CAIXA ECONOMICA MONTEPIO GERAL
ANNUAL REPORT AND ACCOUNTS
2014

CONTENTS

MESSAGE OF THE CHAIRMAN OF THE EXECUTIVE BOARD OF DIRECTORS

In 2014, we experienced yet another year of new and major challenges, which have marked the evolution and performance of the financial sector and, in particular, of the banking institutions since 2008, the year in which the crisis, which began in the US mortgage market, spread to the financial markets and to the real economy.

From 2008 to 2014, several unprecedented events of major impact marked the operating conditions, activity and performance of the sector's institutions, resulting in far-reaching reforms of the regulatory framework and of the supervision system and architecture, together with growing prudential and governance requirements.

This period was characterised by high levels of volatility and uncertainty and by an unprecedented confidence crisis in financial markets, which led to intervention from governments and monetary authorities to restore the normal functioning of the markets and institutions, particularly those that fell into difficulties. During that same period, we witnessed crises in the energy and agricultural products markets, the spectre of deflation, and strong increases in benchmark interest rates - at the start of the period - which then fell to the negative levels at which they currently find themselves. Particularly noteworthy, during this period, was the sovereign debt crisis, which culminated in the third request for external assistance and in the Economic and Financial Assistance Programme (PAEF) for our country, lasting from May 2011 to May 2014, and the continuation of the economic crisis, with the pronounced slowdown in productive activity, particularly in the construction sector and real estate market, and increase in unemployment, with significant social consequences in terms of the impoverishment resulting therefrom. It should be noted that, at the end of 2014, GDP came to 167.9 billion euros, compared with the 181.5 billion euros in 2008, having shrunk by 7.5%.

The financial sector thus went through one of the worst periods in its history, with the bankruptcy of major financial groups, both nationally and internationally, namely the bankruptcy of Lehman Brothers, in September 2008, and the application of the first resolution measure of the European Banking Union to the third largest national banking group - Banco Espírito Santo, in August 2014. These events rocked the entire sector and revived the atmosphere of mistrust and concern with its knock-on effect, leaving no one indifferent.

Faced with such adversities it became necessary to maintain the conviction and firmness of purpose, to reinforce the resilience of Caixa Económica Montepio Geral (CEMG) and preserve the principles and values that characterise it and steer its activity and management.

Firmness in the achievement of objectives, seemingly ambitious in the face of such difficulties, but feasible and fundamental for the future, as has been demonstrated by reality. This was the case with the conversion of CEMG's business model, which changed from a niche institution, specialised in mortgage, housing and residential construction loan operations, to a universal retail banking entity, with greater emphasis on commercial banking activity with companies from the various productive sectors. Mortgage loan (housing and construction) activity, which represented 71% of the credit portfolio in 2008, fell to only 48% in 2014. This remarkable evolution was achieved through the implementation of a diversification strategy, which was gradually fine-tuned over the period, not only organically and via multiple channels, through the diversification of the portfolio of products and segments, but also through the acquisition of Finibanco Holding, SGPS, which led to a greater diversification of markets and the growing importance of the international activity (Banco MG Cabo Verde, Sociedade Unipessoal, S.A., Finibanco Angola, S.A. and the new stake in Banco Terra in Mozambique), which, in 2014, already represents 4.5% of consolidated assets.

The conversion of the business model enabled CEMG to carry out an early and successful deleveraging, focused on the mortgage loans to the real estate sector area, which allowed it to meet, at a later date, the adjustment requirements determined by the PAEF and create conditions to overcome the risks of excessive concentration, inherent to its previous position, ensuring its resilience to the crisis situation.

Resolve was also necessary to fulfill the objectives of preservation of funding and liquidity stability, which enabled it to secure a robust and well-balanced balance sheet. A policy of repayment of the debt from financial markets, which was almost completely substituted by customer funds, was actively pursued. CEMG reinforced its profile as a small and medium savings institution, through a deposit-based funding strategy and, at the same time, with a conservative policy, which increased the portfolio of net assets, having enabled it to independently overcome difficult times.

In addition, capacity-building on many fronts was strengthened, from the broadening of the offer and improvement of customer service, to the recovery of non-performing loans and risk management, in order to provide services and solutions in the various areas of activity, which, by mitigating risks, better met the needs of the various customers and stakeholders. This approach of permanent adaptation and modernisation improved the notoriety, and the customer satisfaction and reputation indicators of the Montepio brand, in spite of the adverse context and the intense competition in the sector.

It was with conviction and decisiveness that an important reform of the Articles of Association of CEMG was undertaken and implemented, enabling the modernisation of its governance model, which had not been amended for decades, with a view to adapting it to the recommendations in this field. This process will continue as regulatory provisions are amended. In addition to the entry into force of the new governance model in 2013, it is important to mention, in that same year, the launch of the Participation Fund which had been planned for several years and that was finally undertaken, diversifying the sources of capitalisation for CEMG.

In general, the results of the credit institutions in 2014 reflect the consequences of the complex and profound period of crisis. The consolidated results of -187 million euros reported by CEMG in 2014, in spite of indicating an improvement relative to 2013 (-299 million euros), reflect those difficult operating conditions and the prudent policy of reinforcement of the provisioning of banking activity risks, creating prudential conditions for the improvement of future performance and a more solid balance sheet.

Over this period, CEMG demonstrated its capacity for resilience by overcoming numerous and complex challenges, through its own means, within the Montepio group, maintaining its characteristics as an institution at the service of mutualist goals. It was possible to maintain the dynamics in support of economic activity and the customers, which have been increasing, and to build a more diversified group, prepared for the obstacles that both the present and the future hold.

We expect 2015 to be a year of recovery of economic activity, as forecast, and of improvement of the financial conditions of households and companies. However, in spite of some improvement in macroeconomic indicators, this recovery remains fragile. In addition, there is still a high rate of unemployment, which remained at 13.5% at the end of 2014, as well as a level of indebtedness of households and companies, which reached 85.7% and 142% of GDP, respectively.

Against this challenging and demanding backdrop, the regulatory authorities continue to request additional efforts from banking sector institutions in terms of liquidity and the creation of capital buffers, envisaged in the implementation of Basel III (Capital Requirements Directive IV - CRD IV 2013/36/EU and Capital Requirements Regulation - CRR No. 575/2013). As a result, CEMG will continue to strengthen its capital ratios in order to accomodate the demands of the economic context and meet those prudential buffer requirements, as determined by the monetary authority.

As I write this message, we received the sad news of the passing away of professor José da Silva Lopes, who preceded me as Chairman of Associação Mutualista Montepio Geral and of Caixa Económica Montepio Geral, from 2004 to May 2008. I wish to express, on my behalf and on behalf of the members of the Executive Board of Directors of CEMG, my deepest sentiments over the departure of a most distinguished economist, who honoured us with his contribution to this institution during his mandate and with the teachings and example of intellectual vitality, lucidity and sense of ethics that he transmitted to us.

I would like to end by thanking the customers, the associates of Montepio Geral Associação Mutualista and other stakeholders for their trust in the institution and in our services, our employees for their commitment and effort day after day, as well as the members of the governing bodies of the CEMG group for their constructive spirit of institutional cooperation and solidarity. The institution will continue, as it always has, to rely on everyone, so as to position itself as a reference entity in the national financial sector, honouring its long history.

GOVERNING BODIES

INSTITUTIONAL BODIES FOR THE THREE-YEAR PERIOD 2013 - 2015

BOARD OF THE GENERAL MEETING

Chairman	VITOR JOSÉ MELÍCIAS LOPES Lawyer
1st Secretary	ANTÓNIO DIAS SEQUEIRA Economist
2nd Secretary	MARIA LEONOR LOUREIRO GONÇALVES DE OLIVEIRA GUIMARÃES Lawyer
Alternate	ANTÓNIO MIGUEL LINO PEREIRA GAIO Lawyer

GENERAL AND SUPERVISORY BOARD

Chairman	JOSÉ DE ALMEIDA SERRA Economist
	VITOR JOSÉ MELÍCIAS LOPES Lawyer
	EDUARDO JOSÉ DA SILVA FARINHA Economist
	CARLOS VICENTE MORAIS BEATO Manager
	ÁLVARO JOÃO DUARTE PINTO CORREIA Civil Engineer
	GABRIEL JOSÉ DOS SANTOS FERNANDES Economist
	LUISA MARIA XAVIER MACHADO Manager
	MARIA MANUELA DA SILVA Economist
	ANTÓNIO GONÇALVES RIBEIRO General
	EUGÉNIO ÓSCAR GARCIA ROSA Economist

EXECUTIVE BOARD OF DIRECTORS

Chairman	ANTÓNIO TOMÁS CORREIA Lawyer
Voting Members	JORGE HUMBERTO BARROS LUÍS Economist
	PEDRO MIGUEL DE ALMEIDA ALVES RIBEIRO Economist
	FERNANDO PAULO PEREIRA MAGALHÃES Economist
	JOÃO CARLOS MARTINS DA CUNHA NEVES Economist

REMUNERATION COMMITTEE

Chairman	LUÍS EDUARDO BARBOSA Economist
	JOSÉ EDUARDO FRAGOSO TAVARES DE BETTENCOURT Economist
	JOSÉ CARLOS PEREIRA LILAIA Economist

STATUTORY AUDITOR

KPMG, represented by Jean-éric Gaign
Statutory Auditor No. 1013

KEY INDICATORS[1]

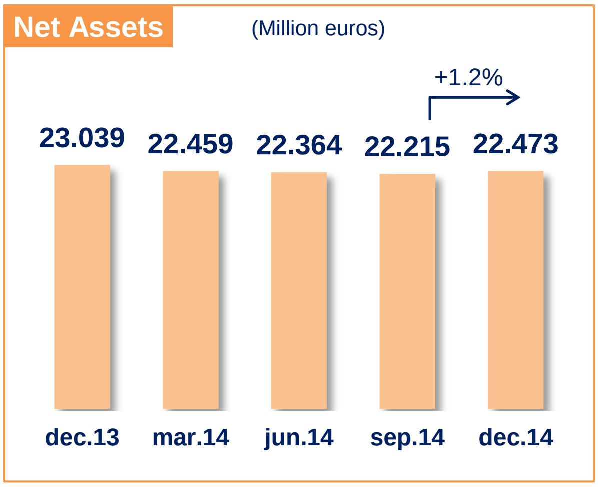
(thousand euros)

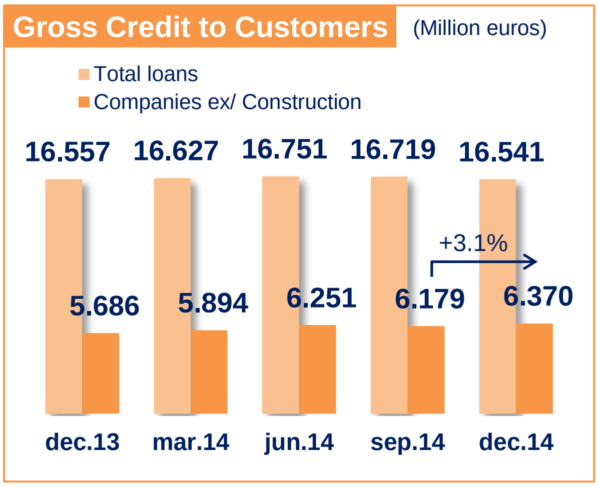
INDICATORS	2012	2013	2014
ACTIVITY AND RESULTS			
Net Assets	20,972,731	23,039,203	22,473,474
Gross Credit to Customers	16,806,449	16,556,907	16,540,943
On-Balance Sheet Customers´ Resources	15,170,652	16,310,031	16,363,549
Total Deposits	13,103,506	14,039,197	14,242,679
Securities Placed with Customers	2,067,146	2,270,834	2,120,870
Net Income	2,099	-298,626	-186,953
LEVERAGE AND LIQUIDITY			
Stable Funding Ratio (a)	100.00%	100.00%	100.00%
Total Net Credit to Customers / Customers´ Deposits (a)	120.50%	110.18%	106.46%
Total Net Credit to Customers / On-Balance Sheet Customers´ Resources (b)	104.14%	94.70%	92.49%
Eligible Assets for Refinancing Operations with the ECB	3,139,482	5,783,695	4,202,365
CREDIT RISK AND COVERAGE BY IMPAIRMENT			
Ratio of Credit and Interest Overdue by more than 90 days	4.94%	5.30%	6.13%
Non-Performing Loans Ratio (a)	6.32%	7.12%	7.42%
Net Non-Performing Loans Ratio (a)	0.82%	0.84%	-1.00%
Coverage of Credit and Interest Overdue by more than 90 days	111.00%	119.85%	136.65%
Credit-at-Risk Ratio (a)	10.95%	12.25%	12.03%
Net Credit-at-Risk Ratio (a)	5.72%	6.32%	4.02%
Credit-at-Risk Coverage Ratio	50.68%	51.70%	69.35%
Restructured Credit as a % of Total Credit (c)	6.48%	9.68%	10.49%
Restructured Credit not included in Credit-at-Risk as a % of Total Credit (c)	5.18%	7.30%	6.89%
EFFICIENCY AND PROFITABILITY			
Net Operating Income / Average Net Assets (a)	2.05%	1.76%	3.48%
Earnings before Tax / Average Net Assets (a)	-0.80%	-1.73%	-0.92%
Earnings before Tax and / Average Equity (a)	-11.56%	-18.99%	-12.55%
Net Income / Average Net Assets (ROA)	0.01%	-1.39%	-0.83%
Net Income / Average Equity (ROE)	0.14%	-15.23%	-11.27%
Operating Costs / Net Operating Income (cost-to-income) (a)	83.64%	90.05%	43.56%
Personnel Costs / Net Operating Income (a)	45.79%	52.12%	24.75%
SOLVENCY			
Core Tier 1 Ratio (a)	10.62%	11.01%	-
Tier 1 Ratio (a)	10.59%	10.99%	-
Solvency Ratio (a)	13.58%	13.03%	-
Common Equity Tier 1 Ratio (CRD IV phasing-in) (e)	-	-	8.51%
Total Capital Ratio (CRD IV phasing-in) (e)	-	-	8.67%
DISTRIBUTION NETWORK AND EMPLOYEES (Units)			
Total Number of Employees (CEMG Group)	4,223	4,213	4,425
Domestic Activity	4,078	4,029	4,032
International Activity	145	184	393
Domestic Branch Network - CEMG	458	456	436
International Branch Network - Angola (d)	9	14	18
International Branch Network - Mozambique	-	-	9
Representation Offices	6	6	6

