December, the same value was recorded in October and the monthly core inflation rate fell unexpectedly by 0.2 b.p. to 0.9%.

Exchange rates experienced an appreciation of the USD in relation to the EUR of 3.1% in the 4th quarter, with the EUR/USD rate having closed the year at 1.0887. In accumulated terms for the year, the EUR declined by 10.2% in relation to the USD.

## Main focus in 2016

The evolution of the emerging economies constituted the major focus point for analysis in 2016. Apart from the slowdown of the Chinese economy, the situation in these countries was also penalised by the start of an upward movement of interest rates in the USA, by the depreciation in the respective currencies, and by the heavy fall of commodity prices. A heavier than expected weakening of domestic demand in China could affect the confidence of financial markets and, in this way, compromise the prospects of many other economies, both emerging and advanced. The evolution of the markets will thus depend on the response of the Central Banks to the situation in China, as well on the form of reconciling this issue with the attempt to reach inflation levels of 2%.

Factors such as the conflicts in the Middle East, acts of terrorism and the consequent variation in the price of oil will also be fundamental to the evolution of the markets in 2016.

<sup>4</sup> Rate which excludes energy and food products.



In Portugal, the budget execution and decision of the DBRS, the only agency which places Portugal at an investment grade level and as such enables the acquisition of public debt by the European Central Bank will be decisive in the country's political, economic and financial situation in 2016.

## 3.4 NATIONAL BANKING MARKET

### a) Relevant facts

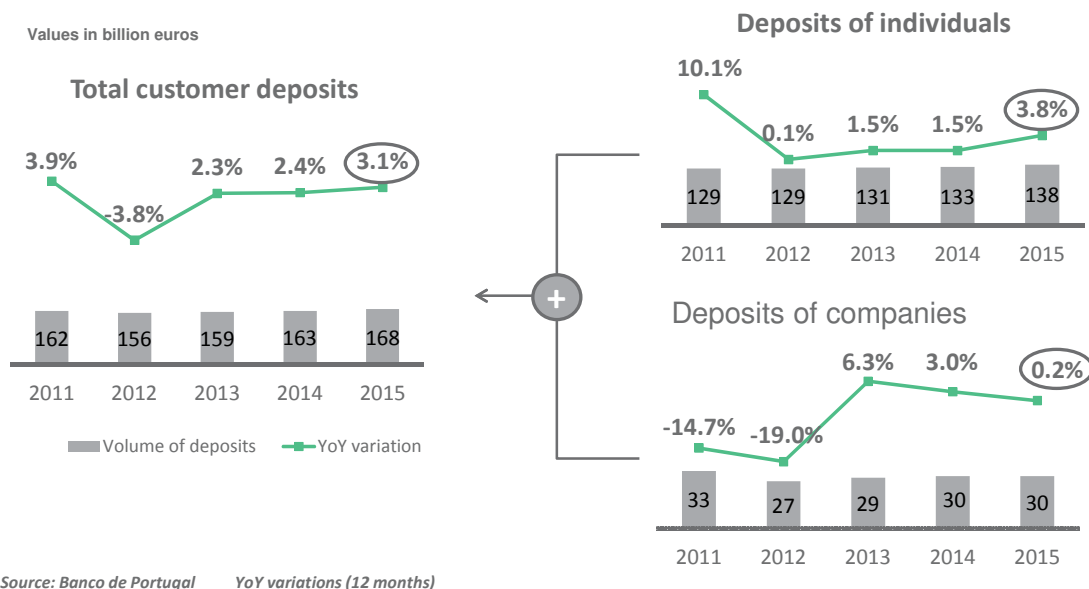
Under its responsibility as the supervisory and resolution authority of the Portuguese financial sector, Banco de Portugal, on 3 August 2014, decided to apply a resolution measure to Banco Espírito Santo, S.A. (“BES”), pursuant to number 5 of article 145-G of the RGICSF, which consisted in the transfer of its most of its activity to a transition bank, named Novo Banco, S.A. (“Novo Banco”), created especially for the purpose. The Resolution Fund provided 4,900 million euros for payment of the share capital of Novo Banco. Of this total value, 377 million euros correspond to the Resolution Fund's own financial resources. Additionally, a loan of 700 million euros was granted by a banking syndicate to the Resolution Fund, with the participation of each credit institution having been weighted according to various factors, including its size. The remaining amount, 3,823 million euros, required to finance the adopted resolution measure, came from a loan granted by the Portuguese State, which shall be repaid by the Resolution Fund. The funds which shall be generated with the sale of Novo Banco shall be fully allocated to the Resolution Fund.

On 29 December 2015, Banco de Portugal determined re-transmitting to BES the liability for the non-subordinated bonds issued by BES, with nominal value of approximately 2 thousand million euros, which had been intended for institutional investors, and proceeded with the final adjustment of the perimeter of assets, liabilities, off-balance sheet items and assets under management transferred to Novo Banco.

Also during the month of December 2015, the national authorities decided to sell the majority of the assets and liabilities associated to the activity of Banif – Banco Internacional do Funchal, S.A. (“Banif”) to Banco Santander Totta, for 150 million euros, in the context of the application of a resolution measure. This operation involved an estimated public support of 2,255 million euros aimed at covering future contingencies, funded by 489 million euros from the Resolution Fund and 1,766 million euros directly from the Portuguese State, as a result of the options agreed between the Portuguese authorities, the European instances and Banco Santander Totta, for delimitation of the perimeter of the assets and liabilities to be divested. In the context of this resolution measure, the assets of Banif which were

identified as problematic were transferred to an asset management vehicle, created for the purpose – Oitante, S.A., with the Resolution Fund being the sole holder of its share capital, through the issue of bonds representing the debt of this vehicle, of the value of 746 million euros, backed by the Resolution Fund and counter-backed by the Portuguese State. A restricted series of assets, as well as the shareholder positions of subordinated creditors and related parties remained at Banif, which shall be wound up in the future.

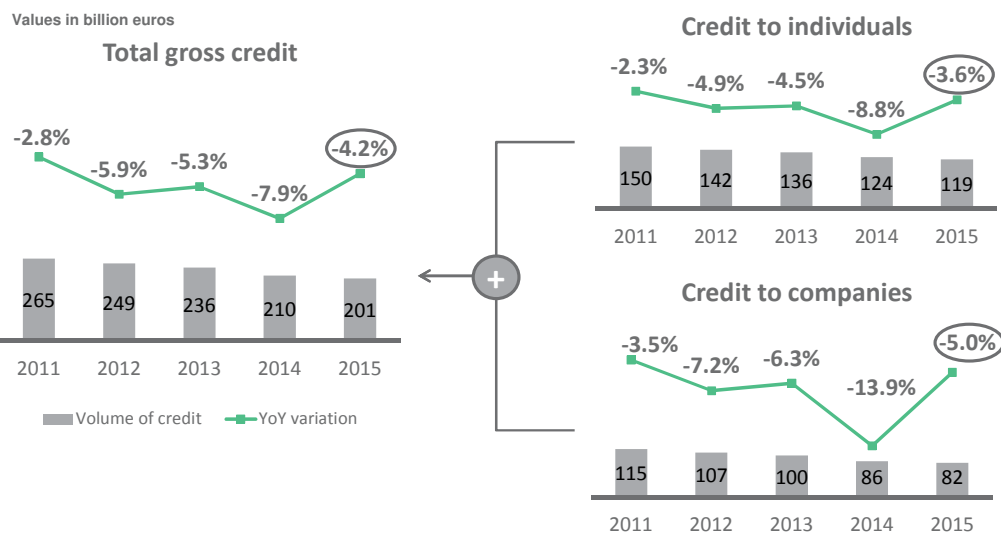
## b) Evolution of the national deposit market (2011 – 2015)



According to the most recent information disclosed by Banco de Portugal (December 2015), the volume of deposits increased by 3.1% in December 2015 in relation to the same period of 2014. This growth was influenced by the positive evolution of 3.8% of deposits of individuals (+2.3 p.p. than in 2014) and more modest growth of 0.2% in deposits of companies (-2.8 p.p. than in 2014).

## c) Evolution of the national credit market (2011 – 2015)

In contrast, total gross credit decreased year-on-year by 4.2% in December 2015. The decline was more significant in credit to companies (-5.0%) than in credit to individuals (-3.6%), both year-on-year.



According to the information disclosed by Banco de Portugal, total credit fell by 4.2% between 2014 and 2015, with the highest percentage decline (two-digit) being in the segment of companies in the autonomous regions and in the districts of Viseu, Vila Real and Faro. In Lisbon, credit to companies fell by 2.6 thousand million euros, which explains over 60% of the reduction recorded in the country.

Values in thousand euros

#### Evolution of total credit by region - Dec.2014/Dec.2015

	Credit			Total weight %	Var. 2015/2014		
	Individuals	Companies	Total		Individuals	Companies	Total
Aveiro	5,825	2,985	8,810	4.4%	-4.3%	-3.9%	-4.2%
Beja	1,323	445	1,768	0.9%	-4.4%	-9.9%	-5.9%
Braga	6,477	3,805	10,282	5.1%	-3.2%	1.1%	-1.7%
Bragança	924	238	1,162	0.6%	-4.6%	-2.1%	-4.1%
Castelo Branco	1,492	410	1,902	0.9%	-4.7%	-4.2%	-4.6%
Coimbra	3,975	1,276	5,251	2.6%	-3.6%	-2.0%	-3.2%
Évora	1,748	708	2,456	1.2%	-0.8%	-4.3%	-1.8%
Faro	5,004	1,722	6,726	3.3%	0.0%	-10.9%	-3.0%
Guarda	905	287	1,192	0.6%	-3.8%	-2.0%	-3.4%
Leiria	4,309	2,528	6,837	3.4%	-3.3%	-2.8%	-3.1%
Lisbon	43,432	45,766	89,198	44.4%	-3.3%	-5.5%	-4.4%
Portalegre	903	329	1,232	0.6%	-4.7%	1.9%	-3.1%
Porto	17,694	12,765	30,459	15.2%	-4.7%	-1.6%	-3.4%
Santarém	4,179	1,513	5,692	2.8%	-1.0%	0.4%	-0.7%
Setúbal	9,618	2,104	11,722	5.8%	-2.9%	4.7%	-1.6%
Viana do Castelo	1,697	644	2,341	1.2%	-5.6%	-0.5%	-4.2%
Vila Real	1,371	332	1,703	0.8%	-6.5%	-12.9%	-7.8%
Viseu	2,576	1,020	3,596	1.8%	-3.0%	-23.0%	-9.6%
Azores Autonomous Reg.	2,728	1,161	3,889	1.9%	-5.4%	-14.6%	-8.4%
Madeira Autonomous Reg.	3,046	1,552	4,598	2.3%	-8.9%	-25.6%	-15.3%
<b>Total</b>	<b>119,226</b>	<b>81,590</b>	<b>200,816</b>	<b>100%</b>	<b>-3.6%</b>	<b>-5.0%</b>	<b>-4.2%</b>

Source: Banco de Portugal

Analysing credit to individuals in detail reveals that the reduction was essentially due to the decrease of mortgage loans (-3.9% in 2015 year-on-year) which accounts for 82% of total credit to individuals. Overdue credit to individual customers stood at 4.2%, primarily exacerbated by credit for other purposes which, even so, has been falling in terms of its weight in total credit.

### Evolution of the market of credit to individuals by type - Dec.2014/Dec.2015

Type	Volume of credit (M€)	YoY var. %	Total weight %	Overdue credit %
Housing	97,706	-3.9%	82.0%	2.5%
Consumer	12,183	0.7%	10.2%	9.4%
Other purposes	9,336	-6.0%	7.8%	14.7%
<b>Total</b>	<b>119,225</b>	<b>-3.6%</b>	<b>100%</b>	<b>4.2%</b>

Source: Banco de Portugal

In the case of credit to companies, the 5% decrease was mainly due to the reduction of credit to companies of the construction sector, mining industries, health and social support. Only the sectors of agriculture and fisheries and transport and storage show an increase of credit granted (5.3% and 7.0%, respectively).

Overdue credit to companies stood at 15.4%, with the sectors showing most non-performance continuing to be construction, real estate activities and trade, which maintain high representativeness in total credit to companies.

Values in million euros

### Evolution of the market of credit to companies by economic activity - Dec.2014/Dec.2015

Economic activity	Var. Dec. 2015/2014	Total Credit	Weight %	% Overdue Credit
Agriculture and Fisheries	5.3%	2,185	2.7%	4.4%
Manufacturing Industries	-1.8%	12,881	15.8%	10.3%
Health and Social Support	-7.0%	1,288	1.6%	5.4%
Trade	-0.3%	12,238	15.0%	16.1%
Construction	-14.1%	12,870	15.8%	33.4%
Real Estate Activities	-4.9%	11,234	13.8%	23.7%
Accommodation and Restaurants	-5.3%	4,446	5.4%	10.9%
Transport and Storage	7.0%	7,221	8.9%	6.7%
Energy	-0.2%	2,517	3.1%	0.6%
Mining Industries	-13.6%	254	0.3%	13.0%
Water and Sanitation	-6.5%	1,548	1.9%	2.6%
Other	-10.1%	12,909	15.8%	8.6%
<b>Total</b>	<b>-5.0%</b>	<b>81,591</b>	<b>100%</b>	<b>15.4%</b>

Source: Banco de Portugal

In 2015, SMEs were the companies which recorded the strongest reduction in credit raised in comparison to 2014. SMEs had been the primary commercial focus of banking institutions not only due to their relative weight (49% of the total) but also because of their lower incidence of overdue credit (23.0% and 25.8%, in medium and small enterprises respectively, compared to 30.4% of micro-enterprises).