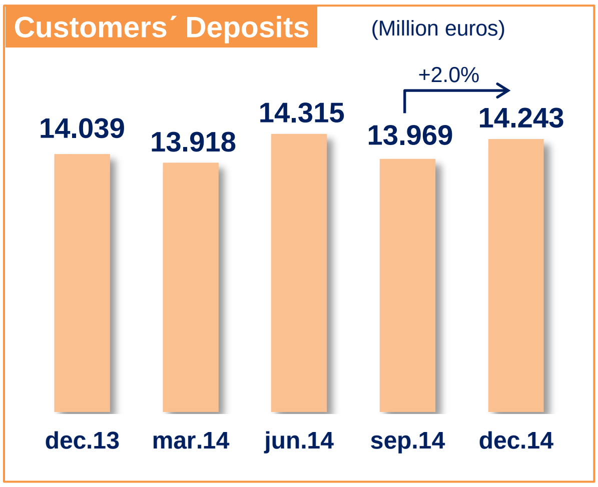
(a) In accordance with Banco de Portugal Instruction No. 16/2004.
(b) Customers´ Resources = Customer Deposits and Securities Placed with Customers
(c) In accordance with Banco de Portugal Instruction No. 32/2013.
(d) Includes Business Centres.
(e) Not applicable (in 2012 and 2013). CRD IV entered into force in 2014

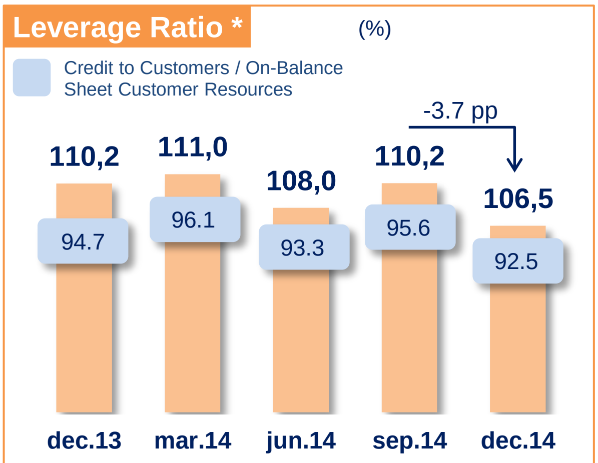
[1] Indicators relative to the Consolidated Accounts of the CEMG group.

EVOLUTION OF MAIN INDICATORS

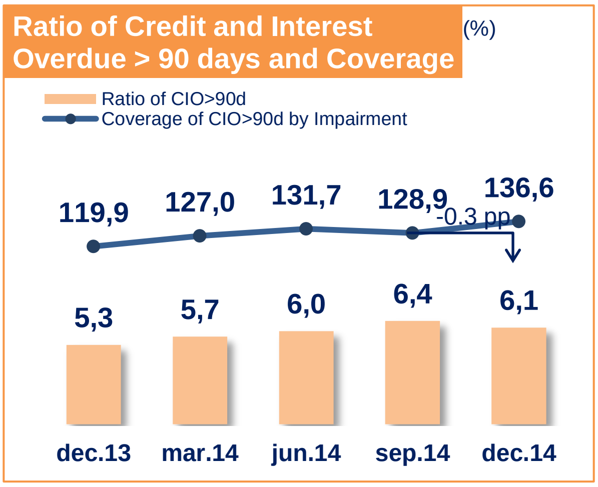


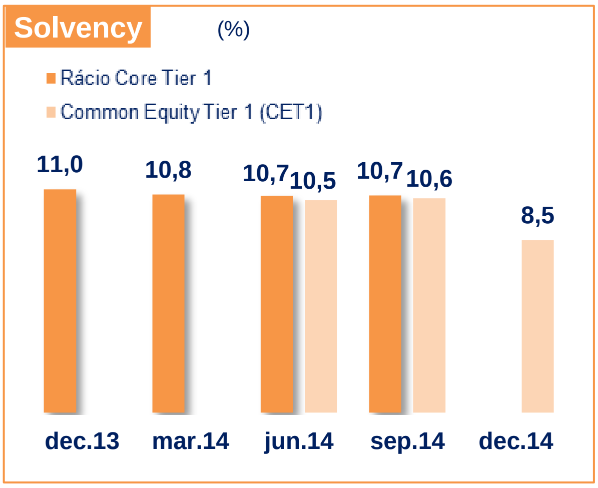






* Pursuant to "Banco de Portugal" Instruction 16/2004.





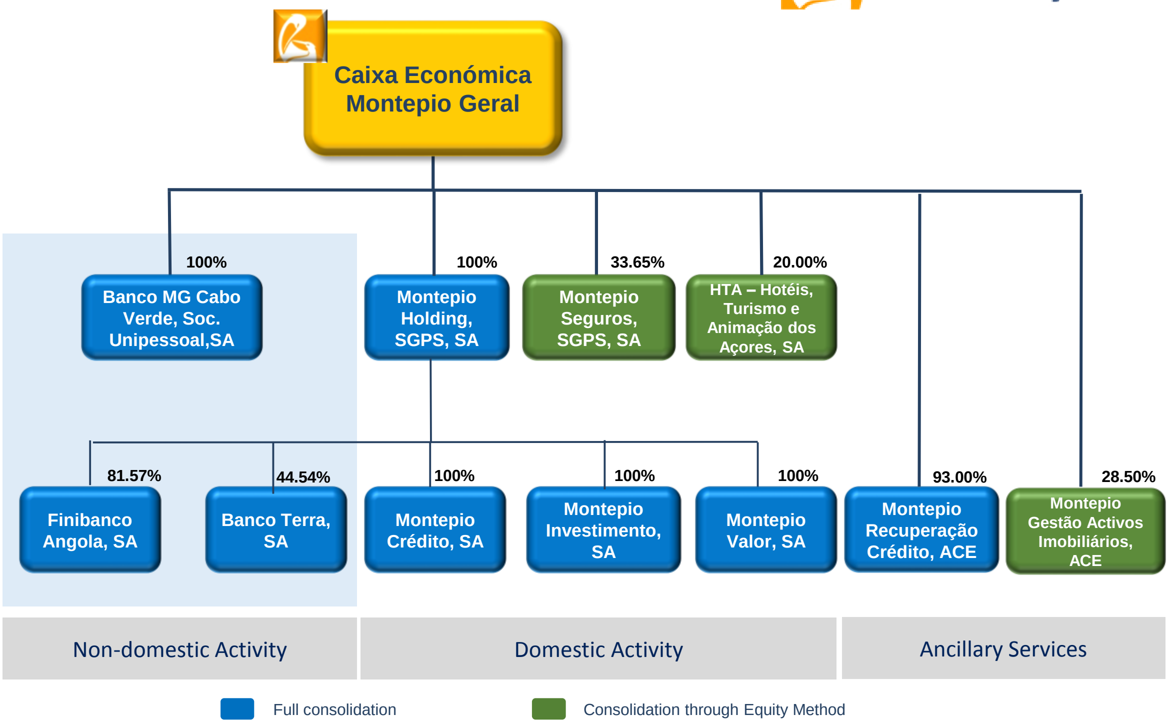
1. THE CAIXA ECONÓMICA MONTEPIO GERAL GROUP

1.1. GROUP STRUCTURE

This report presents the individual and consolidated accounts, and reports the consolidated performance, of the Caixa Económica Montepio Geral (CEMG) Group: the set of institutions in which CEMG holds qualified holdings (see accounting note) and/or management control.

The CEMG Group is, in turn, integrated in the Montepio Group, owned by Montepio Geral Associação Mutualista. Collectively, these entities not only offer a broad and diversified range of banking and financial products and services, but also contribute with their earnings to the mutualist goals. The CEMG Group presents itself as one of the most differentiated banking and financial groups of the national and European financial sector given its mutual origins, nature and goals, which give it unique characteristics and an unmatched position in its sector and in Portuguese society.

The CEMG Group consists of, in addition to CEMG (on an individual basis), 3 domestic entities: Montepio Crédito, Instituição Financeira de Crédito, S.A.; Montepio Investimento, S.A.; and Montepio Valor, Sociedade Gestora de Fundos de Investimento, S.A. – incorporated under Montepio Holding, SGPS, S.A. and fully owned by CEMG. In the domestic market, CEMG also has two small qualified holdings in Montepio Seguros, SGPS, S.A. and in HTA-Hotéis, Turismo e Animação dos Açores, S.A., whose accounts are partially consolidated through the equity method. At an international level, CEMG holds majority holdings in Banco MG - Cabo Verde, Sociedade Unipessoal, SA and in Finibanco Angola, S.A.. In December 2014, CEMG concluded the acquisition of a stake in Banco Terra in Mozambique, where it now holds management control. The CEMG Group also consolidates the Complementary Groupings of Companies: Montepio Recuperação de Crédito, ACE (Full Consolidation) and Montepio Gestão de Ativos Imobiliários, ACE (Consolidation through the Equity Method).



1.2. MONTEPIO BRAND

Caixa Económica Montepio Geral, known commercially simply as Montepio, continued to achieve notoriety and to reinforce the recognition of its customers, having earned various distinctions in 2014.

Service quality and transparent, rigorous and competent action have contributed to a growing number of Caixa Económica Montepio Geral customers, who benefit from a transversal and integrated offer of products and services, advocating in favour of the brand and contributing to the consolidation of its positioning.

LEADER IN CUSTOMER SATISFACTION

The institution has conquered the leadership of the banking sector in terms of customer satisfaction, according to data from the European Consumer Satisfaction Index 2014**,** with a satisfaction index of 7.82 (scale of 1 to 10), above the average of the national banking sector.

According to the assessment undertaken, Montepio is leader in the "Image" and "Loyalty" areas, thus confirming the recognition of the institution's commitment to service quality and to the rigour and competence of teams. The study also highlighted Montepio's performance in the following indicators: “Bank that is trusted for what it says and does”, “Innovation”, “Clarity in the information provided”, “Meeting the agreed deadlines” and “Adaptation of proposals to the customer's situation”.

In addition, Montepio was ranked among the top brands in the Global Rep Trak™ Pulse 2014 study, having achieved first place in the areas of "Service Quality", "Social Responsibility" and "Corporate Governance".

Montepio was also, once again, recognised as a brand of excellence in the Portuguese market by Superbrands Portugal, for aligning its conduct with the values of solidarity, sustainability, ethics and transparency, and also for the way in which, by materialising the values of associativism, it places the economy at the service of society.

DISTINCTION OF THE QUALITY OF THE COMPLEMENTARY CHANNELS

In terms of the complementary channels, the brand also continued to conquer the market and receive distinctions which placed it among the best.

The Contact Center of Montepio was internationally distinguished with the "Best Contact Center Supervisor - Top Ranking Performers" award, in the EMEA region (Europe, the Middle East and Africa), attributed by the Global Association for Contact Center Best Practices & Networking.

The Internet Banking platform of Montepio was distinguished with the "Five Stars" Certification, following a thorough and rigorous assessment by users and professionals of the quality area. Service excellence, innovation and level of satisfaction were three of the characteristics highlighted by those that use Net24 to manage their financial day-to-day.

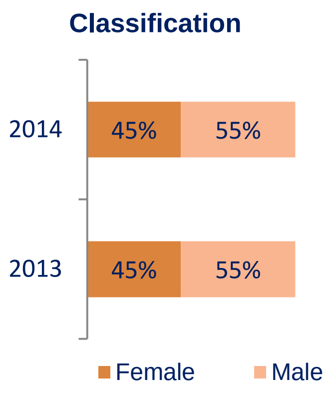
1.3. HUMAN RESOURCES

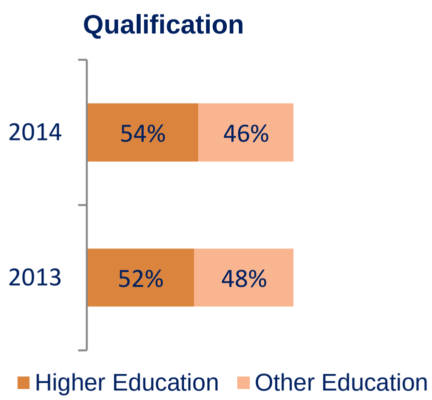
As at 31 December 2014, the CEMG Group had a total of 4 425 employees, of which 3 907 (88.3%) belonged to CEMG.

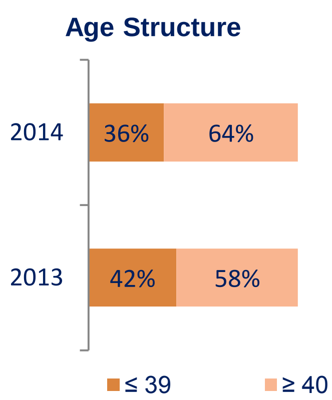
Employees	2013	2014	Variation No.	Variation %	Weight
Total do Grupo CEMG	**4 213**	**4 425**	**212**	**5,0**	**100,0%**
Caixa Económica Montepio Geral	3 903	3 907	4	0,1	88,3%
MG Cabo Verde	3	3	0	0,0	0,1%
Montepio Holding, do qual:	307	515	208	67,8	11,6%
Montepio Investimento	-	1	1	-	0,0%
Finibanco Angola	159	182	23	14,5	4,1%
Banco Terra	-	187	187	-	4,2%
Montepio Crédito	132	129	- 3	-2,3	2,9%
Montepio Valor	16	16	0	0,0	0,4%

The increase in the total number of employees in 2014 was mainly due to international expansion, with the acquisition of a stake in Banco Terra, in Mozambique and the organic expansion of Finibanco Angola. The latter increased the number of employees by 23, in line with the planned expansion of its activity. The staff of CEMG remained fairly stable in 2014, with the number of admissions (55) having been almost compensated by the number of departures (51).

DISTRIBUTION OF CEMG EMPLOYEES







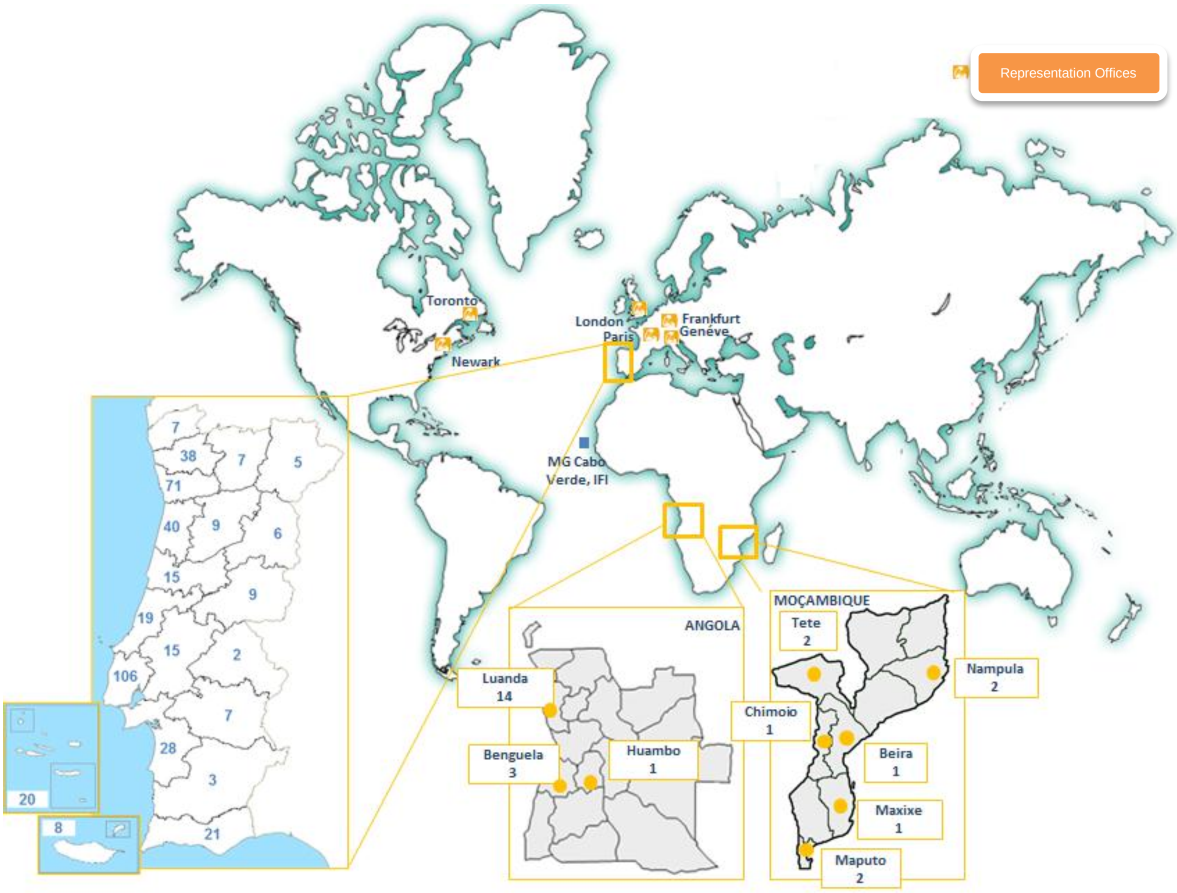
In 2014, employees maintained the gender distribution profile, with a slight predominance of the male component (55%). It is important to mention the increase in weight of employees with higher education qualifications - which includes employees with bachelor, licentiate, post-graduate, master's and doctoral degrees - , which in 2014 came to 54%. In terms of age structure, there was an increase in the weight of employees over 40 years of age, from 58% to 64%, explained by the slowdown in the pace of admissions.

1.4. DISTRIBUTION NETWORK AND RELATIONS

BRANCHES

At the end of 2014, CEMG's network comprised 436 branches in Portugal, distributed among the mainland and autonomous regions, representing a decrease relative to 2013 as a result of the closure of 20 branches. In the international activity, 4 new branches were opened in Angola, bringing the total number of branches to 18 (including 3 corporate centres), to which another 9 branches from Banco Terra, in Mozambique, have recently been added. CEMG also has 6 representation offices, distributed among Europe and North America.

	2013	2014
Domestic Branch Network	456	436
International Branch Network - Angola	14	18
International Branch Network - Mozambique	-	9
Representation Offices	6	6



CUSTOMER MANAGERS

With a view to offering a personalised service and advance customer relations, the network of customer managers has been reinforced. There are currently 499 managers, of which 193 are dedicated to private customers and 286 are dedicated to corporate customers. In the private customers segment, the network of Premium managers, which provides support to the Affluent subsegment and requires a relationship of greater proximity, includes 183 dedicated managers. In the companies segment, and continuing to enhance the level of specialisation of the service, Montepio made available 189 managers dedicated to small businesses and 80 managers dedicated to small and medium-sized companies. For the Social Economy or third sector, the structure includes 20 managers, of which 13 are dedicated to microcredit.

No. of Managers per customer segment

	2012	2013	2014	var.
Companies	**286**	**282**	**286**	**1,4%**
Institutional	6	6	6	0,0%
Large Companies	8	9	11	22,2%
Small and Medium Companies	58	63	80	27,0%
Small Businesses	214	204	189	-7,4%
Private Customers	**189**	**192**	**193**	**0,5%**
Top Premium	10	10	10	0,0%
Premium	179	182	183	0,5%
Third Sector (*)	**12**	**14**	**20**	**42,9%**
TOTAL MANAGERS	**487**	**488**	**499**	**2,3%**

(*) Includes 3 Microcredit managers

COMPLEMENTARY CHANNELS

In 2014, the Montepio24 service**,** a multichannel platform that includes the Net24, Phone24, Netmóvel24 and Sms24 channels, registered a 5% increase in customer subscriptions relative to 2013, with 761 thousand users of the Private Customers segment (4.5% increase) and 108 thousand Companies users (11% increase).

The Montepio public website, available at www.montepio.pt, also registered a significant increase in the number of accesses, consolidating its position as the main point of contact with the offer of products and services, with a monthly average of more than 3.1 million visits and 17.5 million page views..

At the beginning of June, Montepio launched an “app” for Windows8 (surface and desktop) devices associated to the channels of the Montepio24 service – Netmóvel24. The application, optimised for touch screens and with quick and smooth navigation, reflects Montepio's commitment to a closer, more relational and integrated communication strategy with its customers.

Within the scope of the ATM – Automated Teller Machine service, the global network of Sociedade Interbancária de Serviços (SIBS) continued to register a decline in the number of machines available in the Portuguese market, over the course of 2014: from 12 963 (December 2013) to 12 701 (December 2014). Montepio contributed to this reduction with the withdrawal of 25 ATMs (9.5%), whose impact on the market share was, however, negligible, having registered a slight decrease from 8.61% to 8.59%. At the end of 2014, Montepio's total number of ATMs comprised 1 097 machines, 499 installed in branches and 598 available at external locations.

With regard to the internal ATM network - Chave 24, the total number of ATMs remained stable, with a total of 377 machines installed, which contributes directly to the externalisation of operations of a transactional nature, freeing the branch network for sales activity.

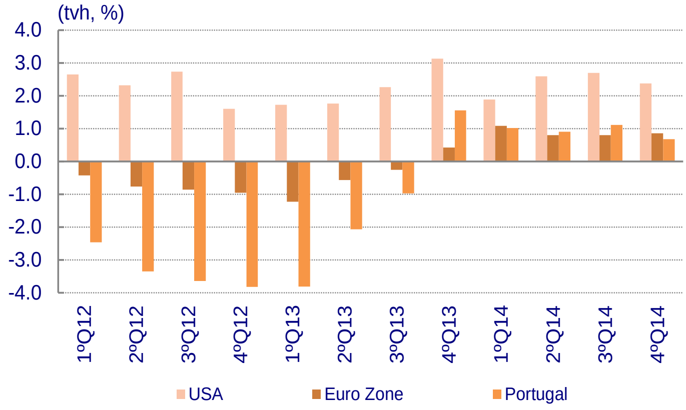
The Point-of-Sale Terminals (POS) market grew 3.9% from 2013 to 2014, with this business in Montepio having grown by 10.1%. This performance enabled Montepio to increase its market share from 6.5% to 6.9%.

The card business also registered an increase of 8.6% in its portfolio, above the average market expansion of approximately 2%. The growth of the credit card portfolio (8.3%) and the expansion of the pre-paid card portfolio (135%) contributed to this increase. It sould be noted, however, that the significant growth of the pre-paid cards is mainly based on the marketing of the "Menu" meal cards.

2. MACROECONOMIC OVERVIEW

According to the IMF, the world economy is estimated to have grown by 3.3% in 2014. The recovery of economic activity has been uneven, with the USA and the United Kingdom registering robust growth, whilst the euro zone and Japan continue to register weak economic expansion and the BRIC countries (Brazil, Russia, India and China) are experiencing a slowdown in economic growth, with the exception of India. The IMF forecasts that economic growth will remain uneven and broadly anaemic, underlining that the global economy is facing a new period of weak growth and high unemployment. The developing economies may decelerate for the fifth consecutive year. At the same time, weak global inflationary pressures are expected as a result of both anaemic growth and declining oil prices. Monetary policy is also expected to continue to be conducted asymmetrically since, on the one hand, the prices of financial assets have priced in increases in US interest rates and, on the other, the central banks of Japan and the euro zone have ongoing quantitative easing programmes, resulting in a general lowering of interest rates, which puts pressure on the financial margin of banks.

Gross Domestic Product (GDP) Growth



Source: *Thomson Reuters.*

EURO ZONE

Reflecting the weakness of the economic recovery, the economy of the euro zone ended 2014 with annual average growth of 0.9%, after two years of contraction (-0.4% in 2013), which is largely due to the fiscal consolidation policies implemented by a significant number of Member States – namely in larger countries such as Italy and Spain - in the wake of the sovereign debt crisis in the region. It should be noted that euro zone GDP ended the 4th quarter of 2014 at 1.9% below the levels reached before the Great Depression of 2008/09, which, based on the latest forecasts to date, are only expected to be exceeded in 2016.

Reflecting the difficult economic context, the **unemployment rate** remained high, ending 2014 at 11.3%, only 0.6 p.p. below the maximum historical levels - observed in May 2013 - since the start of the series (1990).

The **inflation rate** declined over the course of the year, from 0.8% in December 2013 to a negative value of 0.2% in December 2014, which represented a minimum since September 2009 (-0.3%), to an even lower rate of -0.6% in January 2015. Inflation thus continued to increasingly distance itself from the European Central Bank (ECB) target of 2.0%.

ECONOMIC ESTIMATES AND FORECASTS FOR PORTUGAL AND THE EURO ZONE

	2014						2015				2016			
	Portugal			Euro Zone			Portugal		Euro Zone		Portugal		Euro Zone	
	Eff.	BoP	EC	Eff.	ECB	EC	BoP	EC	ECB	EC	BoP	EC	ECB	EC
GDP	**0.9**	**0.9**	**1.0**	**0.9**	**0.9**	**0.8**	**1.7**	**1.6**	**1.5**	**1.3**	**1.9**	**1.7**	**1.9**	**1.9**
Private Consumption	2.1	2.1	2.1	1.0	1.0	0.9	2.4	1.8	1.8	1.6	1.7	1.5	1.6	1.6
Public Consumption	-0.3	-0.7	-0.5	0.7	0.9	0.7	-0.5	-0.3	1.0	0.4	0.2	0.2	0.6	0.9
Investment (FBCF)	2.5	2.3	2.4	1.0	0.9	0.9	4.0	2.9	1.7	2.0	4.4	3.1	4.1	4.4
Exports	3.4	3.4	3.8	3.7	3.6	3.6	4.3	5.0	4.1	4.3	5.8	5.4	5.1	5.1
Imports	6.4	6.2	5.9	3.8	3.6	3.6	3.9	4.9	4.3	4.5	5.5	4.8	5.5	5.7
Inflation	**-0.2**	**-0.2**	**-0.2**	**0.4**	**0.4**	**0.4**	**0.2**	**0.1**	**0.0**	**-0.1**	**1.1**	**1.1**	**1.5**	**1.3**
Unemployment rate	**13.9**	**-**	**14.2**	**11.6**	**11.6**	**11.6**	**-**	**13.4**	**11.1**	**11.1**	**-**	**12.6**	**10.5**	**10.6**

Sources: Bank of Portugal (BdP), March 25, 2015; European Commission (CE), February 5, 2015 and European Central Bank (ECB), March 5, 2015.

Notes: «Eff.» corresponds to the effective data already published for 2013; inflation is measured by a year-on-year variation of IPCH.

PORTUGAL

The Portuguese economy continued to grow anaemically, continuing the weak recovery initiated in the 2nd quarter of 2013, following a period of contraction that began in the last quarter of 2010. In 2014, an annual average GDP growth of 0.9% was registered, which, although tenuous, compares favourably with the contraction of 1.6% in 2013. For 2015, an acceleration of economic activity is projected, with an expected GDP growth of 1.7%.- The economic recovery has been sustained by exports, which ended the year 21.7% above pre-economic adjustment programme levels (2010), in spite of a more modest expansion than in 2013 (+3.4% compared to +6.4% in 2013). Foreign demand provided, therefore, the greatest contribution (2.1 p.p.) towards the recovery of GDP in 2014.

Among the components of domestic demand, investment in fixed assets (IFA) returned to growth (+2.5%) in 2014, after having contracted consecutively since 2009. It should be noted that in the 2nd quarter of 2013, IFA stood at minimum levels since the 2nd quarter of 1989 and, as a proportion of GDP, in the lowest value of the series initiated in 1978. Private consumption also grew (+2.1%) in 2014, after three years in decline (-1.5% in 2013).