Values in million euros

### Evolution of the market of credit to companies by size - Dec.2014/Dec.2015

	Value	Weight %	% Overdue Credit
Micro-enterprises	28,012	34%	30.4%
Small enterprises	20,330	25%	25.8%
Medium-sized enterprises	19,969	24%	23.0%
Large enterprises	10,577	13%	13.4%
Not specified	2,703	3%	n.a.
<b>Total</b>	<b>81,591</b>	<b>100%</b>	<b>15.4%</b>

Source: Banco de Portugal

Analysing the number of companies, there is a notable positive variation in the birth of new companies which, combined with the variation of the number of closed and insolvent companies, gave rise to the net creation of companies by 1.9 times in 2015 (i.e. business revitalisation), 15.7% above the figure observed in 2013.

**EVOLUTION OF THE NUMBER OF COMPANIES**

	2013	2014	2015	Variation 13/15
Births	35,670	35,842	37,698	5.7%
Closures	16,066	15,001	15,541	-3.3%
Insolvency	5,546	4,492	4,192	-24.4%
<b>Business Revitalisation*</b>	<b>1.7</b>	<b>1.8</b>	<b>1.9</b>	<b>15.7%</b>

Source: Informa DB Barometer

\* Births / (Closures + Insolvency)

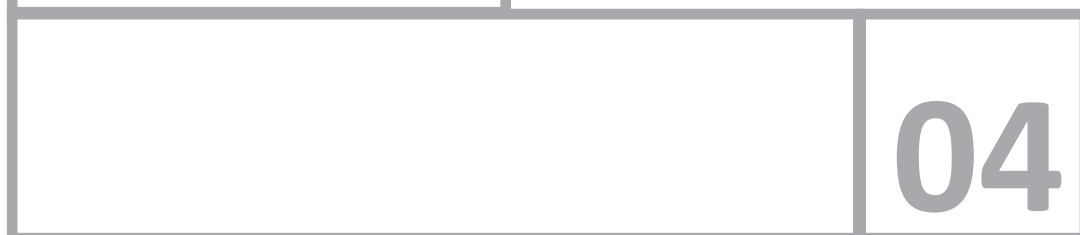
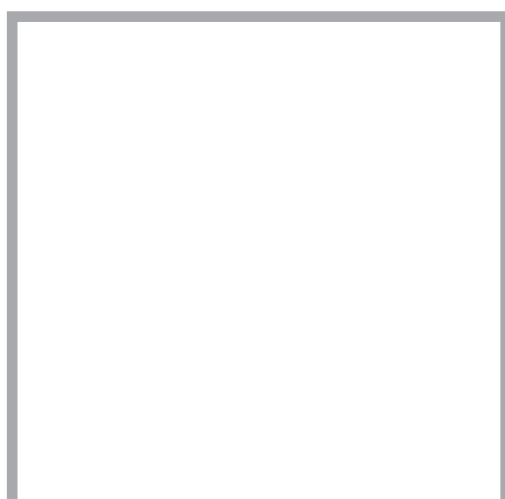
## 3.5 MAIN RISKS AND UNCERTAINTIES FOR 2016

2016 will be yet another year marked by regulations and various requirements imposed on the financial system, both for European banking through the European Central Bank (ECB), and for the national banking system via Banco de Portugal (BdP).

In early 2016, the European Central Bank disclosed five priorities on matters of supervision of European financial institutions, which will be focused on (i) risk associated to the business model and profitability; (ii) credit risk; (iii) the adequacy of own funds; (iv) the governance of risk and data quality; and (v) the new liquidity requirements. Various supervisory initiatives will certainly be carried out for each of these priorities and, in some cases, the implementation of some measures will extend for more than a year, requiring additional dedication and budgets.

In addition to the two regulators referred to above, credit institutions and financial companies are also covered by the regulations issued by the capital market and investment activity regulators (i.e. ESMA and CMVM); in this context, being subject to new requirements and regulations, under national implementation and consultation, which naturally includes Grupo Crédito Agrícola.

We highlight the entry into force, on 1 January 2016, of a new supervisory structure for insurance activity, transposing the Directives on Solvency II, through Law 147/2015 of 9 September which implemented the new Legal System for Insurance and Reinsurance Activity (RJASR). This new legal system seeks, among other objectives, to assure equality of conditions, prevent regulatory arbitration in the domestic market and safeguard a similar level of protection to all insured persons and beneficiaries, in Portugal and the European Union. This is a fundamental step towards the creation of a single insurance market, based on a culture of risk management and promoting the protection of insurance customers, beneficiaries and injured third parties, with particular impact on the activity of life branch insurance.



Financial Review

04

## IV. FINANCIAL REVIEW

### 4.1 GRUPO CRÉDITO AGRÍCOLA (CONSOLIDATED)

The consolidated financial statements of Grupo Crédito Agrícola reflect the net worth of SICAM (Sistema Integrado de Crédito Agrícola Mútuo), formed by Caixa Central and Associated Caixas, which with the rest of the affiliate and associate companies constitute the Financial Group of Crédito Agrícola Mútuo.

#### a) Evolution of the key indicators

##### KEY INDICATORS

in thousand euros

	2013	2014	2015	Var. 15/14	
				Abs.	%
Total assets	14,620,576	15,050,841	14,935,759	-115,082	-0.8%
Financial assets available for sale	4,987,081	5,747,753	5,346,312	-401,441	-7.0%
Credit to customers (gross)	8,136,142	8,099,442	8,373,275	273,832	3.4%
Total liabilities	13,479,558	13,839,915	13,730,955	-108,960	-0.8%
Customer funds	10,122,543	10,536,609	10,910,086	373,477	3.5%
Insurance contract technical provisions	1,261,657	1,516,614	1,611,507	94,894	6.3%
Equity	1,141,019	1,210,925	1,204,804	-6,122	-0.5%
Net interest income	306,704	306,940	309,647	2,707	0.9%
Operating income	486,000	576,559	515,212	-61,347	-10.6%
Structural costs	331,636	331,578	328,916	-2,662	-0.8%
Provisions / Impairments	137,118	179,320	112,942	-66,378	-37.0%
Earnings before tax	19,154	65,560	73,128	7,568	11.5%
Net Income	-2,941	26,883	54,112	27,229	101.3%
Ratio of credit overdue > 90 days	7.7%	8.0%	7.8%	-0.23 p.p.	
Return on equity (ROE)	-0.26%	2.22%	4.49%	2.27 p.p.	
Return on assets (ROA)	-0.02%	0.18%	0.36%	0.18 p.p.	
Cost to income ratio	68.2%	57.5%	63.8%	6.33 p.p.	
Common equity tier 1	n.a.	13.1%	13.1%	-0.05 p.p.	

The consolidated total assets of Grupo Crédito Agrícola reached the value of 14,936 million euros in 2015, corresponding to a decrease of 0.8% in relation to the 15,051 million euros recorded in 2014, essentially due to the reduction of the portfolio of financial assets available for sale.

The consolidated total liabilities fell by 0.8%, having shifted from 13,840 million euros in 2014 to 13,731 million euros in 2015. However, particular note should be made of the year-on-year growth recorded in customer funds on the balance sheet (+373 million euros) and in the technical provisions of insurance contracts (+95 million euros).

The consolidated total equity of Grupo Crédito Agrícola reached 1,205 million euros in 2015, corresponding to a minor decrease of 6 million euros (-0.5%), primarily explained by the impact of the devaluation of real estate assets composing the assets of the credit recovery vehicles.



In terms of net income, Grupo Crédito Agrícola achieved a value of 54.1 million euros in 2015, corresponding to an increase of 27.2 million euros relative to 2014. This increase was primarily influenced by the modest increase of net interest income (+0.9%) and the lower level in the constitution of provisions and impairments that stood at 113 million euros (66 million euros less than the value recorded in the same period of 2014).

## b) Capital ratios

In December 2015, Grupo Crédito Agrícola's own funds reached 1,145 million euros, representing a reinforcement of 97 million euros in relation to the same period of the previous year. Own fund requirements to cover credit (which includes requirements of own funds for risk of adjustment of credit valuation) and operating risk increased as a whole by 6.1% when compared to the position at the end of 2014.

### OWN FUNDS AND SOLVENCY RATIO - GRUPO CRÉDITO AGRÍCOLA

<i>In million euros</i>	2012	2013	2014	2015	Δ 15/14
<b>Total Own Funds <sup>(a)</sup></b>	<b>992</b>	<b>913</b>	<b>1,048</b>	<b>1,145</b>	<b>9.2%</b>
Core tier 1	1,052	1,012			
Main Own Funds - Level 1 (Common equity tier 1)			1,048	1,108	5.7%
Own Funds - Level 1 (Tier 1)	1,011.0	967.0	1,048	1,108	5.7%
<b>Position at risk of assets and equivalent</b>	<b>15,825</b>	<b>13,505</b>	<b>15,301</b>	<b>14,245</b>	<b>-6.9%</b>
<b>Own fund requirements</b>	<b>9,088</b>	<b>8,495</b>	<b>7,985</b>	<b>8,469</b>	<b>6.1%</b>
Credit <sup>(b)</sup>	8,096	7,487	6,919	7,388	6.8%
Operational	992	1,008	1,066	1,081	1.4%
<b>Solvency ratios <sup>(c)</sup></b>					
Core Tier 1	11.6%	11.9%			
Common equity tier 1 - phased in			13.1%	13.1%	-0,04 p.p.
Tier 1	11.1%	11.4%	13.1%	13.1%	-0,04 p.p.
Total	10.9%	10.8%	13.1%	13.5%	0,38 p.p.

(b) Including own fund requirements for adjustment risk of credit assessment.

(c) Up to December 2013 the ratios were calculated pursuant to Banco de Portugal Notices 5/2007 and 6/2010, after which the rules of Directive 2013/36/EU (CRD IV - Capital Requirements Directive) and Regulation (EU) 575/2013 (CRR - Capital Requirements Regulation) are applied.

The common tier 1 and total solvency ratios, calculated based on application of the transitional provisions (phased-in) and full application (fully implemented) of the rules established in Regulation (EU) 575/2013, stood at:

- CET1:
  - phased-in: 13,1%
  - fully implemented: 11,6%

- Total solvency:
  - phased-in: 13,5%
  - fully implemented: 13,3%

#### OWN FUNDS AND SOLVENCY RATIO 2015 - GRUPO CRÉDITO AGRÍCOLA

<i>In million euros</i>	CRD IV transitional definition (1)	CRD IV fully definition (2)	Δ 2/1
Capital Common equity tier 1	1,108	984	-11.2%
Total own funds	1,145	1,126	-1.7%
Own fund requirements	8,469	8,461	-0.1%
<b>Solvency ratios</b>			
<i>Common equity tier 1</i>	13.1%	11.6%	-1,5 p.p.
<i>Total</i>	13.5%	13.3%	-0,2 p.p.

### c) Income Statement

In a scenario where the financial sector was once again under pressure due to the historically low rates of the Euribor, the process of deleveraging of economic agents and the growing capital requirements in the context of the regulations of Basel III and Solvency II, Grupo Crédito Agrícola presented a net income of 54.1 million euros, doubling the figure recorded for the same period of 2014. This performance was also influenced by the reduction in taxes for the year on account of the integration of CA Vida in the Group's consolidation perimeter for tax purposes.

## Income Statement

<i>In thousand euros</i>	2014	2015	Variation	
			Abs.	%
Interest and similar income	531,548	486,032	-45,516	-8.6%
Interest and similar costs	224,609	176,385	-48,223	-21.5%
<b>Net Interest Income</b>	<b>306,940</b>	<b>309,647</b>	<b>2,707</b>	<b>0.9%</b>
Technical margin of insurance activity	-21,497	19,661	41,159	191.5%
Net commissions	100,601	98,280	-2,321	-2.3%
Net trading income	211,182	109,680	-101,502	-48.1%
Other net operating income:	-20,667	-22,056	-1,389	6.7%
Earnings from assets and liabilities at fair value	564	-15,466	-16,030	-2844.2%
Earnings of divestment of other assets	-7,560	-6,669	891	11.8%
Other net operating income	-13,671	79	13,749	-100.6%
<b>Operating Income</b>	<b>576,559</b>	<b>515,212</b>	<b>-61,347</b>	<b>-10.6%</b>
Structural Costs	331,578	328,916	-2,662	-0.8%
Staff costs	192,135	193,296	1,161	0.6%
General administrative overheads	107,300	108,147	847	0.8%
Amortisation	32,144	27,473	-4,671	-14.5%
Provisions and impairments	179,320	112,942	-66,378	-37.0%
Earnings from holdings in associates (equity method)	-100	-227	-126	126.1%
<b>Earnings before tax</b>	<b>65,560</b>	<b>73,128</b>	<b>7,568</b>	<b>11.5%</b>
Taxes	38,582	18,755	-19,827	-51.4%
Non-controlling interests	-95	-260	-165	174.1%
<b>Net Income</b>	<b>26,883</b>	<b>54,112</b>	<b>27,229</b>	<b>101.3%</b>

## d) Structure of the Balance Sheet

Net assets amounted to 14.9 thousand million euros. The contraction observed in relation to 2014 derives from the reduction of the portfolio of investments in securities (-407 million euros) although, due to the deleveraging of the market, this was unable to be fully offset by the expansion of credit granted to customers (+294 million euros).

## BALANCE SHEET AS AT 31 DECEMBER

<i>In thousand euros</i>	2014	2015	Variation	
			Abs.	%
<b>Assets</b>				
Cash balances	501,660	421,807	-79,853	-15.9%
Investments in Credit Institutions	3,194	95,128	91,934	2878.3%
Credit to Customers (net)	7,261,441	7,555,017	293,575	4.0%
Investments in Securities (net)	5,856,848	5,449,820	-407,028	-6.9%
Non-current assets held for sale	667,990	668,752	762	0.1%
Investment properties	94,835	82,583	-12,252	-12.9%
Invest. Affiliates, Tangibles and Intangibles	335,393	321,608	-13,785	-4.1%
Deferred tax assets	150,357	170,524	20,167	13.4%
Other assets	179,122	170,520	-8,602	-4.8%
<b>Total Assets</b>	<b>15,050,841</b>	<b>14,935,759</b>	<b>-115,082</b>	<b>-0.8%</b>
<b>Liabilities</b>				
Funds of central banks and other credit institutions	1,116,382	625,817	-490,565	-43.9%
Customer funds	10,536,609	10,910,086	373,477	3.5%
Insurance contract technical provisions	1,516,614	1,611,507	94,894	6.3%
Subordinated liabilities	142,534	120,409	-22,125	-15.5%
Other liabilities	527,777	463,136	-64,641	-12.2%
<b>Total Liabilities</b>	<b>13,839,915</b>	<b>13,730,955</b>	<b>-108,960</b>	<b>-0.8%</b>
Equity	1,210,925	1,204,804	-6,122	-0.5%
<b>Total Equity + Liabilities</b>	<b>15,050,841</b>	<b>14,935,759</b>	<b>-115,082</b>	<b>-0.8%</b>

## e) Quality of the Loan Portfolio

An analysis of the quality of the credit portfolio reveals that the credit overdue by more than 90 days increased by 6.2 million euros (+1%). However, as a result of prudent policies on risk-taking, the growth of overdue credit was lower than the growth of total gross credit, which enabled an improvement in the respective ratio by 0.2 p.p. to the 7.8% recorded in December 2015.

### EVOLUTION OF OVERDUE CREDIT

<i>In million euros</i>	2012	2013	2014	2015	Δ 15/14	Δ % 15/14
Credit overdue for > 90 days	39.8	29.8	27.5	17.8	-9.7	-35%
Credit overdue for > 90 days	568.0	627.6	644.1	650.3	6.2	1%
<b>Total overdue credit</b>	<b>607.8</b>	<b>657.5</b>	<b>671.6</b>	<b>668.1</b>	<b>-3.5</b>	<b>-1%</b>
<b>Ratio of credit overdue &gt; 90 days</b>	<b>6.8%</b>	<b>7.7%</b>	<b>8.0%</b>	<b>7.8%</b>	<b>-0.2 p.p.</b>	

The level of provisioning to cover the credit portfolio fell slightly in 2015 in relation to 2014, standing at 818 million euros and showing a coverage ratio of 122.5%, maintaining conservative coverage levels in comparison to those recorded in the market.

**OVERDUE CREDIT AND IMPAIRMENTS AS AT 31.DEC.2015***In million euros*

	Total gross credit	Overdue credit	Overdue credit / Total credit	Provisions for credit risk	Coverage level
<b>Companies and Public Administration</b>	<b>4,229</b>	<b>426</b>	<b>10.1%</b>	<b>534</b>	<b>125.1%</b>
<b>Individuals</b>	<b>4,144</b>	<b>242</b>	<b>5.8%</b>	<b>285</b>	<b>117.8%</b>
Housing	2,451	51	2.1%	41	80.9%
Consumer and other purposes	1,692	190	11.3%	243	127.8%
<b>Total</b>	<b>8,373</b>	<b>668</b>	<b>8.0%</b>	<b>818</b>	<b>122.5%</b>

The segment of Companies and Public Administration recorded a tenuous containment of overdue credit with the overdue credit ratio standing at 10.1% in December 2015 (10.5% in 2014). Credit granted to individual customers also followed the reduction of the overdue credit ratio, standing at 5.8% in December 2015, compared to the 6.1% recorded in 2014.

The ratio of non-performing credit, calculated under the terms of Banco de Portugal Instruction 24/2012, fell in relation to the previous year, having reached 8.1% in December 2015 and the ratio of net default remained at -1.8%.

**DEFAULT RATIOS (\*)**

	2012	2013	2014	2015
Non-performing credit / Total credit	7.8%	8.4%	8.5%	8.1%
Net non-performing credit / Net total credit	0.2%	-0.2%	-1.8%	-1.8%

(\*) Ratios calculated pursuant to the definition in Banco de Portugal Instruction 24/2012, which amended Instruction 22/2011.

The ratio of credit at risk, which includes the total value in debt of credit overdue by 90 days or more and restructured credit also overdue for this same period where there has not been full payment of interest and charges and full reinforcement of guarantees, showed a variation of 0.6 p.p. in comparison to the previous year, reaching 11.2% and, in net terms, corresponds to a year-on-year reduction, standing at 1.6%.

**CREDIT AT RISK RATIOS (\*)**

	2012	2013	2014	2015
Credit at risk / Total credit	10.7%	11.3%	11.8%	11.2%
Net credit at risk / Net total credit	3.3%	3.0%	1.8%	1.6%

(\*) Ratios calculated pursuant to the definition in Banco de Portugal Instruction 24/2012, which amended Instruction 22/2011.

The ratio of restructured credit, calculated under the terms of Banco de Portugal Instruction 32/2013, reached the value of 13%, while the ratio of restructured credit not included in credit at risk stood at 11.9%, in both cases showing growth in relation to the previous year.

**RESTRUCTURED CREDIT RATIOS (\*)**

	2013	2014	2015
Restructured credit / Total credit	10.8%	10.7%	13.0%
Restructured Credit not included in Credit at risk / Total credit	10.2%	9.7%	11.9%

(\*) Ratios calculated pursuant to the definition in Banco de Portugal Instruction 32/2013.

## 4.2 BANKING BUSINESS

### a) Income Statement

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After 3 years of economic depression in Portugal, between 2011 and 2013, the year of 2015 finally confirmed the phase of recovery and growth started in 2014, with GDP growth having stood at 1.6% in 2015. Despite the dynamics observed in domestic demand and in gross fixed capital formation, there was a reduction in the deleveraging of households and non-financial companies reflected directly in the reduction of credit (volume of settlement not offset by new credit concessions) by 4.2%, specifically by -3.6% in households and -5.0% in companies<sup>5</sup>.

The banking activity of Grupo Crédito Agrícola, which includes Caixa Central and the Associated Caixas (SICAM) was distinguished in the market in a remarkable manner, having recorded a 3.5% year-on-year increase of credit granted to customers, underpinned by the 5.1% growth in credit to companies and 1.9% growth in credit to individuals.

At the end of December 2015, Crédito Agrícola presented an increase of the net income of the banking business (SICAM) of 56.3 million euros, which corresponds to a positive variation of 31.8 million euros relative to 2014.

The difference between the Group's net income (54.1 million euros) and the net income recorded in the banking business (56.3 million euros) is to a large extent explained by the annulment of the capital gains generated among entities of the Group amounting to 19.8 million euros, derived from the operation of incorporation of the insurance holding ("CA SeP").

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<sup>5</sup> In Portugal, in the segment of credit to non-financial companies, credit concession has been particularly penalised by the negative dynamics of credit to the construction and real estate sectors, with a weight above 30%. Credit to manufacturing industry, trade and vehicle repair record practically zero or marginally positive year-on-year variations. – O.S.B.P. – APB, Nov.2015

## Income Statement

In thousand euros

	2014	2015	Variation	
			Abs.	%
Interest and similar income	457,014	400,181	-56,833	-12.4%
Interest and similar costs	208,789	155,052	-53,737	-25.7%
<b>Net Interest Income</b>	<b>248,225</b>	<b>245,129</b>	<b>-3,096</b>	<b>-1.2%</b>
Net commissions	128,522	130,193	1,671	1.3%
Net trading income	171,767	101,989	-69,778	-40.6%
Other net operating income	5,864	25,445	19,581	333.9%
<b>Operating Income</b>	<b>554,378</b>	<b>502,756</b>	<b>-51,622</b>	<b>-9.3%</b>
<b>Structural Costs</b>	<b>300,475</b>	<b>300,838</b>	<b>363</b>	<b>0.1%</b>
Staff costs	164,986	166,516	1,529	0.9%
of which non-recurrent*	2,297	3,386	1,089	47.4%
General administrative overheads	121,298	121,152	-146	-0.1%
of which non-recurrent*	477	0	-477	-100.0%
Amortisation	14,190	13,170	-1,021	-7.2%
Provisions and impairments	200,507	126,902	-73,605	-36.7%
<b>Earnings before tax</b>	<b>53,397</b>	<b>75,017</b>	<b>21,620</b>	<b>40.5%</b>
Taxes, after correction and deferred	28,891	18,706	-10,185	-35.3%
<b>Net Income</b>	<b>24,505</b>	<b>56,311</b>	<b>31,806</b>	<b>129.8%</b>

\* Costs related to early retirement, indemnities derived from the reorganisation of Caixa Central and consulting for the Transformation Programme

Overall, the net income is marked by: i) the deterioration of net interest income by 1.2%; ii) the 40.6% decline in the earnings of financial operations derived from gains obtained in the portfolio of securities; iii) the 333.9% increase of other net operating income, primarily derived from the capital gains created with the sale of the financial holding of the Associated Caixas in CA Vida and CA Seguros to the Group's new holding CA SeP; and iv) the reduction of provisions and impairments constituted in the year which shifted from 200.5 million euros in 2014 to 126.9 million euros (-36.7%) in 2015.

### i. Net Interest Income

SICAM's net interest income declined by 1.2%, having shifted from 248 million euros in 2014 to 245 million euros in 2015.

2015 was marked by the ECB's expansionary policy, with a view to increasing the inflation levels in the euro zone which, in turn, was marked by the injection of liquidity in the economy through the quantitative easing programme and, on the other hand, by the low reference rate, with impact on the level of Euribor rates that, for some maturities, reached negative values.

<b>NET INTEREST INCOME</b>						
<i>in thousand euros</i>						
Variable	2014			2015		
	Average capital	Average rate (%)	Income / Costs	Average capital	Average rate (%)	Income / Costs
Credit to customers	8,172,972	4.0%	322,855	8,288,507	3.6%	296,278
Securities and other investments*	4,538,145	1.6%	72,888	4,492,008	0.9%	40,677
<b>Financial assets</b>	<b>12,711,117</b>	<b>3.1%</b>	<b>395,743</b>	<b>12,780,516</b>	<b>2.6%</b>	<b>336,955</b>
Customer deposits	10,415,034	1.4%	141,950	10,795,079	0.8%	87,253
Funds of Central Banks and other liabilities	1,377,616	0.4%	5,568	1,002,571	0.5%	4,573
<b>Financial liabilities</b>	<b>11,792,650</b>	<b>1.3%</b>	<b>147,518</b>	<b>11,797,650</b>	<b>0.8%</b>	<b>91,826</b>
<b>Net interest income</b>		<b>1.9%</b>	<b>248,225</b>		<b>1.9%</b>	<b>245,129</b>
Intermediation margin**		2.6%			2.8%	
Average Euribor rate (6 months)		0.3%			0.06%	

(\*) Income net of costs related to premium amortisation

(\*\*) Average rate of credit to customers - customer deposits

The reduction of net interest income was to a large extent influenced by: i) the price effect, via the reduction of the average interest rate in credit to customers from 4.0% to 3.6%, essentially explained by the decreased Euribor rate and by the competition generated by the fact of most banks meeting the conditions for balance sheet expansion; and ii) the reduction via the effect of the price of securities and other investments as a result of the fall in the implicit remuneration rate from 1.6% in 2014 to 0.9% in 2015.

In view of this context, the average interest rates of customer deposits adjusted, having shifted from 1.4% in 2014 to 0.8% in 2015.

## ii. Operating Income

Although SICAM's net income was significantly higher than in the previous year, operating income, in the opposite direction, fell by 9.3%, as a result of the lower contribution of the earnings of financial assets available for sale, which, with respect to the capital gains generated by the portfolio of securities, decreased by 69.7 million euros in 2015 (from 169.1 million euros in 2014 to 99.4 million euros in 2015), representing a reduction of 41%. The justification for this outcome resides in the stabilisation of the European bond market, in particular of the public debt market of the southern countries of the euro zone.

This decline was partially offset by the increase of other net operating income, especially the earnings of the divestment of the financial holding of the Associated Caixas in the equity of CA Vida and CA Seguros, under the incorporation of an insurance holding (CA SeP), where this operation gave rise to capital gains of 19.8 million euros.



### iii. Net Commissions

In 2015, net commissions increased by 1.3%, reaching 130.1 million euros, compared to the 128.5 million euros recorded in 2014. This effect was due to:

- i) the 2.6% increase of commissions of credit operations, brought about by the growth of gross credit;
- ii) the increase of commissions related to placement and marketing of retail products in the areas of insurance and asset management of 13.6% (+4 million euros) as a result of the Group's focus on reinforcing the sale of products supplementary to the banking business offered by CA Gest, CA Seguros and CA Vida entities outside the Group.

#### COMMISSIONS AND FEES

*In thousand euros*

	2014	2015	Variation	
			Abs.	%
<b>Commissions received</b>	<b>138,214</b>	<b>140,430</b>	<b>2,216</b>	<b>1.6%</b>
Guarantees provided	5,382	4,838	-543	-10.1%
Open documentary credit	85	82	-4	-4.4%
Commitments to third parties	7,894	7,726	-167	-2.1%
Deposit and custody of values	3,345	3,649	304	9.1%
Collection of values	927	877	-50	-5.4%
Transfer of values	2,882	2,298	-583	-20.2%
Credit operations	24,905	25,552	646	2.6%
Cards	24,849	24,630	-219	-0.9%
Interbank	366	389	23	6.3%
Placement and marketing	28,989	32,922	3,934	13.6%
Other commissions received	38,589	37,466	-1,124	-2.9%
<b>Commissions paid</b>	<b>9,692</b>	<b>10,237</b>	<b>545</b>	<b>5.6%</b>
<b>Total net commissions</b>	<b>128,522</b>	<b>130,193</b>	<b>1,671</b>	<b>1.3%</b>

The stronger activity of the participated companies was reflected in higher remuneration of Caixa Central and the Associated Caixas as placement agents. This increase was particularly due to the earnings of CA Seguros which generated commissions of around 16.1 million euros, representing an increase of 32.1% relative to 2014. Contributing to such was the good performance in terms of marketing of products such as CA Clinicard, Agricultural-Harvests, CA Health, Housing and Trade and Services.