The construction sector continued to be pressured, with GVA contracting 3.5% in 2014, in spite of the growth in the 2nd quarter of 2014. The sector continues to report a significant negative performance among the main sectors of activity, having ended the year 47.7% below the level observed in 2007, before the sector went into recession. Similarly, **house prices** remain historically low, although the fall in prices in Portugal was not as pronounced as in other European countries. House prices actually rose again in 2014 - 4.3%, according to the latest data published by INE -, however, the recovery was very tenuous compared to the minimums of the current series of INE (initiated in 2010) that were registered in the 2nd quarter of 2013.

The year of 2014 was marked by the conclusion of the Economic and Financial Assistance Programme (PAEF) signed in May 2011 with the troika. However, the return of the Portuguese economy to the financial markets was a gradual process. In April 2014, still under the auspices of the PAEF, the country successfully undertook its first long-term (10-year) unsecured debt auction (without the support of a syndicate of banks underwriting the debt).- The fiscal adjustment process continued over the course of 2014, during which primary surpluses were achieved, in a context of maintenance of revenue and reduction of expenditure, with INE revealing that the budget deficit in 2014 fell to 4.5% of GDP, below the 4.8% target, which represented an improvement relative to 2013 (-4.8% of GDP). The effect of the ongoing economic and financial adjustment process in the country has had a significant impact on the **labour market**. The **unemployment rate** ended 2014 at 13.5%, below the 16.2% recorded in 2013, which is still an historically high figure that benefits in part from the increase in emigration over the last few years (in annual average terms, the unemployment rate came to 13.9%). In addition, youth unemployment remains at particularly high levels, with the unemployment rate steadying at 33.8% in December 2014, a figure that is still historically very high and that strongly penalises the potential growth of the economy and social stability.

Inflation, as measured by the annual average rate of change in the Consumer Price Index (CPI), came to -0.3% in 2014 (+0.3% in 2013), after having registered a sharp deceleration in the previous year (+2.8% in 2012). With the exception of 2009 (-0.8%), this was the first time that a situation of negative inflation has been registered since 1954 (-1.9%).

OTHER ECONOMIES

In **Angola**, following the budget and balance of payments crisis of 2009, a programme was signed with the IMF aimed at correcting the macroeconomic imbalances. In this context, the authorities have advanced with a programme of institutional reforms, strengthening various key areas in budget, monetary and financial management. Following an estimated growth of 6.8% in 2013, GDP slowed in 2014 to an estimated expansion of between 3.9% and 4.7% (IMF, the Angolan Government and the World Bank), below the 5.3% forecast by the IMF in April 2014, with the revision reflecting the slowdown in the agricultural sector (after strong growth in 2013) and a lower than expected increase in oil extraction, mired by stoppages in the 1st half of the year. In 2015, the Angolan economy is likely to suffer the pressure of the fall in oil prices, according to the IMF, which is more pessimistic than in October, when it forecast an expansion of 5.9% (Government: +6.6%; World Bank: +5,3%).

In terms of inflation, notable progress has been made, considering that it fell below three digits in 2003. The inflation rate in December 2014 stood at 7.48%, below the 7.68% in December 2013, with the annual average rate of 2014 standing at only 7.3% (+8.8% in 2013), representing the lowest level since 1990. The accumulation of international reserves and the reform of monetary policy - with the introduction of a benchmark interest rate, which the Banco Nacional de Angola (BNA) decided to maintain at 9.0% (0.25 p.p. below the close of 2013) at the monetary policy meeting held on 22 December 2014 - have been crucial to this progress.

The economy of **Mozambique** recorded an estimated growth of 7.4% in 2014 (7.3% estimated for 2013), a figure below the 8.0% forecast by the IMF in October 2014, and by the Mozambican

Government. In the meantime, the floods at the start of 2015 should lead to a slowdown in economic growth, although a recovery is expected in 2016, with the economic performance of Mozambique remaining robust. Within the scope of the third review of the Policy Support Instrument (PSI) underway in the country, the IMF recognised that recent performance has been mixed. The mission urged the authorities to intensify the implementation of fundamental structural reforms, particularly in the public finance management, financial system and market development areas. A concentration of efforts in the development of rural infrastructures and improvements in the business environment should contribute towards making growth more inclusive through the reinforcement of agricultural productivity and the creation of jobs in the private sector. The average annual inflation of Mozambique came to 2.3% in 2014, below the 4.2% presented in 2013, when it accelerated from 2.1% in 2012, and below the target established by the Government (+5.6%). Inflation should remain subdued over the next few years, although it is expected to show a slight upward trend in 2015, reflecting the depreciation of the metical and the anticipated rise in electricity tariffs, in a context in which the monetary policy of the Banco de Moçambique will remain focused on safeguarding a low inflation environment and on reducing borrowing costs for the private sector.

FINANCIAL MARKETS

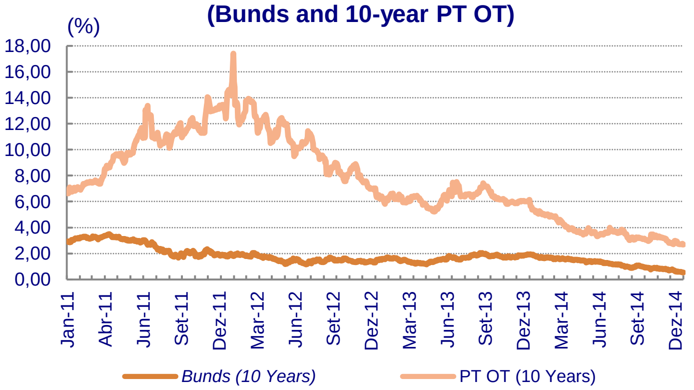
The year of 2014 in Portugal was marked by the collapse of Grupo Espírito Santo (GES) and by the application of the first Resolution measure to Banco Espirito Santo (BES) in August. The Banco de Portugal (BdP) decided to separate the institution into two separate entities. On the one hand, Novo Banco was created, which combines the assets considered "non toxic" and, on the liabilities side, customer deposits. On the other hand, BES, in which the assets considered "toxic", the subordinated debt and the capital of BES remained, was maintained. At the same time, Novo Banco received a capital increase of 4.9 billion euros, through the Bank Resolution Fund. These events had major repercussions on financial markets in Portugal, with a marked devaluation in shares and a significant rise in the spread of Portuguese public debt. However, until the end of the year, the spread of the debt fell once again, benefitting from the measures adopted and announced by the ECB - namely quantitative easing, which was announced by the ECB in the first meeting of 2015.

At an international level, market sentiment was positive throughout 2014, within a context of new stimuli launched by the ECB, the Bank of Japan (BoJ) and, at the end of the year, the People's Bank of China (PBoC).

In terms of **interest rate expectations**, the Fed ended its asset-purchasing programme in October, following 3 rounds of quantitative easing (QE). In the opposite sense, with the objective of fighting the risk of low inflation over too long a period and boost credit flows to the real economy, the ECB adopted several expansionary measures during 2014: On the one hand, it cut the reference interest rate to 0.05%, placing the deposits rate at a negative value (-0.20%). On the other hand, it implemented unconventional measures, firstly through targeted longer-term refinancing operations (TLTRO), having subsequently announced new programmes for the purchase of covered bonds (CPONTOS BASEP 3), mainly associated to mortgage debt, and of asset-backed securities (ABS). In 2015, the ECB announced its QE programme, beginning in March, involving the extended purchase of 60 billion euros per month of private and public debt securities, which will last at least until September 2016. This announcement had a downward effect on market interest rates, due to the lower expectations surrounding the ECB's monetary policy stance. This general fall in interest rates will tend to have a negative effect on the financial margin of banking institutions and on the return of their assets.

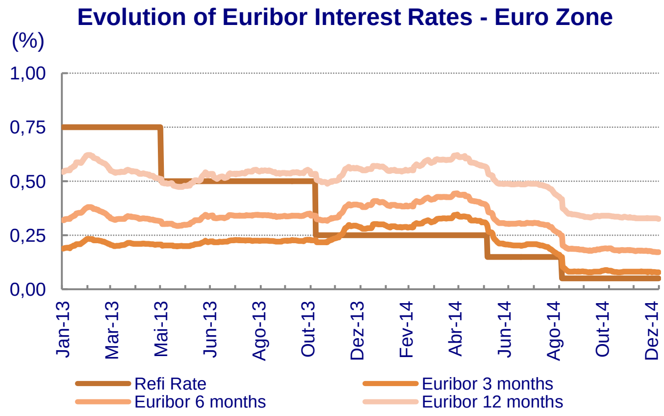
With regards to the **euro crisis**, market pressure continued to abate, after the scenario, in 2013, involving the exit of countries from the euro zone dissipated (only to return once again from the end of 2014 onwards with respect to Greece). Important steps were also taken in 2014 regarding the creation of the European Banking Union, with the European Parliament having approved the Single Banking Resolution Mechanism. At a European level, new capital requirements entered into force on 1 January – more demanding in terms of own funds and weighted risks –, set out by Directive 2013/36/EU and Regulation (EU) No. 575/2013 (*Capital Requirements Directive IV / Capital Requirements Regulation - CRD IV/CRR*), approved on 26 June 2013 by the European Parliament and by the European Council. Among the periphery countries, in terms of budgetary adjustment, implementation continued to prove difficult, given the harshness of the targets imposed, but remained broadly in line with the objectives set out. Portugal and Ireland successfully exited their financial assistance programmes, in spite of continuing under a surveillance programme (which will stay in force until a major part of the outstanding debt has been repaid).

Evolution of Yields on Public Debt Securities (Bunds and 10-year PT OT)



The yields of the benchmark public debt registered downward movements, reflected in Germany's public debt performance. The downward movement of yields in Germany at the end of 2013 (-139 basis points in 10-year yields, to 0.541%, and -31 basis points in 2-year yields, to an unprecedented negative value of -0.098%) is possibly associated to the cut in interest rates by the ECB and to lower economic growth prospects, which resulted in investors giving priority to this class of low-risk assets. German 10-year bund yields fell to historical minimums during this period. The reference interest rates of the Portuguese public debt have declined significantly since 2011. After having reached a peak of 17.4%, interest rates fell to 2.7% at the end of 2015, benefiting in particular from the expansionary posture of the ECB and the budget implementation of those countries. The lowering of interest rates severely penalises the financial margins of banking institutions and the prospective return on assets.

In the Interbank Money Market (IMM), Euribor rates registered historical minimums across all maturities, largely driven by the rate cuts of the ECB, with the refi rate having decreased by 20 basis points in 2014. In 2014, Euribor rates at 3, 6 and 12-month maturities fell 21 basis points, 22 basis points and 23 basis points to, respectively, 0.078%, 0.171% and 0.325%.



Fonte: *Thomson Reuters.*

During 2014, the portuguese stock market registered a negative performance, reflecting the still challenging economic context of the country and the weak performance of national companies, in contrast with the performance of the Eurostoxx 50 (Europe) and S&P 500 (USA) indices. The reference index of the Portuguese stock market devalued by 26.8%, whilst the Eurostoxx rose slightly (+1.2%) and the S&P 500 appreciated by 11.4%.

3. STRATEGY AND BUSINESS MODEL

3.1. STRATEGY

In 2014, CEMG continued the strategic guideline adopted over the last few years, with a view to meeting current challenges and enhance its future competitiveness. The business environment remained particularly challenging at several levels, with the weak macroeconomic recovery taking a long time to materialise into an effective improvement of the conditions for banking activity.

Indeed, the macroeconomic environment remained historically weak, in spite of a modest recovery throughout the year. Similarly, households and companies continued to face a very difficult context, with the level of indebtedness remaining at very high levels, as noted by the European Commission, representing a threat to banks' balance sheets. On the other hand, interest rates remained at historically low levels, squeezing the financial margins of banking institutions. These constraints were further compounded by the strong instability caused by the crisis of the Grupo Espírito Santo (GES), and the consequent application by Banco de Portugal of a resolution measure to bank BES through the Bank Resolution Fund.

These background challenges were joined by the continuing increase in prudential requirements, namely in terms of capital buffers, arising from the implementation of Basel III, and of the process of creation of the European Banking Union, whose first pillar, involving the implementation of the Single Supervisory Mechanism, began in November 2014. As of 1 January 2014, the new requirements entered into force – more demanding in terms of own funds and weighted risks –, set out by Directive 2013/36/EU and Regulation (EU) No. 575/2013 (*Capital Requirements Directive IV / Capital Requirements Regulation - CRD IV/CRR*), approved on 26 June 2013 by the European Parliament and by the European Council.

To meet these various challenges, CEMG has adopted strategic business measures on various fronts. A strategy was adopted to strengthen the balance sheet, involving the improvement of liquidity, through the increase of the volume of deposits taken and the growth of stable retail customer resources, as an essential source of funding. In addition, funds from financial markets were reduced to a negligible amount, alongside the diversification of assets, with an emphasis on liquid assets and diversification of the credit portfolio profile.

Alongside the expansion of the capabilities and resources allocated to the management of credit recovery, which has been a key area throughout the entire commercial network, it should be mentioned that, within the scope of the risk and revenue source diversification strategy, the business model has been adapted, in both geographical – with a growing international presence, in Angola, with Finibanco Angola, since 2011, after the acquisition of Finibanco, SGPS, S.A., and, as of the end of 2014, also in Mozambique, with the acquisition of a qualified holding in Banco Terra – and business terms – maintaining a greater weight of financial assets and loans to companies, particularly microcompanies and small and medium-sized enterprises (SMEs), in the balance sheet.

The risk mitigation and capital optimisation measures have also involved a judicious and restrictive management of pricing, adjusted to the risk of customers and of operations, and to the evolution of risk-weighted assets, namely through the implementation of operations to deleverage non-strategic and non-performing assets.

Another area of significant strategic relevance concerns the operational efficiency improvement policy and the operational cost saving initiatives, particularly in the domestic market. The largest national banking institutions continued to prepare and submit, on a quarterly basis, to the Banco de Portugal and the troika the Funding & Capital Plans (FCP), within the scope of the Economic and Financial Assistance Programme (PAEF) for the country, which was concluded in May 2014. In February 2015, despite the conclusion of the PAEF, the Banco de Portugal requested from the Credit Institutions the preparation of a new FCP, along similar lines, although adapted to the new financial reporting (FINREP) and prudential (COREP) system to which CEMG and the other Credit Institutions are now subject to since 2015, within the framework of the implementation of the European Banking Union. These new reporting requirements (COREP and FINREP) required the implementation of projects to adapt and develop the institution's technological structure.

In 2015, the banking sector will continue to face a series of challenges arising from an economic upturn that is still tenuous and insufficient to translate into a significant increase in demand for credit and an improvement of credit risk. The historically low interest rates will continue to have an adverse impact on the financial margin and, consequently, on the profitability of credit institutions. In addition, the challenges imposed by banking regulation, with respect to capital requirements, will continue to intensify, via the evolution of the transition phase (phasing in) to the new CRD IV/CRR requirements.

Aware of these challenges, CEMG defined 5 Strategic Guidelines as priorities for action:

- **1. Reinforce capital ratios** – ensuring conditions of development in response to the growing prudential requirements, with emphasis on capital reinforcement measures, containment of increases in risk-weighted assets and deleveraging of high capital-intensive assets and assets that provide inadequate returns.
- **2. Enhance profitability and diversify activity** – continue to attract more retail funding and reinforce the liquidity profile of assets, by maintaining a robust pool of financial assets. Contribute to the national economic recovery, through sustainable growth, which focuses on loans to companies and investment banking, in those sectors considered strategic for the country (micro and small and medium-sized companies of the tradable and exporting sectors) and to the dynamics of the international activity, which is expected to increase its weight in the consolidated balance sheet. This effort must be combined with a risk-adjusted pricing policy that preserves a suitable net interest margin level, the maintenance of the focus on customer monitoring and on measures to recover credit and interest overdue, as well as an increase in the provision of services and commissions.
- **3. Increase efficiency and obtain synergies** – reduce operating expenses, enhancing the measures of optimisation and reallocation of resources, promoting staff turnover and improving the cost control process.
- **4. Develop the internal control system – improving the functional and managerial capabilities and expertise, reinforcing the autonomy of the control functions and supporting the internationalisation strategy with robust control processes.**
- **5. Continue to attract associates and enhance the mutualist offer** – maintaining the commercial dynamics of the mutualist offer, with emphasis on attracting savings for supplementary pension solutions, permanently focused on its mission and purpose as a credit institution at the service of mutualism.

According to the statutory provisions in force, these Strategic Guidelines are part of the Strategic Plan approved by the bodies of the CEMG, including the General Meeting on 29 December 2014, to be in effect for the 2015-2017 three-year period.

3.2. SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

CEMG has been a fundamental contributor to the implementation and development of the social responsibility and sustainability strategy of the Montepio Group, participating in the Social Responsibility Committee, created in 2014, in conjunction with areas of Montepio Geral Associação Mutualista (MGAM) and the Montepio Foundation, in addition to its own projects that it develops in this area.

Its privileged connection to the social economy and to the mutualist objectives in which it is rooted and that it pursues through MGAM, has led CEMG to not only continue to support this sector, but to also foment instruments that foster the entrepreneurship and innovation of the social economy, in order to provide an impetus to the sector and create conditions for achieving its potential.

At the same time, other initiatives have been pursued, both in the area of internal responsibility, associated to the development and training of employees and their civic participation, and the external environment, by supporting economic development, promoting culture, environmental preservation, improvement of service quality and customer satisfaction, and by promoting and extending the social responsibility policy to the various universes of stakeholders.

TRAINING OF EMPLOYEES

Montepio views its employees not only as human capital with value creation potential, but also as one of its most important stakeholders, playing a fundamental role in the long-term sustainability of the institution. As a result, and continuing the implemented human resources development policy, in 2014 there was an increase in the number of training actions undertaken at CEMG, with a greater focus on the development of training through attendance, with special focus on the quality of the projects (programmes, teaching staff and reference schools) directed at specific groups.

There was also a reinforcement of the post-graduate and master's programmes for technical staff and managers, namely in areas such as financial analysis, management control, social economy and finance.

The importance of the area of health in the workplace, which is an essential factor for a stable work environment and for employee motivation, must also be underscored. In this regard, the focus on the quality of the service provided to employees in promoting health and well-being was maintained.

CORPORATE VOLUNTEERING

Regarding the internal social responsibility actions, the continuation of the "Corporate Volunteering Programme" is noteworthy. The year of 2014 was particularly active in this regard, with 43 new volunteer employees and 119 commercial promoters having been hired, representing an increase of 14.7% relative to 2013. During the year, 58 collective volunteering actions were undertaken, 35 of which in partnership with Comunidade Vida e Paz – Equipas de Rua, which covered 481 employees and 5 training sessions, involving 130 employees. There were also 2 sessions undertaken for the 74 employees of Randstad, a company that provides telemarketing support services to Montepio. The e-learning course on volunteering was also prepared in collaboration with the Human Resources Department.

The 2nd Edition of the "Volunteer Day" of the Montepio Group was held on 27 June. In an initiative promoted by the Social Responsibility Office, more than 160 volunteers (employees of the Montepio Group) attended, from north to south of the country, a unique volunteer action in partnership with the Association of Retired Employees of Montepio. From the environment to education and training, from inclusion to the monitoring of structural projects at a local level, involving animal protection and culture, this 2nd edition of the Volunteer Day of the Montepio Group took place simultaneously in 13 localities.

DAR PROJECT

Within the area of internal social responsibility, attention is drawn to the creation of a project that promotes active ageing, designated as DAR (Active and Responsible Development), developed in partnership between the Montepio Foundation, the Human Resources Foundation and the Social Responsibility Office. Active ageing is applicable as of the early stages of employees' lives, enabling its overall planning.

Its promotion covers all age levels and begins by raising awareness of the need for young people to change attitudes. This framework requires an integrated human resource management strategy to fight against ageism, conceptualising this issue as a variable of continuous career development that involves various scenarios suited to the needs of the internal stakeholders.

The project is based on four major pillars: Personal (Health Promotion Programme, Employee Caregiver Support Programme and Partnerships with various entities, both within and outside Montepio); Activity (Microcredit and Pool of Commercial Promoters); Financial (Financial Education for Employees) and Community (Participation in Volunteer Actions).

SUPPORT TO THE SOCIAL ECONOMY - ENTREPRENEURSHIP AND INNOVATION

Montepio recognises the entities of the social sector of the economy as stakeholders of the utmost importance and as potential active and increasingly innovative partners, promoters of the sustainability of the regions where they are based and important contributors to their revitalisation.

Keeping abreast of this momentum, in 2014 CEMG continued to reinforce its positioning as a financial institution of reference of the Social Economy and a strategic partner of the entities operating in this sector. CEMG works with these entities not only by supporting their financial needs but also in promoting associative dimensions, through an array of partnerships with Associação Mutualista, namely in promoting collective savings, retirement and corporate responsibility solutions. This activity enables links to be forged between the Social Economy customers and the social responsibility and insurance areas of the Group, creating specific solutions and diversifying the offer, through collaboration protocols established with various umbrella organisations of the Social Economy.

In addition to its role in promoting the balanced development of society, the Social Economy has proved to be a source of entrepreneurship and innovation. Montepio has thus continued to promote entrepreneurship and innovation, actively participating in the dynamics of development of technology-based and highly innovative ideas, projects and businesses. In this regard, the following are noteworthy:

a) Partnership with the Lisbon City Hall (CML) and with the Institute of Support to Small and Medium-sized Enterprises and Innovation (IAPMEI), established at the Lisbon City Incubator;

b) Promotion of the Microinvest and Invest + lines, undertaken by the Institute of Support to Small and Medium-sized Enterprises and Innovation;

c) Support to coworking spaces such as Village Underground Lisboa, which encourage the sharing of knowledge between entrepreneurs.

SUPPORT TO THE ECONOMY OF THE SEA

In the association between the brand's values and the economy of the sea, attention is drawn to the support of Montepio, for the second consecutive year, to the Sea Forum, held at Exponor in May 2014.

The Sea Forum catered for companies and other institutions with an interest in marine economic issues in their most varied contexts - business meetings, exhibition/display of products, services and technologies with application to the sea, international conferences and workshops on internationalisation and development of the economy of the sea.

In 2015, Montepio took advantage of its presence at the Forum to sign a protocol with the Portuguese Association of Purse Seine Producers' Organisations (ANOPCERCO), which represents ten associations, from north to south of the country.

SUPPORT TO CULTURE

CEMG, as the oldest financial institution on the national stage, is strongly committed to a strategy of association with the values of Portugality, namely by supporting national culture, particularly in the areas of music and theatre.

In the music area, the tour of the fado singers Camané and Ricardo Ribeiro throughout the auditoriums of Portugal is worthy of note. In the area of Fado, Montepio ended 2014 as sponsor of "The Biggest House of Fado in the World", in partnership with the magazine Time Out and the Fado Musem, offering the public free admission shows in the Ribeira Market, in Lisbon, with António Zambujo, Camané and Mariza. Partnerships were also developed with Expensive Soul and D.A.M.A for their new records, presentation concerts and respective tours. In the case of D.A.M.A**,** the partnership was established at the end of the final of the National Surf Championship through a major concert held at the beach of Guincho – Cascais. With regards to Expensive Soul, many actions were undertaken during 2014, with emphasis on the anniversary concerts of the 174 years of Montepio **-** Associação Mutualista, held in Lisbon and Porto, on 4 and 10 October, respectively.

In the field of representation, attention is drawn to the support of “Ode Marítima”, “Boeing Boeing” and the children's musical “Beauty and the Beast”. The “Ode Marítima**”**, of Álvaro de Campos with interpretation by Diogo Infante**,** was held in Lisbon, Porto and São Miguel (Azores).

PRESERVATION OF THE ENVIRONMENT

Montepio recognises the role of the promotion of environmental protection in the promotion of sustainable development. As a result, in addition to encouraging increasingly environmentally friendly internal practices, particularly with regard to energy consumption, the CEMG group has launched new products with the objective of making customer interaction less paper based and encourage a decrease in its consumption. Attention is drawn, due to its relevance and distinguishing nature, to the Depósito Montepio Eco Aforro solution that has a one year maturity and pays interest quarterly. The solution is available to customers that have adhered to the Serviço Montepio 24 Service, with the aim of promoting the free adhesion to the digital statement.

The privileged relationship with various partners has also been the basis for joint initiatives, such as, in 2014, the Eco Movement, a project undertaken through a partnership involving various companies, the Ministry of the Interior and the Ministry of Agriculture, Sea, Environment and Spatial Planning. This movement was created with the purpose of bringing together political, corporate and social wills in preventing and fighting forest fires.

CUSTOMER RELATIONS - COMPLAINTS MANAGEMENT

Indicators on Complaints

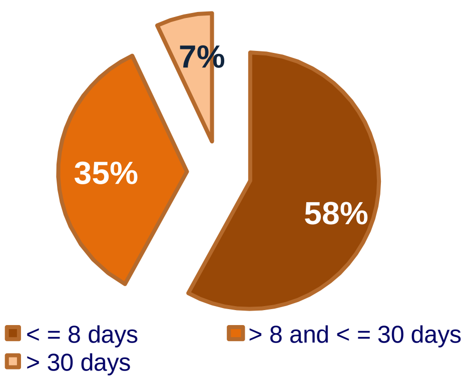
	2013	2014	var.
Total complaints	5 049	4 713	-6,7%
Banco de Portugal (RCO)	687	680	-1,0%
Complaints Book (RCL)	589	556	-5,6%

Montepio is fully committed to the continuous improvement of the quality of the service provided to its customers, viewing all the complaints submitted as an opportunity to improve and strengthen relations with MGAM customers and associates.

The mission of the Customer Complaints Office is to propose and support the implementation of the complaints handling and management policy, centralising, registering and promoting the analysis and handling of the complaints, irrespective of the medium used for their submission, and the promotion of an effective response to the complainant and supervision entities (Banco de Portugal and the Portuguese Securities Market Commission, among others).

In 2014, there was a reversal of the trend of previous years, with the reduction of the number of complaints by about 6.7%. Attention should be drawn to the 5.6% decrease in the number of complaints submitted through the Complaints Book.

Complaints Management Average Time of Response



The complaints index, with reference to the commercial network, came to 1.61 complaints per 1,000 active customers in 2014, having improved relative to the previous year (index of 1.96).

Considering the importance of swiftness in the response to complainants and the supervisory entities, 58% of complaints processes received a response within a period of 8 days or less. It is important to note that response time is longer in cases where the assessment of the situation requires the intervention of external entities.

The issues regarding which complaints are most often made are demand accounts and cards, representing about 41% of total complaints.

Considering the quality, transparency and rigour that credit institutions are required to instil into the commercialisation of their products and services, the Customer Complaints Office continuously promotes various recommendations and warnings, aimed at eliminating, at source, the causes of the complaints submitted.

3.3. ACTIVITY BY BUSINESS AREA

PRIVATE CUSTOMERS BANKING

The strategy defined for the Private Customers segment has focused on promoting family savings, namely through the attraction and retention of term deposits with different maturities and characteristics. The following savings solutions, due to their relevance and distinguishing nature, are noteworthy:

- "Montepio Super Saving" deposit with the payment of quarterly and increasing interest for the period of three years;
- Indexed deposits - remuneration dependent on the performance of various financial assets, such as shares or indexes, with maturities ranging from six months to two years. Due to the amount placed, the products “Montepio Cabaz Dinâmico”, “Montepio Cabaz Rendimento” and “Montepio Cabaz Rendimento Ações” are noteworthy.
- Different fixed term deposits, in euros and foreign currency, destined for the foreign residents segment.

In the second half of the year, continuing the strategy to reinforce the attraction of savings among the Private Customers segment, a new communication concept was created which, in a very intuitive manner, strengthened the positioning of Montepio as a bank specialised in savings and with solutions adapted to every need.