## PLACEMENT AND MARKETING COMMISSIONS

<i>In thousand euros</i>	2014	2015	Variation	
			Abs.	%
CA Gest	870	1,145	274	31.5%
CA Seguros	12,197	16,117	3,921	32.1%
CA Vida	11,710	11,211	-499	-4.3%
<b>Sub-total*</b>	<b>24,777</b>	<b>28,473</b>	<b>3,696</b>	<b>14.9%</b>
Other placement/marketing commissions**	4,212	4,449	237	5.6%
<b>Total</b>	<b>28,989</b>	<b>32,922</b>	<b>3,934</b>	<b>13.6%</b>

(\*) Placement commissions recorded at SICAM (i.e. excludes Caixas Agrícolas outside the perimeter)

(\*\*) The remaining placement commissions refer to the marketing of real estate investment funds, which recorded 5.6% growth (+237 thousand euros).

## iv. Net Trading Income

Net trading income reached 102 million euros in 2015, reflecting a reduction of 70 million euros in comparison to 2014 (-41%).

### NET TRADING INCOME

<i>In thousand euros</i>	2014	2015	Absolute variation	Variation%
<b>Financial assets available for sale</b>	<b>169,130</b>	<b>99,365</b>	<b>-69,765</b>	<b>-41%</b>
Sovereign public debt	184,616	80,711	-103,905	-56%
Other debt instruments	-7,820	15,510	23,330	298%
UP CA Imobiliário	-10,785	0	10,785	-100%
UP CA Património Crescente	3,127	5,607	2,480	79%
Other assets	-9	-2,464	-2,455	-27825%
Income from equity instruments	341	339	-2	-1%
Currency conversion	847	2,739	1,891	223%
Other net income	1,449	-453	-1,902	-131%
<b>Total net trading income</b>	<b>171,767</b>	<b>101,989</b>	<b>-69,778</b>	<b>-41%</b>

The stabilisation of the bond market, namely of the public debt in the euro zone, gave rise to a reduction of the capital gains generated by the portfolio of securities, which reached 81 million euros in 2015, corresponding to a decrease of 56% in relation to 2014.

For 2015, we also highlight the following earnings of the management of financial assets available for sale:

- i) capital gains of 15.5 million euros derived from other debt instruments, in particular bonds held of national companies;
- ii) capital gains of 5.6 million euros from the divestment of participation units of CA Património Crescente.

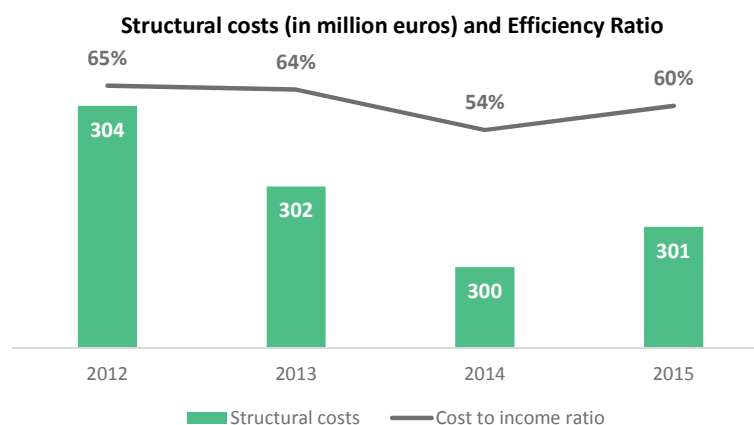
## v. Structural Costs

In 2015, there was a modest increase in structural costs of 0.1% (363 thousand euros). This increase was due to the higher staff costs by 1,5 million euros (+0.9%) which was influenced by non-recurring costs related to litigation in proceedings initiated over 5 years ago, although attenuated by a slight fall in general administrative overheads (-0.1%), due to the centralised negotiation of contracts and cost containment strategy already in motion which the Group has progressively been implementing. There was also a 7.2% reduction of the amortisation for the year.

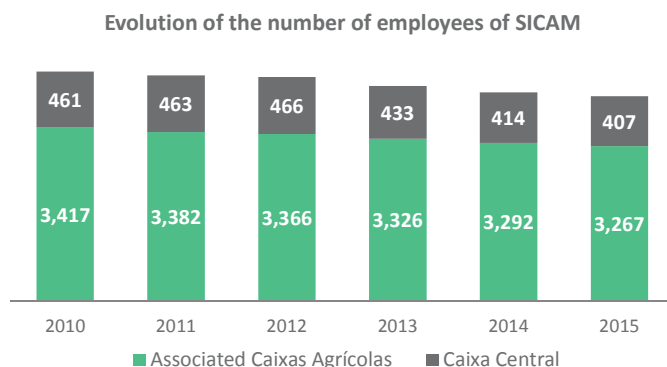
<b>Structural costs</b>				
<i>In thousand euros</i>	<b>2014</b>	<b>2015</b>	<b>Variation</b>	
			<b>Absolute</b>	<b>Relative</b>
Operating costs	286,284	287,668	1,384	0.5%
Staff costs	164,986	166,516	1,529	0.9%
<i>of which non-recurrent*</i>	2,297	3,386	1,089	47.4%
General administrative overheads	121,298	121,152	-146	-0.1%
<i>of which non-recurrent*</i>	477	0	-477	-100.0%
Amortisation	14,190	13,170	-1,021	-7.2%
<b>Structural costs</b>	<b>300,475</b>	<b>300,838</b>	<b>363</b>	<b>0.1%</b>
Non-recurring costs*	2,774	3,386	612	22.1%
<b>Structural costs excluding non-recurring costs</b>	<b>297,701</b>	<b>297,452</b>	<b>-249</b>	<b>-0.1%</b>
<b>Cost to income ratio</b>	<b>54%</b>	<b>60%</b>	<b>5.6 p.p.</b>	<b>-</b>

\* Costs related to early retirement, indemnities and consulting of Caixa Central

The efficiency ratio (cost-to-income) grew from 54% in 2014 to 60% in 2015, as a result of the 9.3% decline in operating income.



## vi. Evolution of the employees of SICAM



The number of employees of SICAM declined from 3,706 to 3,674 in 2015 (-32 employees). Around one fifth of this reduction (7 employees) occurred at Caixa Central, signalling the cost containment effort started at the time of the reorganisation in 2013/2014.

The Caixas Agrícolas are likewise striving to contain costs, which was reflected in a reduction of 25 employees in 2015 in relation to the previous year.

## vii. Provision/Impairment Levels

Over the last few years, the requirements in the reinforcement of provisions/impairments was clearly reflected in the balance sheets of Portuguese financial institutions, where SICAM was no exception, having reinforced its provisions/impairments between 2012 and 2014 by close to 500 million euros.

The provisions/impairments recorded at SICAM reached 127 million euros in 2015, portraying a slowdown in relation to 2013 and 2014, primarily explained by:

- the economic recovery experienced in Portugal, which, among other factors, influenced the reduction of overdue credit by 8.0% in 2014 to 7.8% (-0.2 p.p.) in 2015; and
- the significant reinforcement carried out over these last few years, combined with improved analysis of the risk of new credit, underpinned by new processes developed in-house.

The distribution of the provisions and impairments for the year was as follows:

- i) the provisions for overdue credit and bad debt (regulatory and exceptional) fell from 155 million euros in 2014 to 76 million euros (-51.0%) in 2015;
- ii) the impairments of other financial assets, in particular of participation units and real estate investment funds, recorded an increase from 29 million euros in 2014 to 33 million euros in 2015 (+11.7%).

The ratio of coverage of overdue credit stood at 122.5%, with Crédito Agrícola having continued with a healthy and prudent management with respect to this matter.

Furthermore, with respect to the real estate properties received in credit recovery, the reinforcement of impairments increased modestly by 4.0%, having shifted from 9.2 million euros in 2014 to 9.6 million euros in 2015. This reinforcement of impairments was reflected in the accumulated provisioning which stood at 77.4 million euros, compared to the 74.4 million euros recorded for the same period of the previous year (4.0% increase).

#### PROVISIONS / IMPAIRMENTS

In thousand euros	2014	2015	Variation	
			Abs.	%
Provisions for overdue credit and bad debt	155,001	75,883	-79,118	-51.0%
Impairment of other financial assets	29,256	32,692	3,435	11.7%
Impairment of other assets	11,130	12,332	1,202	10.8%
<i>of which real estate properties due to credit recovery</i>	<i>9,242</i>	<i>9,616</i>	<i>374</i>	<i>4.0%</i>
Other provisions / impairments	5,119	5,996	877	17.1%
<b>Total</b>	<b>200,507</b>	<b>126,902</b>	<b>-73,605</b>	<b>-36.7%</b>

### viii. Profitability

Banking activity, reflected in the gross commercial margin, fell slightly by 0.03 p.p. in 2015 in relation to 2014, as a result of the lower average profitability of net interest income (-0.03 p.p.) despite the increased average profitability of commissions (+0.01 p.p.).

#### BREAKDOWN OF PROFITABILITY

	2014	2015	Variation
+ Rate of financial assets	3.11%	2.64%	-0.48 p.p.
- Rate of financial liabilities	1.16%	0.72%	-0.44 p.p.
<b>= Net interest income</b>	<b>1.95%</b>	<b>1.92%</b>	<b>-0.03 p.p.</b>
+ Yield of commissions	1.01%	1.02%	0.01 p.p.
<b>= Gross Commercial Margin</b>	<b>2.96%</b>	<b>2.94%</b>	<b>-0.03 p.p.</b>
+ net trading income and other	1.40%	1.00%	-0.40 p.p.
<b>= Business Margin</b>	<b>4.36%</b>	<b>3.93%</b>	<b>-0.43 p.p.</b>
- Effect of structural costs	2.36%	2.35%	-0.01 p.p.
- Effect of provisions and taxes	1.80%	1.14%	-0.67 p.p.
<b>= Return on financial assets</b>	<b>0.19%</b>	<b>0.44%</b>	<b>0.25 p.p.</b>
x Financial assets / Net assets	0.96	0.98	
<b>= Return on assets (ROA)</b>	<b>0.18%</b>	<b>0.43%</b>	<b>0.25 p.p.</b>
x Net assets / Equity	11.36	11.14	
<b>= Return on equity (ROE)</b>	<b>2.10%</b>	<b>4.80%</b>	<b>2.70 p.p.</b>

The profitability achieved in trading activity declined by 0.40 p.p. in relation to 2014. However, this was more than offset by the positive effect of the lower reinforcement of provisions and taxes (-0.67 p.p.), leading to an increase in the return on equity by 2.70 p.p., which shifted from 2.1% in 2014 to 4.8% in 2015.

## b) Structure of the Balance Sheet

### Balance Sheet as at 31 December

In thousand euros	2014	2015	Variation	
			Abs.	%
<b>Assets</b>				
Cash balances	501,641	421,057	-80,584	-16.1%
Investments in Credit Institutions	191	94,827	94,637	49631.8%
Credit to Customers (net)	7,309,837	7,577,775	267,939	3.7%
<i>Credit to Customers (gross)</i>	<i>8,147,371</i>	<i>8,429,644</i>	<i>282,274</i>	<i>3.5%</i>
<i>Impairments</i>	<i>837,534</i>	<i>851,869</i>	<i>14,335</i>	<i>1.7%</i>
Investments in Securities (net)	4,277,583	3,729,604	-547,979	-12.8%
Non-current assets held for sale	429,010	445,441	16,431	3.8%
Invest. Affiliates, Tangibles and Intangibles	323,123	330,958	7,835	2.4%
Other assets	425,215	460,129	34,914	8.2%
<b>Total Assets</b>	<b>13,266,600</b>	<b>13,059,792</b>	<b>-206,808</b>	<b>-1.6%</b>
<b>Liabilities</b>				
Funds of central banks and other credit institutions	1,116,382	625,817	-490,565	-43.9%
Customer Funds	10,620,337	10,969,821	349,485	3.3%
Subordinated Liabilities	142,534	120,409	-22,125	-15.5%
Other Liabilities	219,011	171,118	-47,893	-21.9%
<b>Total Liabilities</b>	<b>12,098,264</b>	<b>11,887,166</b>	<b>-211,098</b>	<b>-1.7%</b>
Equity	1,168,335	1,172,626	4,291	0.4%
<b>Total Equity + Liabilities</b>	<b>13,266,600</b>	<b>13,059,792</b>	<b>-206,808</b>	<b>-1.6%</b>

In 2015, total assets stood at 13,060 million euros, corresponding to a 1.6% decrease in relation to 2014, due to the following factors:

- the 3.7% increase of net credit to customers (268 million euros), as a result of SICAM's commercial performance and the better quality of the credit portfolio;
- the 12.8% reduction in the value of investments in securities, partly explained by the repayment of 594 million euros of financing taken out at the Central Bank. This operation was triggered in the 1st quarter of 2015 and confirms SICAM's comfortable liquidity levels.

It should also be noted that in 2015 the non-current assets held for sale showed a net increase of 16 million euros, providing evidence that although credit quality has been progressively improving, the credit recovery activity has taken in real estate properties at a rate higher than the growing flow of sales of real estate properties for marketing purposes.

Total liabilities accompanies the trend of total assets, with a 1.7% decline, to stand at 11,887 million euros, corresponding to a reduction of 211 million euros. This decline of liabilities is related to the

aforesaid repayment of the loan raised from the Central Bank, partially offset by the 3.3% growth in customer deposits, which represented an increase of 349 million euros.

We also highlight that, notwithstanding the observed growth of credit, the net loan-to-deposit ratio stood at 69.1%, significantly below the recommended maximum threshold for the loan-to-deposit ratio (120%).

Equity grew by 4 million euros (+0.4%), to stand at 1,173 million euros, as a result of:

- i) the increased share capital by 31 million euros through new associates and reinforcement of equity stock of the existing associates;
- ii) the statement of the net income for the year of 2015, which reflects an increased value of 32 million euros in relation to the previous year;
- iii) the 58 million euros of reduction related to losses incurred in real estate assets.

## **i. Financial Assets Available for Sale**

SICAM's portfolio of financial assets is managed by Caixa Central as the entity responsible for SICAM's treasury and liquidity management. The dynamic liquidity strategy started in 2013 and continued during 2014 and 2015, was marked in 2015 by the following facts:

- i) divestment of debt securities and consequent obtaining of liquidity for repayment of the financing line taken out at the Central Bank;
- ii) alteration of the investment profile, with the portfolio of Portuguese debt securities gaining preponderance in relation to bonds issued by foreign issuers (7.3% in 2014 compared to 30.1% in 2015).

Overall, the portfolio of financial assets fell to stand at 3,730 million euros at the end of 2015, compared to the 4,278 million euros recorded at the end of 2014 (-12.8%).

## Financial assets available for sale, held to maturity and for trading

In thousand euros	2014		2015		2015/ 2014
	Value	% of the total	Value	% of the total	
<b>Portfolio of assets</b>					
<b>Financial assets available for sale</b>	<b>4,137,132</b>	<b>96.7%</b>	<b>3,586,461</b>	<b>96.2%</b>	<b>-13.3%</b>
Treasury bills and other Portuguese debt securities	311,380	7.3%	1,123,606	30.1%	260.8%
Bonds of other resident issuers	473,293	11.1%	280,846	7.5%	-40.7%
Bonds of foreign public issuers	2,829,313	66.1%	1,676,546	45.0%	-40.7%
Bonds of other foreign issuers	131,510	3.1%	168,301	4.5%	28.0%
Shares of national companies and PUs	382,637	8.9%	327,832	8.8%	-14.3%
Shares of foreign companies and PUs	8,999	0.2%	9,330	0.3%	3.7%
<b>Investments held to maturity</b>	<b>139,582</b>	<b>3.3%</b>	<b>142,920</b>	<b>3.8%</b>	<b>2.4%</b>
Treasury bills and other Portuguese debt securities	136,535	3.2%	139,367	3.7%	2.1%
Bonds of other national public issuers	0	0.0%	0	0.0%	-
Bonds of other resident issuers	0	0.0%	0	0.0%	-
Bonds of foreign public issuers	0	0.0%	0	0.0%	-
Bonds of other foreign issuers	0	0.0%	0	0.0%	-
Other non-detailed	3,047	0.1%	3,553	0.1%	16.6%
<b>Financial assets held for trading</b>	<b>869</b>	<b>0.0%</b>	<b>224</b>	<b>0.0%</b>	<b>-74.3%</b>
<b>Total</b>	<b>4,277,583</b>	<b>100%</b>	<b>3,729,604</b>	<b>100.0%</b>	<b>-12.8%</b>

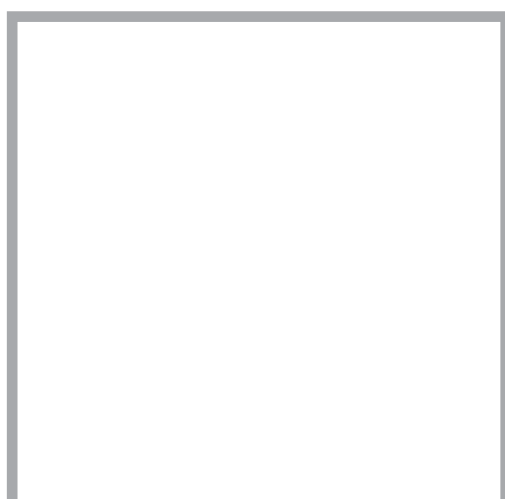
## c) Evolution of the key indicators

At the end of December 2015, Crédito Agrícola presented an increase of the net income of the banking business (SICAM) of 32 million euros in relation to 2014 (56,3 million euros compared to 24.5 million euros), which was positively influenced by the increased gross credit (+3.5%) and lesser need to reinforce provisions and impairments (-36.7%), although this effect was attenuated by the lower contribution of the earnings of treasury management.

### KEY INDICATORS

In thousand euros			Var. 15/14	
	2014	2015	Abs.	%
Total assets	13,266,600	13,059,792	-206,808	-1.6%
Financial assets available for sale and held to maturity	4,277,583	3,729,604	-547,979	-12.8%
Credit to customers (gross)	8,147,371	8,429,644	282,274	3.5%
Total liabilities	12,098,264	11,887,166	-211,098	-1.7%
Customer funds	10,620,337	10,969,821	349,485	3.3%
Funds of other credit institutions and ECB	1,116,382	625,817	-490,565	-43.9%
Equity	1,168,335	1,172,626	4,291	0.4%
Net interest income	248,225	245,129	-3,096	-1.2%
Operating income	554,378	502,756	-51,622	-9.3%
Structural costs	300,475	300,838	363	0.1%
Provisions / impairments	200,507	126,902	-73,605	-36.7%
Net Income	24,505	56,311	31,806	129.8%
Return on equity (ROE)	2.10%	4.8%	n.a.	2.7 p.p.
Cost to income ratio	54.2%	59.8%	n.a.	5.6 p.p.





Risk Management

05

# V. RISK MANAGEMENT

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## 5.1 GOVERNANCE OF RISK MANAGEMENT

### a) Organisational structure

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The risk function is based on a corporate approach undertaken by structural bodies of Caixa Central in close coordination with each Caixa Agrícola. Indeed, with a view to expanding the capacities of the Risk Function at the Caixas Agrícolas, notwithstanding the evolution observed in this field over the last few years, the Group also intends to optimise the automated means of support and the specialised and dedicated resources so as to assure the monitoring, control and support of those responsible at the Caixas Agrícolas.

The organisational model of the entities comprising SICAM constitutes a reference for all the Caixas which includes the identification, assessment, reporting and control of risks, aimed at minimising the risk of their activity. The executive management of the Caixas Agrícolas is involved in the definition and implementation of risk models, the definition of the policies and objectives in commercial terms, of credit risk, human and financial resources, in accordance with the guidelines issued by Caixa Central, and the monitoring of compliance with the guidelines and objectives.

The Risk Committee plays a fundamental role in supporting the definition and implementation of the Group's risk and capital management policies. This is a collegiate body, involving a number of Caixas Agrícolas, which collaborates in the overall supervision of the risk management policies applied by the members of GCA. The Risk Committee is generally responsible for supporting the definition of the overall objectives and issuing guidelines concerning the management of the different risks, seeking to assure their application and transposition to operating practice. In performing this mission, the body is responsible for assuring the appropriate integration of the different aspects, functional perspectives and elements involved in the activity and which are reflected in their operating practices.

Also regarding the risk management function, the Asset and Liability Committee (ALCO) is the collegiate body entrusted with the preparation and taking of decisions on matters of asset and liability management, and the subsequent monitoring of their implementation. GCA's asset and liability management function includes all the initiatives aimed at identifying, quantifying and managing the risks inherent to financial intermediation activity, coordinating this with all the rest of the functional dimensions that are relevant in this regard.

In line with best practices, each component entity of SICAM naturally has a series of bodies that intervene in the governance of risk, in particular concerning credit aspects, such as Credit Boards which aim to assure the quality of the portfolio through decision-making on operations or limits placed within each of the levels of delegation of competence, as well as Credit Monitoring and Recovery Boards.

## Risk profile

The risk profile corresponds to the risk level that Grupo Crédito Agrícola is willing to accept, pursuant to the Group's strategic positioning, structural features and degree of acceptance of risk. The process that are adopted with a view to the prudent management of the business and appropriate assessment of risk reflect GCA's risk profile at any given moment. Its definition (and continuous readjustment) is deemed necessary to maintain the desired relationship between risk and return.

The methodology underlying the definition of the risk profile is based on the accomplishment of the strategic objectives, proposed by the Executive Board of Directors and endorsed at the General Meeting, in terms of indicators and limits of exposure to risk, which should be incorporated in daily business activity.

In view of the particularities of the cooperative system, namely the corporate and commercial autonomy of the Caixas Agrícolas and their involvement on the local economy and in the communities in which they are situated, the risk profile of the entities of SICAM follows a reference profile within the limits established for the purpose and adopt measures to adjust capital or liquidity levels when necessary.

## 5.2 CREDIT, MARKET, INTEREST RATE, LIQUIDITY AND OPERATIONAL RISK

### a) Credit risk

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#### Strategy and Guiding Principles

Considering the legal nature and particularities of the business strategy of GCA, credit risk constitutes the most relevant risk of the activity of Grupo Crédito Agrícola.

The objective of credit risk management is to maximise the income per unit of risk taken, maintaining the exposure to this risk at acceptable levels in relation to the business development objectives and, ultimately, always respecting the regulatory requirements.

The credit risk strategy and policies are defined, reviewed and approved at least once a year, assuring that they cover all the activities in which there is significant exposure to this type of risk.

In order to reduce losses on granted credit, GCA applies a series of measures which seek to enhance the control over customers and operations, strengthen analytical capacity, improve decision-making on granting credit and reinforce the monitoring of customers to assure preventive action.

- **Process of credit risk analysis**

The procedures associated to credit risk analysis enable controlling its conformity, efficacy and efficiency, following a series of fundamental principles, such as, the appraisal of the borrower's repayment capacity through an informed vision of the borrower's activity and consolidated banking relationship; the gaining of thorough knowledge about the customer, derived from experience of relations and collection of information about the customer; the application of homogenous methods, criteria and practices in risk assessment; the appropriate separation of duties; risk assessment conducted in a manner that is independent, impartial, rigorous and pursuant to the ethical and professional criteria governing GCA and pursuant to the defined policies and procedures, respecting the prudential regulations to which the Group is subject.

- **Decision-making process**

In order to reconcile the commercial interest with suitable management of the underlying credit risk, a series of variables are identified which, as a whole, determine the degree of risk of the customer and operation. In particular, scoring and rating models are used to support the decision-making process.

- **Monitoring process**

The process is substantiated by a tool which enables monitoring and systematising the credit throughout the pre-recovery phase, and also includes a series of monitoring procedures. These procedures enable keeping the overall credit portfolio in line with the defined strategy on limits of exposure, diversification and coverage by guarantees and provisions, and the individual monitoring of each operation, customer or group of customers. The objective is to monitor the evolution of the probability of receiving expected future cash flow and the adoption of measures aimed at minimising the probability of occurrence of losses derived from an adverse development of the customers' financial situation.

In this regard, the process of calculating credits impairments plays an important role in the monitoring process.

- **Recovery process**

In the case of default, the customer's liabilities are managed by a specific and autonomous area which appraises the potential recovery of these liabilities through renegotiation, the calling of the existing guarantees or other means involving litigation.

## **Analytical Models of Credit Risk Assessment**

The internal model of attributing ratings to company customers, the scoring models (for acceptance and performance) directed at the segment of individual customers, including sole proprietorships, the system of management and control of economic groups and risk, the the system of management and control of credit limits, the credit workflow, the tools supporting the credit monitoring and recovery processes, and the management tool for guarantees and collateral received, aim to achieve a significant improvement in the field of credit risk management at Grupo Crédito Agrícola, not only through the enhanced quality of the supporting information, but also due to enabling the efficient monitoring of the credit portfolio.

The internal rating model adopted by Crédito Agrícola, as the tool underlying the decision-making and monitoring of the portfolio of credit to customers with economic activity, seeks to standardise and summarise the risk rating of these customers, with the primary objective of its mitigation and resulting in a scale of values/rating associated to each risk category.

In order to quantify the risk in the granting of credit to the segment of individual customers, scoring models of acceptance (reactive) are used for each segment, which enable estimating the probability of default, with eight categories in increasing order of risk. In some segments, with specific features, credit limits are presented of indicative nature associated to each risk category.

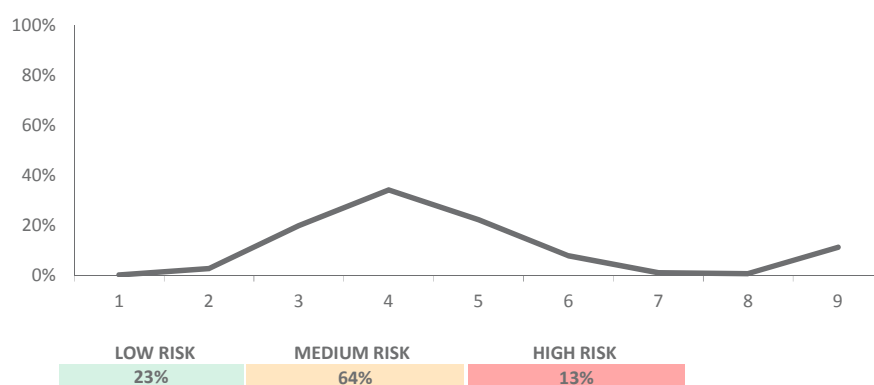
## Assessment of Exposure

As at 31 December 2015, the credit granted to customers of the Group had increased by 3.5% year-on-year, to stand at 8,377 million euros.

The analysis of the portfolio of credit to customers with economic activity, according to its relative distribution over the different risk categories, enables identifying a strong concentration in the average profile, which accounts for 64% of the amount of exposure.