The third quarter was marked by the launch of a financial solution dedicated to all those that run or walkers. The Montepio Runner Universe was thus born which, in addition to a financial solution, guarantees access to services, discounts in the runner universe and advantages in the insurance and leisure area.

With a bold line of communication, "Montepio Runner" presents itself as a partner that is always available, since through the website - montepiorunner.pt - it is possible to access useful contents, exclusive discounts, and advice and tips for those that wish to stay in shape. The financial solution associated itself to the 2nd Montepio Race, a solidarity initiative that brought together, in Lisbon, more than 10 000 people that responded to the call of Montepio and, jointly, raised 55 thousand euros for the project of Caritas Portugal, “Priority to the Children”.

In 2014, Montepio participated once again in the Credit Line for Students of Higher Education with Mutual Guarantee, supporting families with education/training expenses.

In addition, Montepio maintained the attribution of differentiated conditions in mortgage loan operations destined for the acquisition of properties held in portfolio. This action was reinforced, at the end of the semester, with the launch of the real estate communication project, whose main objective was to publicise the offer of Montepio through the Real Estate Portal.

In the area of Bancassurance, CEMG, in partnership with the group's insurance companies, enhanced the relational strategy, promoting a process of continuous improvement of products and of satisfaction of the needs and expectations of customers and associates.

The offer was thus improved through the launch of new insurance products - Professional Civil Liability Insurance; the premiums of various insurance products were improved, and the coverages of existing products were reinforced, Workman's Compensation Insurance, Domestic Service and Guaranteed Smile and the practice of granting discounts on insurance from Ramo Real to associates was extended.

At the end of 2014, Private Customers banking had 1 369 484 customers, an increase of 2.0% relative to 2013.

COMPANIES BANKING

In line with the strategic objective to position Montepio as a partner of the corporate segment, increasing its market share and continuing to diversify its activity, the year of 2014 was marked by the development and disclosure of this strategy, through a multimedia communication campaign targeting Companies.

The campaign aimed to position Montepio in the corporate segment, presenting a positive and constructive narrative based on a domino logic, which confirms that a win for an entrepreneur, a win for an innovative project, a win for a good idea or for an enterprising team is a win-win for all.

The slogan "When your company wins, we all win" transmits the message that just as the difficult moments that the country went through were shared by all, it is time to build and share the success and growth.

In addition to the main dissemination media of the campaign (TV, Radio, Muppies, Internet, Press and Branches), on two occassions during the year (March/April and September/October), a few novelties were added to this campaign, such as:

- The participation of Montepio employees, which became involved in the implementation of the message and associated their faces to the project, being present in the communication media of the campaign and confirming that when we become involved, when we believe, when we make ideas and projects happen, we all win;
- The invitation made to the companies Vista Alegre (Visabeira Group), Barraqueiro, FullServices, Aquashow and Pestana Group to transmit, in the first person, the energy, the growth, the ambition and the capacity for achievement that result from good partnerships between these organisations and Montepio.

In an association to the project to revitalise the Ribeira Market, promoted by the Lisbon City Hall and the company Time Out, Montepio placed messages all around the market with reference to the new space and the dynamics of the entrepreneurs that would occupy that space.

With regards to the offer directed at the private sector, Montepio has stepped up the projects focused on the internationalisation of companies, one of the priority areas of action in 2014. This focus materialised into the availability of a vast array of products and services, the implementation of actions to promote contacts with the export market and, in addition, into strategic partnerships with entities that enable the international business to expand.

We highlight the support provided by Montepio to proximity events with Portuguese companies, both through the presence of the brand at customer companies, as a business partner, and through the attraction of new customers from the corporate private sector, namely:

- International Trade Fair for Portuguese Food and Beverage (SISAB), the largest international business platform for the export of the Portuguese agri-food and beverage industries;
- Corporate Forum of Trás-os-Montes – part of Expo Trás-os-Montes, organised by the Business Centre of the District of Bragança (NERBA). It was attended by approximately

250 enterpreneurs of the region and its purpose was to create and develop strategic partnerships with a view to promoting the internationalisation of the region;

- Time2Export – organised by the AEP – Chamber of Commerce and Industry. It was attended by more than 14 bilateral chambers of commerce, from various countries, at a meeting dedicated to the issues associated with exports and internationalisation of Portuguese companies. Its main objectives involved the presentation of solutions and services to export companies or companies involved in internationalisation processes, contributing to the leveraging of national exports and to the reduction of risk for companies through better preparation/information on markets.

In 2014, taking into account its positioning strategy as a "Bank that supports companies", special attention was dedicated to the financing needs of this sector's organisations, namely SME, in a financial context that is particularly adverse for them. As a result of this strategy, Montepio maintained and reinforced its participation in public entity initiatives aimed at boosting the funding offer for companies, such as the following protocoled credit lines:

- SME Growth 2014 Credit Line – created to support the financing of new SME investment in tangible and intangible fixed assets, or the reinforcement of working capital or fixed capital. This line included specific support for exporting companies to finance their treasury needs relative to commercial operations requiring additional temporary working capital needs;

- Trade Invest Credit Line - aimed at supporting the financing of projects approved under the initiative developed by IAPMEI - Trade Invest, aimed at promoting process, organisational and marketing innovation in companies of the trade sector;

- Mutual Guarantee Line - FEI 2013-2015 - financing of investment developed by SME for acquisition of tangible and intangible assets, shareholdings, working capital, research and development and acquisition of permits;

- EIB 2014 Credit Line - created in the wake of the signing, in June, of the financing contract celebrated with CEMG and the European Investment Bank (EIB), to support the investment of SME, mid-caps and public entities;

- PRODER and PROMAR Projects Credit Lines - aimed at supporting investment projects in the primary sector, with a value of more than 5 thousand euros, approved within the scope of PRODER and/or PROMAR and provided they are financed by IFAP;

- Short-Term Credit Line - Agriculture, Forestry and Livestock Rearing, Credit Line to Support the Fishing Sector 2014;

- Finicia AXIS II Line - Support line for micro, small and medium-sized enterprises (MSE/SME) and sole proprietors (with less than four years of activity).

In 2014, the "Montepio SME Leader" solution was also created, aimed at companies distinguished with the SME Leader status attributed by IAPMEI or by Turismo de Portugal. The entities that subscribe to this solution benefit from a package of banking products and services, under advantageous and very competitive conditions. It is a solution that intends to serve as a vehicle for attracting SME Leader companies, in order to provide an image of solidity and prosperity in the collaboration between said companies and Montepio.

Montepio also continued committed to supporting the Economy of the Sea. With a view to supporting the business and the development of synergies directed at promoting a common and integrated strategy of the activities related to marine economics, the "Montepio Sea Offer" was made available, underpinned by the national strategy for the sea, presented by the Government in November 2013, which considers fisheries as a key sector.

At the end of 2014, the total number of Company Customers came to 135 922 entities, having increased by 3.1% relative to 2013.

3.3.1. COMMERCIAL BANKING

The CEMG Group is the 6th largest Portuguese financial retail banking group, based on the domestic market, but with an expanding international activity, to which the new stake in Banco Terra, S.A. in Mozambique, acquired in 2014, contributed, in addition to the existing stakes in Banco MG Cabo Verde, Sociedade Unipessoal, S.A. and in Finibanco Angola, S.A.

DOMESTIC AND INTERNATIONAL ACTIVITY

(thousand euros)

	2013			2014			Variation %		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Deposits	13.141.280	897.917	14.039.197	13.209.852	1.032.827	14.242.679	0,5	15,0	1,4
Credit	16.386.782	170.125	16.556.907	16.208.300	332.643	16.540.943	-1,1	95,5	-0,1

The international activity recorded a very favourable evolution in 2014, both in terms of attraction of deposits, with an increase of 15.0%, and relative to credit granting with a portfolio variation of 95.5%, contrary to the evolution of domestic credit activity which fell 1.1%.

ATTRACTION OF RESOURCES

In 2014, in spite of the difficult context, CEMG continued to display the capacity to attract and retain the savings of its customers and associates, given that total deposits registered a significant increase of 1.4%, stemming mainly from those segments of greater granularity and loyalty, such as those of deposits from households and from small businesses, which increased by 2.8%. In this segment, the increase in deposits of institutions of the social economy and of small business owners and liberal professionals is noteworthy.

EVOLUTION OF CUSTOMER RESOURCES

	2013	2014	YoY Variation	
	Amount	Amount	Amount	%
Deposits from Households amd Small Businesses	**10.149.647**	**10.435.870**	**286.223**	**2,8**
Households	9.151.330	9.244.146	92.816	1,0
Small Business Owners and Liberal Professionals	50.029	55.827	5.798	11,6
Non-profit making institutions	948.288	1.135.897	187.609	19,8
Deposits from Companies	**2.756.639**	**2.812.728**	**56.089**	**2,0**
Deposits from Other Segments	**1.132.911**	**994.081**	**-138.830**	**-12,3**
Total Deposits	**14.039.197**	**14.242.679**	**203.482**	**1,4**
Securities Placed with Customers	2.270.834	2.120.870	-149.964	-6,6
Total On-Balance Sheet Resources	**16.310.031**	**16.363.549**	**53.518**	**0,3**
Off-balance Sheet Customer Funds	1.008.139	1.009.789	**1.650**	**0,2**
Total Resources	**17.318.170**	**17.373.338**	**55.168**	**0,3**

The companies segment recorded an increase in deposits of 2.0%, as a result of the proximity relations that CEMG has been establishing with companies and entrepreneurs, through its distribution channels and branch and customer manager relations.

The total balance of balance sheet customers´ funds (deposits and securities placed with customers) reached 16 363.5 million euros and grew 0.3% year-on-year, with the securities placed with customers having declined by 6.6%, arising from a policy to increase the weight of deposits in funding.

At the end of 2014, disintermediation resources (off-balance sheet) reached a total of 1 009.8 million euros, having increased only marginally (0.2%) relative to the end of 2013.

CREDIT TO CUSTOMERS

The increased risk associated to the prolonged economic crisis, the weak financial situation of many agents and the deleveraging process of the banking sector, subject to stricter prudential requirements, was reflected in the restrictiveness of credit supply, as well as in its demand, which the tenuous recovery of the Portuguese economy in 2014 did not change, in spite of interest rates at historic lows.

Within this framework, CEMG maintained a prudential stance regarding risk factors, but also of assertiveness, supporting customers and viable projects that are aligned with the outlined business strategy. The strategic focus on non-financial companies - particularly exporting companies - was reflected in an increase of 6.5% in the total value of the credit portfolio allocated to the Companies segment, reaching 7 073.1 million euros.

It should be noted that this increase occurred alongside a decrease in credit to construction companies of 26.5%, in line with the strategy to reduce the exposure to the real estate sector. This increase was thus exclusively due to an increase of 12% (+684.0 million euros) in credit to companies from other sectors, which now represents 38.5% of the total credit portfolio, reflecting the results of the diversification strategy of the credit portfolio and of the support to the sustainable growth of the economy that has been pursued.

EVOLUTION OF CREDIT TO CUSTOMERS

(thousand euros)

	2013	2014	YoY Variation	
	Amount	Amount	Amount	%
Households and Small Businesses	**9 872 879**	**9 359 107**	**-513 772**	**-5,2**
Households, of which:	**9 349 584**	**8 773 149**	**-576 435**	**-6,2**
Housing	7 688 667	7 207 359	-481 308	**-6,3**
Other Purposes	639 818	634 555	- 5 263	-0,8
Small Businesses	**523 295**	**585 958**	**62 663**	**12,0**
Companies	**6 643 013**	**7 073 092**	**430 079**	**6,5**
Construction	956 942	703 024	-253 918	-26,5
Other Purposes	5 686 071	6 370 068	683 997	12,0
Outros Segments	**41 015**	**108 744**	**67 729**	**165,1**
TotalCredit (gross)	**16 556 907**	**16 540 943**	**- 15 964**	**-0,1**

Credit granted to the Households and Small Businesses segment fell 5.2%, mainly due to the evolution of the mortgage loan portfolio, where a high level of repayments continues alongside a lower level of contracting, as a result of the adopted diversification strategy of the credit portfolio.

Credit to households other than for housing purposes also fell slightly (-0.8%), due to the maintenance of high levels of indebtedness among families. In line with the institution's commitment to credit to sole proprietors and IPSS, credit to the Small Businesses segment grew 12.0% to 586.0 million euros at the end of 2014.

In total, credit to customers remained relatively stable, ending 2014 with a balance of 16 540.9 million euros, which represents a very slight decrease (-0.1%) relative to 2013.

3.3.2. BANKING FOR THE SOCIAL ECONOMY

The social economy has become increasingly relevant in the Portuguese economic fabric. The entities comprising this sector operate in an increasingly broad universe, both in terms of number of people covered and in economic value created, assuming themselves as economic and social agents of vital importance. CEMG's commitment to this sector is reflected in the development of solutions adapted to the specific needs of the social economy.

In 2014, CEMG sought to promote partnerships with various entities, from the automotive sector to IT solutions, so as to offer the entities of the social economy a differentiated offer enabling economies of scale.

CEMG, as the financial arm of the largest social economy organisation in Portugal, through its specialised area of Institutional Relations with the Third Sector (RITS), remains focused on the implementation of funding programmes for this segment, which involve not only cooperation between the financial sector, social economy entities and the public sector, but also integrated support schemes, capacity-building programmes of the social economy and promotion of public-social partnerships between the sectors, based on a logic of trust, stability and shared responsibility.

One of the funding mechanisms used recurringly by the social sector institutions was the "Invest Social Credit Line", directed at supporting non-profit entities of the social sector, through the protocol with the Institute of Employment and Vocational Training (IEFP), the António Sérgio Cooperative for Social Economy (CASES) and the mutual guarantee companies.

With the objective of supporting the modernisation of the social economy institutions, a specific line was also made available for the acquisition of software and IT solutions, in partnership with the companies F3M Information System, S.A..