### RATINGS

#### RELATIVE FREQUENCY OF THE VOLUME OF EXPOSURE



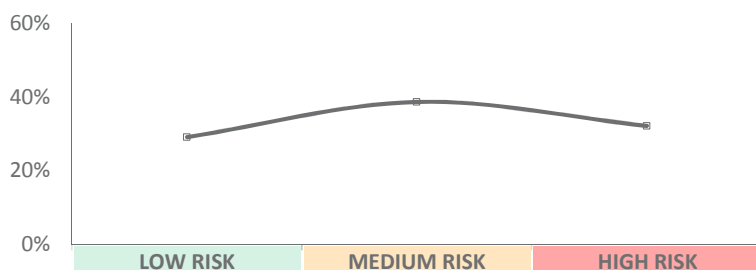
Rating	Description of the customer's risk profile
1	Extremely Solid
1.5	Very Solid
2	
2.5	Solid
3	
3.5	
4	Reasonable
4.5	
5	
5.5	Moderately Vulnerable
6	
6.5	
7	Vulnerable
7.5	
8	Very Vulnerable
8.5	Excessively Vulnerable
9	

Concerning the segment of individual customers, mortgage loans also show a concentration in the average risk profile.

With regard to consumer credit and credit for other purposes, the geographic analysis of relative frequency indicates a downward trend of the records with increased risk level, with a strong incidence in the low and average risk profile, corresponding to 34.5% and 40.5% of the amount of credit granted, respectively.

### MORTGAGE LOANS

#### RELATIVE FREQUENCY OF THE AMOUNT OF EXPOSURE



Risk categories	Level of risk
1	
2	Low
3	
4	
5	Medium
6	
7	High
8	

**CONSUMER CREDIT AND FOR OTHER PURPOSES**  
RELATIVE FREQUENCY OF THE AMOUNT OF EXPOSURE

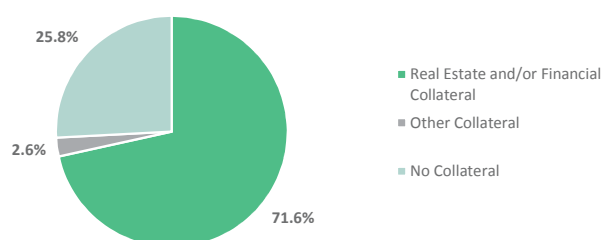


### Credit concentration risk

The indicators of credit granted by customer or economic group and risk enable estimating the 10 largest exposures of Grupo Crédito Agrícola, without considering Banks and States.

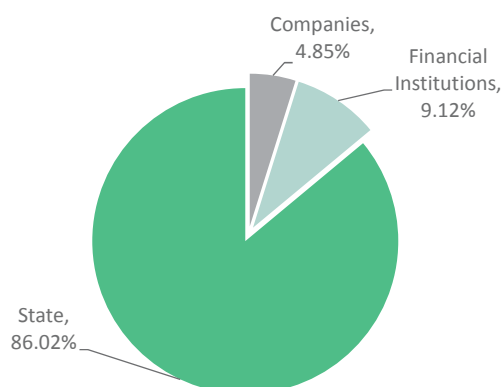
Customer / Group of customers	Weight of exposure in total portfolio (%)
Group A	1.5%
Group B	0.5%
Group C	0.4%
Group D	0.4%
Group E	0.3%
<b>Total 5 largest</b>	<b>3.1%</b>
Group F	0.3%
Group G	0.2%
Group H	0.2%
Group I	0.2%
Group J	0.2%
<b>Total 6-10 largest</b>	<b>1.1%</b>
<b>Total 10 largest</b>	<b>4.2%</b>
<b>Total 50 largest</b>	<b>8.2%</b>

The portfolio of guarantees received to cover credit to customers continues to show its usual composition, with real estate and financial collateral representing the greatest preponderance (approximately 72% of the volume of credit in December 2015).

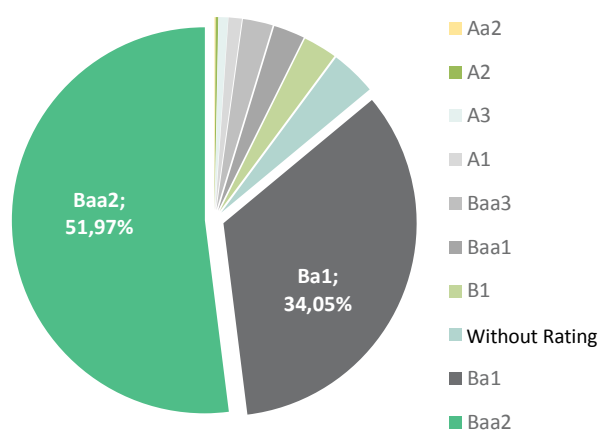


## Portfolio of Debt Securities

The securities held in the Group's own portfolio classified as State, Financial Institutions and Companies are distributed as follows:



The analysis of the degree of concentration of the portfolio based on the rating of the counterpart presents the following distribution:



## b) Interest rate risk

Interest rate risk is defined as the probability of occurrence of negative impacts on net income or capital, due to adverse movements in interest rates, as a result of mismatches of maturities or interest rate repricing periods (repricing), alterations of the slope of interest rate curves (curve risk), the lack of a perfect correlation between the rates received and paid in the different instruments (base risk) of the balance sheet, or the existence of embedded options in financial instruments of the balance sheet or off-balance sheet items (optional risk).

Alterations of interest rate constrain net income by affecting not only net interest income, but also other items of operating income that are sensitive to interest rates. The latter includes, for example, the value of public debt securities subject to revaluation at market value. The underlying value of the assets,



liabilities, off-balance sheet items, and consequently, equity, are likewise affected in view of the necessary review of the present value of the future cash flow generated by these components (and in many cases the review of the actual cash flow).

## Strategy and Guiding Principles

The interest rate risk management policy is defined and monitored by the Asset and Liability Committee (ALCO) pursuant to the guidelines issued by the Executive Board of Directors. Moreover, the Group establishes limits so as to keep interest rate risk at prudent levels through the monitoring of indicators on exposure to interest rate risk.

The exposure to interest rate risk is assessed on a monthly basis, using a method based on grouping various sensitive assets and liabilities at intervals of time in line with their rate review dates. For each interval, the assets and liabilities cash flow is calculated and the corresponding gap sensitive to interest rate risk is measured.

Based on the obtained results, an assessment is then made of the impact of these gaps on the evolution of net interest income and on the economic value of the entity in various scenarios of interest rate evolution.

## Assessment of Exposure

Interest rate risk is monitored regularly with the definition of interest rate risk limits and the production of various types of internal reporting such as macroeconomic assessments, financial statements of the institution, assessment of risks concerning the balance sheet, gaps of any duration and economic value, projected assessments of net interest income, analyses of the contribution of various balance sheet items to net interest income, scenarios of evolution of interest rates, asset margins and development of the net interest income associated to different balance sheet items. These indicators enable the areas involved in the ALCO and top management to monitor these situations and take decisions in due time.

As at 31 December 2015, the exposure of the balance sheet to interest rate risk according to its maturity or repricing date, excluding derivatives, is as follows:

(values in thousand euros)	Repricing Dates / Maturity Dates						Deferred interest and commissions	Undetermined	Total
	Sight	Up to 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years			
<b>Assets</b>									
Cash and deposits at central banks	364,214	-	-	-	-	-	-	-	364,214
Cash balances at other credit institutions	67,593	-	-	-	-	-	-	-	67,593
Financial assets held for trading	-	7	14,050	-	21,031	217	-	-	35,305
Other financial assets at fair value through profit or loss	-	-	885	30,560	19,063	17,696	-	-	68,204
Financial assets available for sale	-	93,494	629,111	768,848	2,050,714	1,667,051	-	142,178	5,351,396
Investments in financial institutions	-	30,302	65,050	-	-	-	-224	0	95,128
Credit to customers (gross balance)	-	1,118,501	645,489	528,242	728,237	5,344,846	7,960	0	8,373,275
<b>Total</b>	<b>431,807</b>	<b>1,242,304</b>	<b>1,354,585</b>	<b>1,327,650</b>	<b>2,819,045</b>	<b>7,029,810</b>	<b>7,736</b>	<b>142,178</b>	<b>14,355,115</b>
<b>Liabilities</b>									
Funds of central banks	-	-	-	385,200	-	-	610	-	385,810
Financial liabilities held for trading	-	4	-	-	-	-	0	-	4
Funds of other credit institutions	27,669	108,238	103,227	-	-	-	873	-	240,007
Customer funds and other loans	3,395,846	2,925,137	4,256,091	280,463	9,660	18,958	23,931	-	10,910,086
Instruments representing equity	-	-	-	-	-	-	1,634	-	1,634
Other subordinated debt	-	-	7,673	36,126	13,766	62,324	520	-	120,409
<b>Total</b>	<b>3,423,515</b>	<b>3,033,379</b>	<b>4,366,991</b>	<b>701,789</b>	<b>23,426</b>	<b>81,282</b>	<b>27,568</b>	<b>0</b>	<b>11,657,950</b>
<b>Net exposure</b>	<b>-2,991,708</b>	<b>-1,791,075</b>	<b>-3,012,406</b>	<b>625,861</b>	<b>2,795,619</b>	<b>6,948,528</b>	<b>-19,832</b>	<b>142,178</b>	<b>2,697,165</b>

The sensitivity analysis for the interest rate risk to which GCA was exposed as at 31 December 2015, based on a simulation involving assets and liabilities sensitive to variations in references rates of -100 basis points up to +100 basis points shows the following results:

(values in thousand euros)	Impact derived from variation of the reference interest rate			
	-100 b.p.	-50 b.p.	+50 b.p.	+100 b.p.
<b>Assets</b>				
Cash and deposits at central banks	23,485	10,849	-9,322	-17,340
Cash balances at other credit institutions	0	0	0	0
Financial assets held for trading	894	443	-434	-859
Other financial assets at fair value through profit or loss	1,667	824	-809	-1,607
Financial assets available for sale	218,830	106,508	-102,412	-202,128
Investments in financial institutions	49	24	-24	-48
Credit to customers (gross balance)	120,505	58,850	-56,208	-109,923
<b>Total</b>	<b>365,430</b>	<b>177,498</b>	<b>-169,209</b>	<b>-331,905</b>
<b>Liabilities</b>				
Funds of central banks	10,750	5,323	-5,223	-10,348
Funds of other credit institutions	777	387	-384	-765
Customer funds and other loans	36,593	18,203	-18,020	-35,860
Other subordinated debt	1,650	816	-797	-1,577
Financial liabilities held for trading	0	0	0	0
<b>Total</b>	<b>49,770</b>	<b>24,729</b>	<b>-24,424</b>	<b>-48,550</b>
<b>Impact on economic value</b>	<b>315,660</b>	<b>152,769</b>	<b>-144,785</b>	<b>-283,355</b>

The sensitivity analysis table shows the variation in the theoretical market value of various Asset and Liabilities headings in different scenarios of variation in market interest rates (i.e. +50bp, +100bp, -50bp, -100bp), which required updating the cash flow associated to each operation in the different market scenarios considered.

The variation of residual values in absolute terms (Assets minus Liabilities) can be interpreted as the impact on the economic value of the Group's Equity.

## c) Liquidity risk

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Liquidity risk reflects the potential loss derived from a deterioration of funding conditions and/or of the sale of assets at less than their market value, in order to cover for the needs of funds stemming from the Group's liabilities.

### Strategy and guiding principles

GCA's liquidity management policy is defined and monitored in conformity with the guidelines defined by the Executive Board of Directors, while its management is the responsibility of the specialised areas. Surplus funds of the Group are channeled to Caixa Central, where they are centrally invested in assets of high credit and liquidity quality, namely public debt of euro zone countries and short-term investment in renowned credit institutions, both domestic and international.

The Group and Caixa Central monitor the liquidity ratios from a prudential perspective, calculated according to the rules issued by Banco de Portugal. On this issue, it should be noted that the Group maintains a conservative policy reflected in a loan-to-deposit ratio which is below the average of the sector.

Concerning liquidity management, the Group seeks to maintain financing lines, guaranteed or not by securities, at national and international credit institutions, which are regularly tested, launch debt products which contribute to maintaining the standards of permanence of funds, and control any concentration of commercial funds which, if this were to develop, could lead to a more permeable portfolio, thus reducing its stability and permanence.

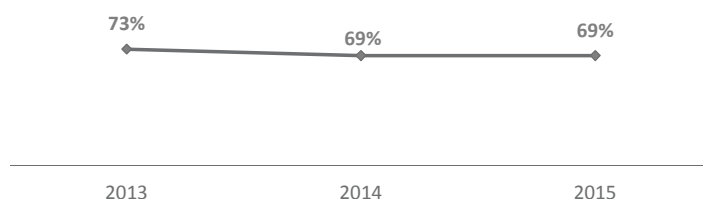
### Assessment of exposure

The analysis of exposure to liquidity risk is based on various methodologies aimed at assessing, on the one hand, the immediate liquidity, through the Liquidity Coverage Ratio (LCR), the minimum ratios of liquidity at one week and at one month considering the degree of coverage of an abrupt reduction of customer deposits (currently, SICAM's sole source of structural liquidity) by high quality liquid assets (convertible into cash, due to maturity, sale or use in financing operations backed by securities, in a practically immediate form and without relevant loss of value). On the other hand, the assessment of structural liquidity involves calculation of the static and dynamic liquidity gaps (incorporating the budgeted evolution of the activity), with the aggregation of all the cash flow (payment of interest and repayment of

principal) generated by the contracted operations, both lending and borrowing (on and off the balance sheet) in a series of time intervals.