ENTREPRENEURSHIP AND MICROCREDIT

CEMG continues to promote the support of entrepreneurship, which has been widely recognised as a key aspect in economic dynamism, in levels of efficiency, innovation and productivity and in the creation of employment in the economy.

In terms of the offer of specific products, attention is drawn to the "Montepio Microcredit" solution, which stands out for two reasons: the existence of specialised managers, who support entrepreneurs from the embryonic stage of the business idea, and the role assumed by the tutors of proximity in the preparation of the business plans and in the follow-up of the first implementation stage of the projects.

Microcredit is based on various partnerships established with Lisbon City Hall (Lisboa Empreende Programme) and the European Anti-Poverty Network Portugal (EAPN). A strong impetus was also imposed on the Programme of Support to Entrepreneurship and Self-Employment Generation - protocol established with the Instituto de Emprego e Formação Profissional, IP (IEFP, IP) and the Mutual Guarantee Companies –, which reached, in 2014, a total of more than 4 million euros in credit granted.

In the implementation of the support to entrepreneurship, an extended offer was created, comprising products and services designed for entrepreneurs and startups – "Montepio Take Off Offer". The offer is directed at entrepreneurs, including those that develop their business in one of the partner incubators of Montepio, namely the Startup of Lisbon, Cross Innovation, Tondela+10, Village Underground and Wanted Business Ideas.

The social economy, in particular, has stood out as a rich source of enterprising and innovative projects. Directed specifically at this sector, attention should be drawn to the initiative "BIS - Banco de Inovação Social" (BIS - Bank of Social Innovation), promoted by Santa Casa da Misericórdia de Lisboa and the nomination of Montepio as a partner of the BIS Fund, which marked its first anniversary with the inauguration of the Centre of Social Experimentation and Innovation of BIS, where the activities, initiatives and projects of various BIS programmes will be developed. The analysis and selection of the first projects of the Entrepreneurs of the BIS Business Community was also initiated.

At an internal level, the strategy of focus on this segment was reflected in the reinforcement of the network of dedicated commercial managers, assisted by the tutors of proximity – employees of CEMG who, under corporate volunteering, offer guidance and assistance to the entrepreneurs -, in the monitoring and support of the business promoters.

3.3.3. INVESTMENT BANKING

Following the integration of the entities of the former Finibanco Group and the necessary studies, planning and preparation of a new business organisational model, it was defined that the bank Finibanco, S.A. would focus on the development of the investment banking activity, with a view to complete the range of offer of the Montepio Group directed at the companies segment, and thus accomplish the transversal diversification strategy of its activity, markets and sources of earnings.

In July 2013, Finibanco, S.A. was renamed Montepio Investimento, S.A., thus clearly identifying itself with the CEMG Group and with the business area in which it will operate. The definitive start-up of the new phase of Montepio Investimento, as an entity of the Group oriented towards the corporate companies and institutions segments, began in 2014.

The strategic vision defined for Montepio Investimento, S.A., is based on an autonomous legal model, with a focus on the areas of corporate finance, financial advisory/mergers and acquisitions, international business, financial intermediation and studies, which guarantees specialised intervention and complements the offer of the other companies of the CEMG Group.

In the activity developed during 2014, the following is noteworthy:

- Co-arranger and co-lead manager in the organisation and coordination of a bond loan for José de Mello Saúde in the amount of 50 million euros;
- Support to the analysis of the funding operation of the Privatisation of EGF (SUMA) and subsequent support in terms of structuring of the operation/participation of CEMG;
- Provision of financial advisory to assessment processes of companies in several sectors such as agriculture, food industry, mining, forest, tourism, transport and energy;
- Support in financial restructuring processes of CEMG customers, including negotiation with other creditors.

In 2014, the net assets of Montepio Investimento increased by 188.4 million euros to 409.8 million euros, with "financial assets available for sale" having increased by 196.5 million euros to a total of 286.1 million euros. The weight of this item in net assets increased by 40.5% in 2013 to 69.8% at the end of 2014, reflecting an increase in public debt securities, which now correspond to 65.5% of the weight of this item, while the weight of the securities represented by units in vesture capital funds fell to 30.3%. Credit to customers now represents a weight of 18.8%, with "(gross) credit to customers", exclusively composed, to date, of assets and property leasing, which came to 96.9 million euros, having decreased by 15.1 million euros relative to 2013. The financing of activity continued to be sustained by resources from other credit institutions, which registered a growth of 199.6 million euros, in parallel with the increase in assets.

The net operating income of Montepio Investimento came to 34.9 million euros in 2014, corresponding to an increase of 34.3 million euros, justified by the good performance of the “net gains from financial assets available for sale” (26.6 million euros). Net interest income came to 8.7 million euros, compared with the 3.8 million euros recorded in the same period of the previous year, reflecting the decrease of the cost of funding and the positive contribution of the public debt securities portfolio. Commissions from financial advisory operations reached 1.6 million euros in 2014, after having been virtually nil in 2013, marking the first full year of activity of Montepio Investimento, as an entity oriented towards corporate companies and institutions.

Provisions for the year came to 7.2 million euros, of which 4.9 million euros are related to the credit portfolio and 2.2 million euros are related to the securities portfolio. Operating costs came to 2.4 million euros, registering an increase of 1.6 million euros as a result of the reinforcement of staff which enabled the business to develop in 2014.

The net income of Montepio Investimento came to 23.5 million euros in 2014, which compares with a loss of 5 million euros in 2013.

3.3.4. SPECIALISED CREDIT

Montepio Crédito - Instituição Financeira de Crédito, S.A. is the entity within the CEMG Group that ensures the offer of specialised credit at Points of Sale of vehicles and equipment.

A repositioning of the institution within the CEMG Group has been undertaken, given that the development of specialised financing in professional areas, through relations with business partners suppliers of light and heavy duty vehicles and industrial equipment, was combined with the core business of auto loans.

According to data published by ACAP – Associação Automóvel de Portugal (Portuguese Automobile Trade Association), in 2014, 172 390 new vehicles were sold in Portugal, which represented a year-on-year increase of 36.1%. Based on a strategic segment analysis for Montepio Crédito, the year-on-year rate of change in the sale of new light vehicles and heavy duty vehicles was 36.2% and 31.1%, respectively.

In 2014, the production of Montepio Crédito in terms of financing for light vehicles came to 74 million euros, corresponding to a year-on-year increase of 24.3%. As a result of the reinforcement of relations with the brand representatives of the Transport and Logistics segments operating in Portugal, the production of financing for the acquisition of heavy duty vehicles registered a significant growth of 47.35, corresponding to 32.5 million euros.

In December 2014, the net assets of Montepio Crédito came to 454.2 million euros, representing a year-on-year increase of 40.2 million euros (+9.7%). The total financing to customers registered an increase of 7.4% (to a total of 346.0 million euros).

Net operating revenues reached 14.1 million euros, corresponding to an increase of 9.9% (1.3 million euros), with a variation of 15.7% in net interest income, as a result of the diversification of the sources of financing and a rigorous management of the price in new operations. Other operating income decreased by 7.9% (0.4 million euros), mainly due to the decrease in assets and liabilities held at fair value through profit or loss and the legally defined limits relative to commissions charged on the collection of amounts in arrears. Even so, other operating income contributed 30.2% to the net operating income.

Structural costs decreased by 7.2% to 10.5 million euros which, combined with the increase in net operating revenues, enabled the cost-to-income ratio to improve to 75.9% (which compares with 89.8% in the same period of the previous year).

The efficacy in loan recovery resulted in reversions net of provisions of the credit portfolio, with a positive impact on the income statement of 1.1 million euros.

Net Income for the 2014 financial year came to 904.5 thousand euros, compared to the 874.8 thousand euros registered in 2013 (+3.4%).

3.3.5. INTERNATIONAL ACTIVITY

The international activity of the CEMG Group is carried out by the entities Finibanco Angola, S.A. (FNB-A), Banco MG Cabo Verde, Sociedade Unipessoal, S.A. (MGCV) and – since December 2014 – also by Banco Terra, S.A. (BT) of Mozambique.

The stake of Montepio Holding, SGPS, S.A. (MH) in BT, equivalent to 44.5% of the capital, in the amount of 14 million euros, was acquired in the last quarter of 2014, with Rabo Development, Norfund and GAPI-SI, S.A. as partners in this entity. BT was born in 2008 with the objective of being one of the reference institutions in Mozambique for financing in the areas of agriculture and food and to provide financial services to the rural and suburban populations, maintaining a network of branches (a total of nine branches) in the provinces of Maputo, Inhambane, Manica, Sofala, Tete and Nampula. The Net Assets of BT as at December 2014 came to 58.6 million euros.

DEPOSITS AND LOANS

As at December 2014, customer deposits captured by the entities that develop the international activity of the CEMG Group, expressed in euros, reached 1 032.8 million euros, reflecting a year-on-year increase of 15.0%.

The attraction of resources in the Angolan market, in the amount of 465.5 million euros, represents 45.1% of the international activity, having grown 47.8% relative to the same period of the previous year, as a result of the success of the policy to penetrate the Angolan market, with the opening of 2 new branches in 2014 and the consolidation of the branches that were opened in recent financial years.

In MGCV, customers´ deposits decreased by 7.6%, having stood at 539.8 million euros, which represent 52.3% of the total deposits of the international activity.

BT made a more modest contribution, with a balance of deposits of 27.5 million euros, which is forecast to increase within the scope of the current business plan, which foresees an increase of the bank's physical presence to take advantage of the identified market potential, through the opening of new business centres (agencies and other customer support services) and the expansion of the offer of products and services.

The credit portfolio of the international activity of the CEMG Group increased by 95.5%, from 170.1 million euros in December 2013 to 332.6 million euros in December 2014. Credit to the non-construction companies segment constitutes a high share in the international credit portfolio, representing 85.2% of total credit, while credit to private customers corresponds to 13% of the credit granted. This growth in credit was due to the activity of FNB-A, given that the new Mozambican operation represents only 9.7% of the total volume of credit granted and the activity in Cape Verde is exclusively focused on the attraction of resources.

RESULTS

The international activity generated a positive net income of 11.8 million euros in 2014 - which compares with the 12.6 million euros in 2013 -, stemming from the positive results in Angola and Cape Verde (12.9 million euros and 215.4 thousand euros, respectively), with Banco Terra having posted a loss of 1.4 million euros.

International net operating revenues came to 48.0 million euros in 2014, corresponding to a year-on-year increase of 20.1% (+8.1 million euros). This increase reflects an improvement in net interest income (+14.3 million euros), as a result of the increase in business activity.

Gains arising from currency revaluation continue to contribute strongly to the net operating revenues of FNB-A, having reached 14.4 million euros (approximately 30% of total net operating revenues for the financial year).

Being a young institution undergoing organic expansion, the operating costs of FNB-A increased by 35.4%, reaching a total of 17.3 million euros. In spite of this increase in operating costs, the cost-to-income ratio presents a favourable performance, standing at 37.2%.

In 2014, there was a net reinforcement of the impairments of the credit portfolio of FNB-A to 15.0 million euros (+6.3 million euros).

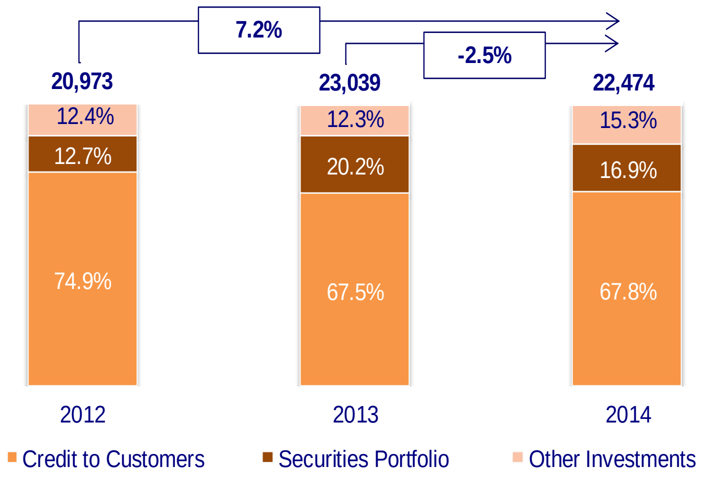
4. BALANCE SHEET AND PROFIT ANALYSIS

4.1. BALANCE SHEET

ASSETS

Net assets reached a total of 22,473.5 million euros at the end of 2014, registering a decrease of 2.5% relative to 2013, in spite of being 7.2% above the value registered at the end of 2012. This was mainly due to the decrease in the securities portfolio (851.6 million euros), via net gains from the sale of financial assets throughout the year. A significant securities portfolio remains nonetheless, corresponding to approximately 17% of total assets. The net balance of credit to customers decreased, mainly due to the recognition of impairments, having maintained its weight in assets close to 68%, which compares to approximately 75% in 2012. At the end of 2014, the asset structure had thus a lower concentration and an emphasis on liquidity-enhancing investments.

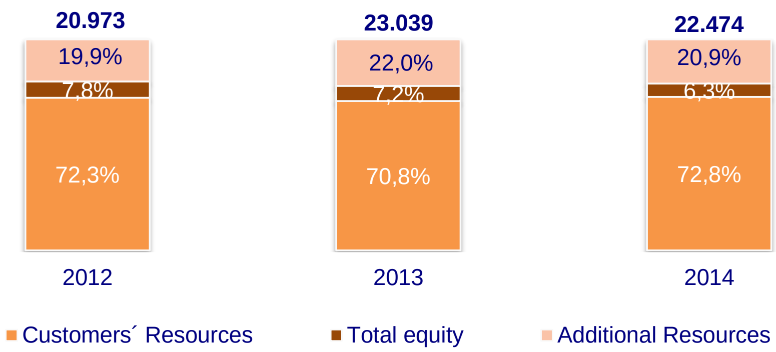
Evolution of Asset Structure (M€)



LIABILITIES AND EQUITY

Total liabilities reached 21,059.0 million euros in 2014, representing, in comparison with the 21,391.9 million euros of 2013, a year-on-year decrease of 332.9 million euros (-1.6%).