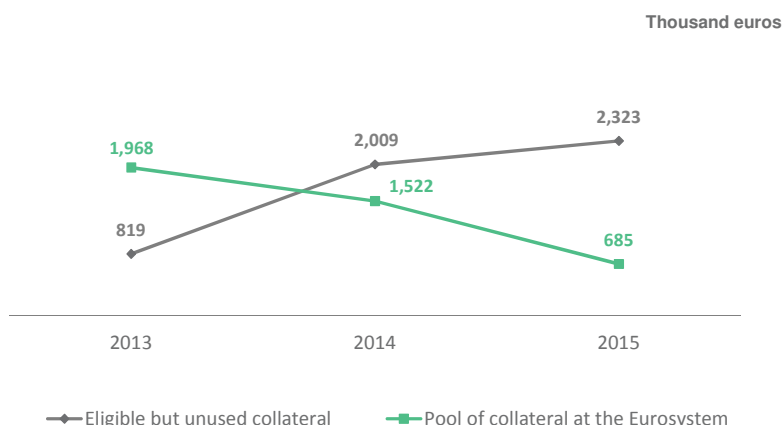
Grupo Crédito Agrícola presents a comfortable liquidity position, reflected in a solid customer fund base (GCA's main source of funding) and a loan-to-deposit ratio at levels below those observed, as a rule, in the financial system.

### Loan-to-deposit ratio (net)



The funding from the ECB has fallen considerably, having reached 385 million euros in December 2015, where it should be noted that the assets eligible for this type of operation amounted to 2.3 thousand million euros on the same date.

### Refinancing at the Eurosystem



## d) Operational risk

Operational risk is defined as the risk of occurrence of events derived from the inadequate or negligent application of in-house procedures, personal conduct, inadequacy or flaws of information systems or external causes, where these events can give rise to a negative impact on net income and equity.

On this matter, the Group has been expanding its catalogue of processes, including the respective risks and controls, for subsequent close coordination with the operational risk infrastructure. This catalogue is

characterised by incremental goals with a view to evolution, in particular with respect to the matrix of risk events and overall process of recording of events and losses.

The method for calculation of the internal capital for operational risk, called the Adjusted Basic Indicator, is based on questionnaires, distributed to qualified members of the institution, which enable appraising the level of conformity of GCA's operational risk model with the minimum practices established by the Basel Committee and with all the other best practices found in the financial sector. These questionnaires are independent (by type of risk), in other words, each questionnaire individually assesses each type of risk subject to assessment: operational, compliance and information systems.

The Group applies, among others, the follows means of mitigating operational risk:

- Automation of the accounting processes associated to the most significant part of the credit portfolio;
- Separation of duties in the accomplishment and accounting of transactions;
- In-house rules on Occupational Hygiene and Safety;
- In-house rules on the physical security of the premises;
- Insurance (e.g. buildings, theft, etc.);
- In-house rules on security of information;
- Business Continuity Plan.

The regulatory capital requirements to cover operational risk are calculated in accordance with the basic indicator established by Basel, as at 31 December 2015, stood at 1.1 thousand million euros.

## **e) Market risk and exchange rate risk**

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Market risk reflects any losses derived from an adverse change in the market value of a financial instrument as a consequence of variations in interest rates, exchange rates, share prices, commodity prices, credit spreads or other equivalent variables.

In the context of the strategy and activity developed by Grupo Crédito Agrícola, market risk is not classified as materially relevant due to the nonexistence of a trading portfolio.

In order to mitigate the risks incurred, a policy has been implemented of separation of duties between the execution of market transactions and the control of the risk, at any time.

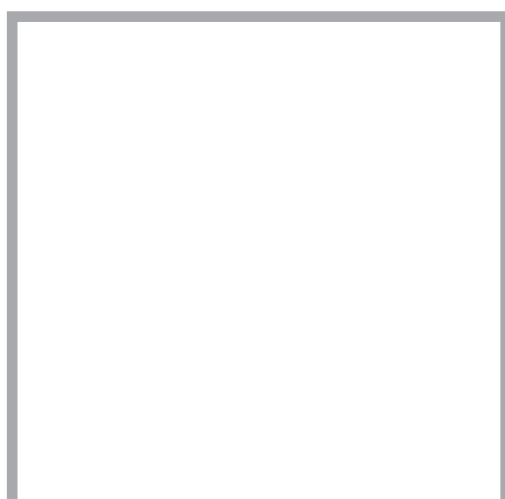
Apart from the portfolio of securities of Caixa Central, the portfolio of securities of CA Vida is entirely managed by CA Gest, with a defined investment benchmark, according to the risk that is intended to be taken and the desired yield, for each security. This portfolio is valued on a monthly basis, or weekly during periods of major market volatility, based on reports produced by CA Gest.

Foreign exchange risk occurs as a result of changes in exchange rates for currencies whenever there are open positions in these currencies, Similarly to market risk, this is not considered a materially relevant risk for Crédito Agrícola.

The profile defined for foreign exchange risk is very conservative and embodied in the coverage policy followed. The negotiated operations have underlying commercial substantiation, with foreign exchange activity being directed at their coverage within very conservative limits of exposure.

Control and assessment of foreign exchange risk are carried out on a daily basis, individually for each branch and in consolidated terms.

At GCA, foreign exchange risk management is centralised and subject to approved limits.



06

Financial  
Statements

# VI. FINANCIAL STATEMENTS

## GRUPO CRÉDITO AGRÍCOLA

### CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2015 AND 2014

(Amounts in euros)

ASSETS	Notes	2015			2014		LIABILITIES AND EQUITY	Notes	2014	
		Gross Assets	Provisions, impairment & amortisation	Net assets	Net assets (Restated)	2015			(Restated)	
Cash and deposits at central banks	6	354,214,212	-	354,214,212	423,407,710	Funds of central banks	22	385,809,900	980,225,728	
Cash balances at other credit institutions	7	67,592,683	-	67,592,683	78,252,455	Financial liabilities held for trading	12	3,945	196,836	
Financial assets held for trading	8	35,304,739	-	35,304,739	31,796,258	Funds of other credit institutions	22	240,007,012	136,156,394	
Other financial assets at fair value through profit or loss	9	68,203,609	-	68,203,609	77,298,709	Customer funds and other loans	23	10,910,085,663	10,536,608,852	
Financial assets available for sale	10	5,352,960,576	(6,648,724)	5,346,311,852	5,747,753,110	Provisions	24	11,326,053	7,500,400	
Investments in financial institutions	11	95,128,432	-	95,128,432	3,194,001	Insurance contract technical provisions	20	1,611,507,323	1,516,613,693	
Credit to customers	13	8,373,274,784	(818,258,085)	7,555,016,699	7,261,441,267	Current tax liabilities	19	7,872,979	37,044,554	
Non-current assets held for sale	14	812,779,403	(144,027,039)	668,752,364	667,990,098	Deferred tax liabilities	19	8,264,917	25,448,612	
Investment properties	15	82,583,185	-	82,583,185	94,835,032	Instruments representing equity	25	1,634,295	2,255,655	
Other tangible assets	16	543,169,178	(287,889,727)	255,279,451	269,033,430	Other subordinated debt	26	120,409,349	142,533,965	
Intangible assets	17	245,729,136	(184,516,817)	61,212,319	61,195,814	Other liabilities	27	434,033,836	455,330,738	
Investments in affiliates, associates and joint ventures	18	5,116,010	-	5,116,010	5,163,983	Total Liabilities		13,730,955,272	13,839,915,427	
Current tax assets	19	24,969,273	-	24,969,273	3,191,644	Capital	29	997,212,651	965,798,891	
Deferred tax assets	19	170,523,652	-	170,523,652	150,356,848	Revaluation reserves	30	42,680,260	95,497,848	
Other assets	21	169,077,619	(23,527,157)	145,550,462	175,930,368	Other reserves and retained earnings	30	109,093,564	121,204,064	
						Profit for the year	31	54,112,494	26,883,471	
								1,203,098,969	1,209,384,274	
						Minority interests	32	1,704,701	1,541,026	
						Total Equity		1,204,803,670	1,210,925,300	
Total Assets		16,400,626,491	(1,464,867,549)	14,935,758,942	15,050,840,727	Total Liabilities and Equity		14,935,758,942	15,050,840,727	

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The Notes are an integral part of these statements.



GRUPO CRÉDITO AGRÍCOLA  
CONSOLIDATED INCOME STATEMENT  
FOR THE YEARS ENDED ON 31 DECEMBER 2015 AND 2014

(Amounts in euros)

HEADING	Notes	2015	2014
Interest and similar income	33	486,032,472	531,548,374
Interest and similar costs	34	(176,385,404)	(224,608,508)
<b>Net interest income</b>		<u>309,647,068</u>	<u>306,939,866</u>
Technical margin of insurance activity	43	<u>19,661,279</u>	<u>(21,497,257)</u>
Income from equity instruments	35	2,005,267	1,641,309
Income from services and commissions	36	116,346,647	117,946,225
Costs related to services and commissions	37	(18,066,289)	(17,344,869)
Earnings from assets and liabilities measured at fair value through profit or loss	38	(15,466,270)	563,605
Earnings from financial assets available for sale	39	104,937,606	208,693,057
Earnings from currency revaluation	40	2,736,781	847,325
Earnings from divestment of other assets	41	(6,668,755)	(7,559,683)
Other net operating income	42	78,612	(13,670,881)
<b>Operating income</b>		<u>515,211,946</u>	<u>576,558,697</u>
Staff costs	44	(193,295,889)	(192,134,660)
General administrative overheads	45	(108,147,126)	(107,299,995)
Amortisation for the year	16 & 17	(27,472,751)	(32,143,588)
Provisions net of write-backs and annulments	24	(5,843,438)	(5,712,011)
Correction of the value associated to customer credit and amounts receivable from other debtors (net of write-backs and annulments)	24	(75,882,584)	(156,800,500)
Impairment of other financial assets net of reversals and recoveries	24	555,027	(3,117,931)
Impairment of other assets net of reversals and recoveries	24	(31,770,729)	(13,689,607)
Net income of holdings in associates and joint ventures (equity method)	31	( 226,596)	( 100,227)
<b>Earnings before taxes and minority interests</b>		<u>73,127,860</u>	<u>65,560,178</u>
Taxes			
current	19	(27,355,287)	(53,074,773)
deferred	19	8,600,283	14,493,067
<b>Earnings after taxes and minority interests</b>		<u>54,372,856</u>	<u>26,978,472</u>
Minority interests	31 & 32	(260,362)	(95,001)
<b>Consolidated net income for the year</b>		<u>54,112,494</u>	<u>26,883,471</u>

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## GRUPO CRÉDITO AGRÍCOLA

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEARS ENDED ON 31 DECEMBER 2015 AND 2014

(Amounts in euros)

	Notes	2015	2014
<b>OPERATING ACTIVITIES</b>			
Operating flow before variations in assets and liabilities			
Interest, commissions and other equivalent income received		602,379,119	649,494,599
Interest, commissions and other equivalent costs paid		(194,451,693)	(241,953,377)
Payments to employees and suppliers		(300,736,615)	(299,046,593)
Payment and contributions to pensions funds		(706,400)	(388,062)
Income tax (payments)/revenue		(88,548,023)	(33,572,690)
Other (payments)/revenue relative to operating activity		45,074,409	(18,560,886)
		<u>63,010,797</u>	<u>55,972,991</u>
(Increase) decrease in operating assets:			
Credit to customers		369,539,060	(53,663,281)
Financial assets held for trading and other assets at fair value through profit or loss		9,879,651	54,214,379
Financial assets available for sale		(402,446,165)	537,756,368
Investments in financial institutions		91,934,431	(28,836,819)
Other assets		(4,253,097)	(99,640,964)
		<u>64,653,880</u>	<u>409,829,683</u>
Increase (decrease) in operating liabilities:			
Funds of other credit institutions and central banks		(490,565,210)	(246,530,070)
Customer funds and other loans		373,476,811	414,065,956
Financial liabilities held for trading and hedge derivatives		(192,891)	(318,097)
Other liabilities		65,208,110	143,994,441
		<u>(52,073,180)</u>	<u>311,212,230</u>
Net cash from operating activities		<u>(53,716,263)</u>	<u>(42,644,462)</u>
<b>INVESTMENT ACTIVITIES</b>			
Dividends		(2,005,267)	(1,641,309)
Acquisition of affiliates and associates, net of divestments		(47,973)	(65,025,338)
Acquisition of tangible assets, intangibles and investment properties, net of divestments		14,558,371	21,864,351
Net cash from investment activities		<u>12,505,131</u>	<u>(44,802,296)</u>
<b>FINANCING ACTIVITIES</b>			
Issue of subordinated liabilities, net of redemption		(22,124,616)	9,130,451
Non-controlling interests		163,675	271,040
Share capital increase (decrease)		8,329,065	23,488,107
Net cash from financing activities		<u>(13,631,876)</u>	<u>32,889,598</u>
Net increase (decrease) of cash and cash equivalents		(79,853,270)	35,047,432
Cash and cash equivalents at the beginning of the year		501,660,165	466,612,733
Cash and cash equivalents at the end of the year		421,806,895	501,660,165
Cash and cash equivalents at the end of the year includes:			
Cash and deposits at central banks	6	354,214,212	423,407,710
Cash balances at other credit institutions	7	67,592,683	78,252,455
		<u>421,806,895</u>	<u>501,660,165</u>

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GRUPO CRÉDITO AGRÍCOLA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED ON 31 DECEMBER 2015 AND 2014

(Amounts in euros)

Notes	Capital	Revaluation reserves	Other reserves and retained earnings			Consolidated net income for the year	Sub-total	Non-controlling interests	Total
			Other reserves	Retained earnings	Total				
<b>Balance as at 31 December 2013</b>	<b>926,355,629</b>	<b>51,088,525</b>	<b>309,548,614</b>	<b>(144,302,825)</b>	<b>165,245,789</b>	<b>(2,941,419)</b>	<b>1,139,748,524</b>	<b>1,269,986</b>	<b>1,141,018,510</b>
Appropriation of the net income for 2013:									
Transfer to reserves and retained earnings	-	-	21,698,974	(24,640,393)	(2,941,419)	2,941,419	-	-	-
Distribution of net income to members	-	-	(6,227,473)	-	(6,227,473)	-	(6,227,473)	-	(6,227,473)
Increased share capital by incorporation of reserves	15,955,155	-	(15,955,155)	-	(15,955,155)	-	-	-	-
Increased share capital by entry of new members	28,989,552	-	-	-	-	-	28,989,552	-	28,989,552
Decreased share capital by reimbursement of members	(5,501,445)	-	-	-	-	-	(5,501,445)	-	(5,501,445)
Increased non-controlling interests	-	-	-	-	-	-	-	366,041	366,041
Other changes in equity	-	-	-	(18,917,678)	(18,917,678)	-	(18,917,678)	-	(18,917,678)
Net Income	-	-	-	-	-	26,883,471	26,883,471	(95,001)	26,788,470
Consolidated comprehensive income for 2014:	-	44,409,323	-	-	-	-	44,409,323	-	44,409,323
<b>Balance as at 31 December 2014</b>	<b>965,798,891</b>	<b>95,497,848</b>	<b>309,064,960</b>	<b>(187,860,896)</b>	<b>121,204,064</b>	<b>26,883,471</b>	<b>1,209,384,274</b>	<b>1,541,026</b>	<b>1,210,925,300</b>
Appropriation of the net income for 2014:									
Transfer to reserves and retained earnings	-	-	29,379,857	(2,496,386)	26,883,471	(26,883,471)	-	-	-
Distribution of net income to members	-	-	(3,467,387)	-	(3,467,387)	-	(3,467,387)	-	(3,467,387)
Increased share capital by incorporation of reserves	29	23,084,695	(23,084,695)	-	(23,084,695)	-	-	-	-
Increased share capital by entry of new members	29	14,107,280	-	-	-	-	14,107,280	-	14,107,280
Decreased share capital by reimbursement of members	29	(5,778,215)	-	-	-	-	(5,778,215)	-	(5,778,215)
Increased non-controlling interests	-	-	-	-	-	-	-	424,037	424,037
Transfers	-	(4,662,947)	-	4,662,947	4,662,947	-	-	-	-
Other changes in equity	-	-	-	(447,905)	(447,905)	-	(447,905)	-	(447,905)
Net Income	31	-	-	-	-	54,112,494	54,112,494	(260,362)	53,852,132
Consolidated comprehensive income for 2015:	-	(64,811,572)	-	-	-	-	(64,811,572)	-	(64,811,572)
<b>Balance as at 31 December 2015</b>	<b>997,212,651</b>	<b>26,023,329</b>	<b>311,892,735</b>	<b>(186,142,240)</b>	<b>125,750,495</b>	<b>54,112,494</b>	<b>1,203,098,969</b>	<b>1,704,701</b>	<b>1,204,803,670</b>

THE HEAD OF THE ACCOUNTS DEPARTMENT

THE EXECUTIVE BOARD OF DIRECTORS

The Notes are an integral part of these statements.

GRUPO CRÉDITO AGRÍCOLA  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED ON 31 DECEMBER 2015 AND 2014  
(Amounts in euros)

	Notes	2015	2014
<b>Consolidated net income for the year</b>		54,112,494	26,883,471
Net variation of the fair value of financial assets available for sale		(38,067,588)	55,914,434
Variation of the real estate revaluation reserve		585,483	(427,452)
Transfer to net income due to divestment		(44,668,581)	(8,714,299)
		<u>(82,150,686)</u>	<u>46,772,682</u>
Tax impact:			
Revaluation of financial assets available for sale	19	23,169,631	(6,419,601)
Remunerations relative to pension benefit plans	47	(5,830,517)	4,056,241
<b>Total other comprehensive income</b>		<u>(64,811,572)</u>	<u>44,409,323</u>
<b>Consolidated comprehensive income</b>		<u>(10,699,078)</u>	<u>71,292,794</u>
<b>Attributable to the Group</b>		<u>(10,862,753)</u>	<u>71,021,754</u>
<b>Attributable to non-controlling interests</b>		<u>163,675</u>	<u>271,040</u>

THE HEAD OF THE ACCOUNTS DEPARTMENT

THE EXECUTIVE BOARD OF DIRECTORS

The Notes are an integral part of these statements.

SICAM - SISTEMA INTEGRADO DO CRÉDITO AGRÍCOLA MÚTUO

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2015 AND 2014

(Amounts in euros)

ASSETS	2015			2014		LIABILITIES AND EQUITY	
	Gross assets	Provisions, impairment & amortisation	Net assets	Net assets		2015	2014
Cash and deposits at central banks	354,210,218	-	354,210,218	423,403,986	Funds of central banks	385,809,900	980,225,728
Cash balances at other credit institutions	66,847,243	-	66,847,243	78,237,262	Financial liabilities held for trading	3,945	196,836
Financial assets held for trading	223,738	-	223,738	869,057	Funds of other credit institutions	240,007,012	136,156,329
Other financial assets at fair value through profit or loss	-	-	-	-	- Customer funds and other loans	10,969,821,411	10,620,336,672
Financial assets available for sale	3,690,352,839	(103,891,748)	3,586,461,091	4,137,131,853	Provisions	10,793,774	6,470,387
Investments in financial institutions	94,827,185	-	94,827,185	190,677	Current tax liabilities	6,147,905	32,354,551
Credit to customers	8,429,644,144	(851,868,759)	7,577,775,385	7,309,836,586	Deferred tax liabilities	600,038	15,723,100
Investments held to maturity	142,919,607	-	142,919,607	139,582,134	Instruments representing equity	1,634,295	2,255,655
Non-current assets held for sale	522,795,477	(77,354,714)	445,440,763	429,010,119	Other subordinated debt	120,409,349	142,533,965
Other tangible assets	467,373,502	(227,588,665)	239,784,837	252,439,671	Other liabilities	151,938,141	162,010,950
Intangible assets	14,991,295	(14,254,440)	736,855	198,568	Total Liabilities	11,887,165,770	12,098,264,173
Investments in affiliates, associates and joint ventures	90,816,044	(379,730)	90,436,314	70,485,256	Capital	997,212,651	965,798,891
Current tax assets	24,551,810	-	24,551,810	1,169,603	Revaluation reserves	(901,979)	56,672,343
Deferred tax assets	164,014,467	-	164,014,467	154,626,590	Other reserves and retained earnings	120,004,446	121,358,867
Other assets	290,838,427	(19,275,937)	271,562,490	269,418,309	Profit for the year	56,311,115	24,505,397
					Total Equity	1,172,626,233	1,168,335,498
Total Assets	14,354,405,996	(1,294,613,993)	13,059,792,003	13,266,599,671	Total Liabilities and Equity	13,059,792,003	13,266,599,671

THE HEAD OF THE ACCOUNTS DEPARTMENT

THE EXECUTIVE BOARD OF DIRECTORS

Unaudited financial statements.

SICAM - SISTEMA INTEGRADO DO CRÉDITO AGRÍCOLA MÚTUO

INCOME STATEMENT

FOR THE YEARS ENDED ON 31 DECEMBER 2015 AND 2014

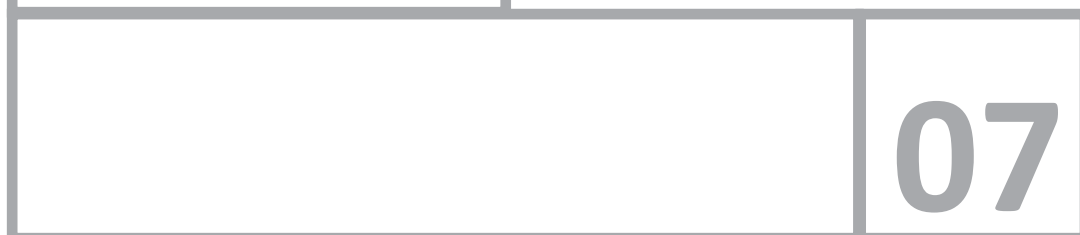
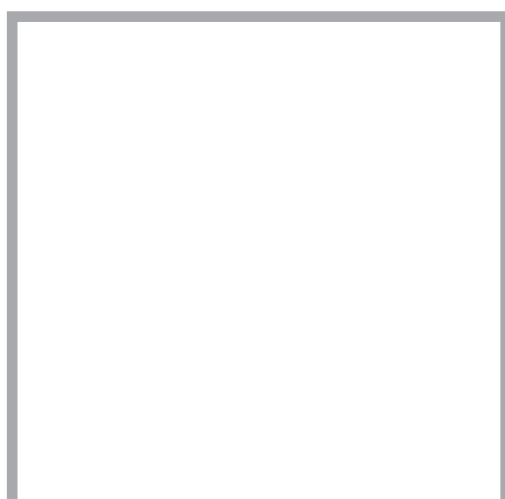
(Amounts in euros)

<u>HEADING</u>	<u>2015</u>	<u>2014</u>
Interest and similar income	400,181,082	457,013,640
Interest and similar costs	(155,051,726)	(208,788,736)
<b>Net interest income</b>	<u>245,129,356</u>	<u>248,224,904</u>
Income from equity instruments	338,585	341,067
Income from services and commissions	140,430,253	138,214,420
Costs related to services and commissions	(10,237,332)	(9,692,101)
Earnings from assets and liabilities measured at fair value through profit or loss	(452,991)	1,448,582
Earnings from financial assets available for sale	99,364,534	169,129,589
Earnings from currency revaluation	2,738,542	847,325
Earnings from divestment of other assets	(2,274,979)	(2,168,374)
Other net operating income	27,720,398	8,032,534
<b>Operating income</b>	<u>502,756,366</u>	<u>554,377,946</u>
Staff costs	(166,515,710)	(164,986,450)
General administrative overheads	(121,152,066)	(121,297,716)
Amortisation for the year	(13,169,813)	(14,190,456)
Provisions net of write-backs and annulments	(5,995,724)	(5,119,046)
Correction of the value associated to customer credit and amounts receivable from other debtors (net of write-backs and annulments)	(75,882,584)	(32,691,514)
Impairment of other financial assets net of reversals and recoveries	(12,331,784)	(29,256,461)
<b>Earnings before tax</b>	<u>75,017,171</u>	<u>53,396,757</u>
Taxes		
current	(23,916,520)	(49,287,731)
deferred	5,210,464	20,396,371
<b>Net income for the year</b>	<u>56,311,115</u>	<u>24,505,397</u>

THE HEAD OF THE ACCOUNTS DEPARTMENT

THE EXECUTIVE BOARD OF DIRECTORS

Unaudited financial statement



07

Opinion of the  
Advisory Board

## VII. OPINION OF THE ADVISORY BOARD

The Advisory Board of Caixa Central hereby issues its opinion on the Consolidated Annual Report of Grupo Crédito Agrícola for the financial year of 2015.

Having examined the document which will be submitted to discussion and voting at the Ordinary General Meeting to be held for this purpose on 28 May 2016, the members of the Audit Board issue the present opinion.

The document under review reflects, in a clear and objective manner, the performance of the Sistema Integrado do Crédito Agrícola Mútuo (SICAM) and Grupo Crédito Agrícola during the financial year of 2015.

In the first place, we highlight the resilience that Grupo Crédito Agrícola has shown, in adjusting and adapting its activity to the new paradigms of banking activity and an adverse economic situation with negative impacts for the financial system.

The positive net income for 2015, above 50 million euros, reflects the excellent work carried out by all the elements of Grupo Crédito Agrícola, Administrations, Supervisory Bodies and Employees, whose dedication, professionalism and manifest determination in defence of Crédito Agrícola we intend to stress and make explicit in our opinion.

We are delighted to note the net income of the Caixas Agrícolas which substantially influenced the profit for the year, improving their performance when compared to the same period of the previous year, and the contribution of the Companies of the Group.



The Advisory Board, in complying with its statutory duties, considers that the document under review reflects the current situation of our Group, and is certain that the constraints and challenges that we have historically faced and overcome enable us to view the future with optimism, even if moderate in view of the exogenous factors beyond our control. We request, after analysis and discussion of the Annual Report of Grupo Crédito Agrícola relative to 2015, its competent approval by the General Meeting.

Lisbon, 6 May 2016

The Advisory Board

Caixa de Crédito Agrícola de Alenquer (Presidente)

**Hélio José de Lemos Rosa**

Caixa de Crédito Agrícola do Alentejo Central

**José Luís Tirapicos Nunes**

Caixa de Crédito Agrícola do Alto Cávado e Basto

**José Lopes Gonçalves Barbosa**

Caixa de Crédito Agrícola de Estremoz, Monforte e Arronches

**Normando António Gil Xarepe**

Caixa de Crédito Agrícola do Médio Ave

**António Germano Fernandes de Sá e Abreu**

Caixa de Crédito Agrícola do Nordeste Alentejano

**João Nascimento Canas Guerra**

Caixa de Crédito Agrícola de Paredes

**António Francisco Coelho Pinheiro**

Caixa de Crédito Agrícola de Silves

**José Manuel Guerreiro Estiveira Gonçalves**

Caixa de Crédito Agrícola de Vale do Távora e Douro

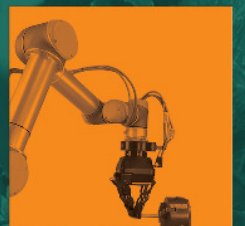
**Francisco Eduardo Neves Rebelo**

Caixa de Crédito Agrícola do Alto Douro, by inherence, pursuant to article 35 of the Statutes of Caixa Central.

**Adriano Augusto Diegues**



TWO THOUSAND AND FIFTEEN



FRUIT HARVEST AUTOMATIC MACHINE  
WINNING PROJECT | CA INNOVATION AWARD 2014