Evolution of the Liabilities and Equity Structure



During the financial year of 2014, CEMG reinforced the stability of its funding sources, having continued to increase customers´ resources rather than supplementary resources, which fell 7.6% due to the decrease of resources from credit institutions and central banks (ECB).

Attention is drawn to the increase in the balance of customers´ deposits, from the Retail segment in particular, of 203.5 million euros, having reached a balance of 14,242.7 million euros, whereas securities placed with customers fell 150.0 million euros to 2,120.9 million euros.

Customers´ resources increased their weight in the liabilities and equity structure in 2014 to 72.8%, against 70.8% in 2013, of which the most noteworthy are total deposits with 63.3%, reinforcing its position as the main source of financing of the business.

EVOLUTION OF LIABILITIES AND EQUITY

	2013		2014		Variation	
	Amount	%	Amount	%	Amount	%
LIABILITIES	**21 391 860**	**92.8**	**21 058 950**	**93.7**	**- 332 910**	**-1.6**
Customers´ Resources	**16 310 031**	**70.8**	**16 363 549**	**72.8**	**53 518**	**0.3**
Total Deposits	14 039 197	60.9	14 242 679	63.4	203 482	1.4
Securities Placed with Customers	2 270 834	9.9	2 120 870	9.4	-149 964	-6.6
Supplementary Resources	**5 081 829**	**22.0**	**4 695 401**	**20.9**	**- 386 428**	**-7.6**
Resources from Credit Institutions and Central Banks	3 703 747	16.1	3 395 199	15.1	- 308 548	-8.3
Subord. and Non-Subord. Loans and Debt Certificates	490 898	2.1	456 312	2.1	-34 586	-7.0
Financial Liabilities Associated with Transferred Assets	195 049	0.8	163 650	0.7	-31 399	-16.1
Other Liabilities	692 135	3.0	680 240	3.0	- 11 895	-1.7
EQUITY	**1 647 343**	**7.2**	**1 414 524**	**6.3**	**- 232 819**	**-14.1**
Institutional Capital	1 500 000	6.5	1 500 000	6.7	-	-
Participation Fund	200 000	0.9	200 000	0.9	-	-
Own securities	-	-	- 3 280	0.0	- 3 280	-
Reserves and Retained Earnings	226 661	1.0	- 129 956	-0.6	- 356 617	-157.3
Other Equity Instruments and Non-controlling Interests	19 308	0.1	34 713	0.1	15 405	79.8
Net Income for the Year	- 298 626	-1.3	- 186 953	-0.8	111 673	37.4
TOTAL LIABILITIES AND EQUITY	**23 039 203**	**100.0**	**22 473 474**	**100.0**	**- 565 729**	**-2.5**

The Equity of CEMG, comprising Institutional Capital in the amount of 1,500 million euros, and the Participation Fund (since 2013), of 200 million euros, remained at 1,700 million euros as at 31 December 2014.

Total Equity reached 1,414.5 million euros in 2014, representing a decrease of 232.8 million euros relative to the previous year, mainly due to the negative retained earnings of 2013 and negative net income for the year, as well as the valuation of the Pension Fund's total liabilities, based on updated assumptions, which resulted in a negative impact on equity of 153.1 million euros.

4.2. NET INCOME

In 2014 the business environment of the institutions of the financial sector remained particularly challenging. The fragile improvements in the macroeconomic environment have not yet been reflected in the conditions of the market sector, which remained broadly adverse. Of significant relevance to banking activity is the fact that households and companies continue to have difficulties in meeting their commitments, with the unemployment rate and the level of indebtedness remaining at high levels, resulting in the maintenance of a high level of risk.

In addition to these constraints, there was a continued lowering of market interest rates, which renewed minimum historical levels, reaching zero or even negative values at some short maturities, thus narrowing interest margins and penalising the profit levels of the activity. Furthermore, more stringent prudential requirements were introduced.

The combination of these effects resulted in significantly adverse and restrictive operating conditions for the banking sector, which were reflected in negative results for the majority of institutions in the sector.

INCOME STATEMENT

(thousand euros)

	2013		2014		Variation	
	Amount	%	Amount	%	Amount	%
Net Interest Income	**225,247**	**59.6**	**336,506**	**42.9**	**111,259**	**49.4**
Net Fees of Services to Customers	114,634	30.4	109,566	14.0	-5,068	-4.4
Commercial Net Operating Income	**339,881**	**90.0**	**446,072**	**56.9**	**106,191**	**31.2**
Income from Equity Instruments	535	0.1	610	0.1	75	14.0
Net Trading Income	14,340	3.8	352,170	44.9	337,830	>100
Other Net Income	22,921	6.1	-14,353	-1.9	-37,274	<-100
Net Operating Income	**377,677**	**100.0**	**784,499**	**100.0**	**406,822**	**>100**
Personnel Expenses	196,834	52.1	194,153	24.7	-2,681	-1.4
General Administrative Overheads	109,927	29.1	120,494	15.4	10,567	9.6
Amortization	33,352	8.9	27,077	3.5	-6,275	-18.8
Total Operating Expenses	**340,113**	**90.1**	**341,724**	**43.6**	**1,611**	**0.5**
Gross Profit	**37,564**	**9.9**	**442,775**	**56.4**	**405,211**	**>100**
Net Provisions and Impairments	**397,334**	**105.2**	**645,743**	**82.3**	**248,409**	**62.5**
Credit	298,834		524,579		225,745	75.5
Securities	34,022		61,648		27,626	81.2
Other	64,478		59,516		-4,962	-7.7
Earnings from Associates and Joint Ventures	**-12,682**		**-5,223**		**7,459**	58.8
Earnings before Tax and Non-controlling Interests	**-372,452**	**-98.6**	**-208,191**	**-26.5**	**164,261**	**44.1**
Taxes	**75,979**	**20.1**	**22,814**	**2.9**	**-53,165**	**-70.0**
Current	-9,469		-18,190		-8,721	-92.1
Deferred	85,448		41,004		-44,444	-52.0
Non-controlling Interests	**-2,153**	**-0.6**	**-1,576**		**577**	26.8
Net Income for the Year	**-298,626**	**-79.1**	**-186,953**	**-23.8**	**111,673**	**37.4**

At the end of 2014, consolidated Net Income reached -187.0 million euros, which compares favourably with the negative net income of -298.6 million euros registered in 2013.

It should be noted that this negative net income was mainly influenced by the occurrence of extraordinary or non-recurring events in 2014, which had an impact, above all, on the constitution of impairments and tax effects, in spite of the very positive performance of Net Interest Income, which increased by 111.3 million euros year-on-year, and of Net Trading Income, which came to 352.2 million euros.

Excluding extraordinary or non-recurring factors, the net income of CEMG would be 87.1 million euros. These factors reached 274.1 million euros and are summarised as follows:

- Constitution of provisions for real estate risks and impairments related to the parametric model, totalling 42.3 million euros and 26.6 million euros, respectively;
- Recognition of impairments related to relevant exposures, in the amount of 140.0 million euros, which includes the exposure to Grupo Espírito Santo;
- Annualment of deferred taxes of 65.2 million euros, arising from the reinforcement of provisions/credit impairments and the use of tax losses carried forward.

NON-RECURRING FACTORS

(million euros)

	2014
Reported Net Income for the Year	**-187.0**
Impairments related to real estate risk	42.3
Impairments related to relevant exposures	140.0
Impairments related to the parametric model	26.6
Tax adjustments	65.2
Non-recurring factors	**274.1**
Recurring Net Income for the Year	**87.1**

NET INTEREST INCOME

Net interest income reached 336.5 million euros in 2014, in comparison with the 225.2 million euros registered in the previous year, corresponding to a marked increase of 49.4%.

This performance resulted from the combined effect of the increase in income from financial assets, associated to Credit to Customers and Other Investments, and the reduction of costs related to Financial Liabilities, namely Deposits, influenced by the strategy of diversification of the activity that has been pursued.

The increase in average revenues from Credit to Customers was 67.0 million euros, through the increase in average balances and in the average interest rate of the portfolio, by 35 basis points, while the increase in average revenues from Other Investments came to 36.8 million euros. The reduction in average costs relative to Financial Liabilities, of 13.5 million euros, was mainly due to the reduction in the average interest rate of Deposits by 31 basis points, reflecting the reduction of market interest rates, given that the 3-month Euribor rate fell from an average value of 0.22% in 2013 to 0.21% in 2014. The combined effect of these interest rate shifts led to a significant increase in the net interest margin, which came to 1.60% relative to 1.13% in 2013.

NET INCOME AND NET INTEREST INCOME

(million euros)

	2013 Average Capital	Average Rate	Income/ Costs	2014 Average Capital	Average Rate	Income / Costs
Financial Assets	**20,017**	**4.06%**	**812**	**20,991**	**4.34%**	**910**
Credit to Customers	16,385	3.31%	543	16,653	3.66%	610
Other Investments	3,632	4.38%	159	4,338	4.51%	196
Swaps	-	-	110	-	-	104
Financial Liabilities	**19,393**	**3.03%**	**587**	**20,380**	**2.81%**	**573**
Deposits	13,154	2.56%	337	14,019	2.25%	316
Other Liabilities	6,239	2.28%	142	6,361	2.37%	151
Swaps	-	-	108	-	-	106
Net Interest Income			**225**			**337**
Net Interest Margin		**1.13%**			**1.60%**	
Euribor 3M - average for the period		**0.22%**			**0.21%**	

OTHER OPERATING INCOME AND NET OPERATING REVENUES

Net commissions from services rendered to customers reached 109.6 million euros, representing a reduction of 4.4% relative to 2013.

“Net trading income" reached a total of 352.2 million euros, representing a significant increase relative to 2013. This increase was driven by gains in the fixed income securities portfolio, as a result of the balance sheet rate risk management strategy defined by the ALCO.

EVOLUTION OF NET TRADING INCOME

(thousand euros)

	2013	2014	Variation	
	Amount	Amount	Amount	%
Gains arising from Assets and Liabilities at Fair Value through Profit or Loss	-27,986	4,204	32,190	>100
Gains arising from Financial Assets Available for Sale	44,025	374,386	330,361	>100
Gains arising from Currency Revaluation	20,223	17,016	-3,207	-15.9
Other Net Income	-21,922	-43,436	-21,514	-98.1
TOTAL	**14,340**	**352,170**	**337,830**	**>100**

The combined increase of Net Interest Income and Other Operating Income had a positive impact on Net Operating Income, which grew 406.8 million euros to 784.5 million euros.

OPERATING COSTS

In the domestic activity, operating costs decreased by 3.9 million euros in 2014, as a result of the adoption of an operating cost reduction policy, while in the international activity, costs registered a year-on-year increase of 5.5 million euros, due to the need for resources associated to the expansion of Finibanco Angola and the inclusion of Banco Terra, with the entry into the Mozambican market.

Total consolidated operating costs registered a slight increase of 0.5%, reaching a total of 341.7 million euros in 2014, relative to the 340.1 million euros in 2013. The increase of 10.6 million euros (9.6%) in general administrative overheads was related to technological and process developments and to the costs of supporting the development of the activity, while personnel expenses and amortization fell by 2.7 and 6.3 million euros, respectively, relative to 2013.

EVOLUTION OF OPERATING COSTS

((thousand euros)

	2013		2014		Variation	
	Amount	%	Amount	%	Amount	%
Personnel Expenses	196,834	57.9	194,153	56.8	-2,681	-1.4
General Administrative Overheads	109,927	32.3	120,494	35.3	10,567	9.6
Operating Costs	**306,761**	**90.2**	**314,647**	**92.1**	**7,886**	**2.6**
Amortization	33,352	9.8	27,077	7.9	-6,275	-18.8
Total Operating Costs	**340,113**	**100.0**	**341,724**	**100.0**	**1,611**	**0.5**
Domestic Activity	327,184	96.2	323,319	94.6	-3,865	-1.2
International Activity	12,929	3.8	18,405	5.4	5,476	42.4
Net Operating Income	**377,677**		**784,499**		**406,822**	**>100**
RATIOS						
Cost-to-Income (Total Operating Costs / Net Operating Revenues) (a)	90.05%		43.56%			
Cost-to-Income without Depreciation	81.22%		40.11%			

(a) In accordance with Banco de Portugal Instruction No. 23/2012.

The economic performance and the domestic cost-cutting policy enabled the operational efficiency of the institution to improve markedly in 2014. The expansion of net operating income enabled a significant improvement in the efficiency ratio (Cost-to-Income) to be registered, which reached 43.6% in 2014, in comparison with 90.1% in 2013.

PROVISIONS AND IMPAIRMENTS

The maintenance of a high level of corporate and household indebtedness in 2014 continued to translate into a context of high risk for banking activity. As a result of a prudent policy in the interpretation of risk factors, combined with the non-recurring effects previously mentioned, CEMG registered, in 2014, 645.7 million euros of provisions and net impairments, which represents a significant and exceptional increase (+62.5%) relative to the 397.3 million euros recognised in 2013.

EVOLUTION OF PROVISIONS AND IMPAIRMENT

(thousand euros)

	2013		2014		Variation	
	Amount	%	Amount	%	Amount	%
Net Credit provisions and impairments charges	298,834	75.2	524,579	81.3	225,745	75.5
Net securities impairments charges	34,022	8.6	61,648	9.5	27,626	81.2
Net other assets provisions and impairments charges	64,478	16.2	59,516	9.2	-4,962	-7.7
Total Provisions and Impairments (net)	**397,334**	**100.0**	**645,743**	**100.0**	**248,409**	**62.5**
Non-recurring Effects						
Impairments related to real estate risk			42,300			
Impairments related to relevant exposures			140,000			
Impairments related to the parametric model			26,600			
Total Provisions and Impairments (Recurrent)	**397,334**		**436,843**		**39,509**	**9.9**

Of the total amount of provisions and impairments, 81.3% refers to provisions and impairments for credit risk, in the amount of 524.6 million euros, corresponding to an increase of 225.7 million euros relative to 2013 (75.5%). In addition, net securities impairments charges also increased (+27.6 million euros), while the other assets provisions and impairments charges decreased (-5.0 million euros).

CEMG believes that this rigour in the assessment of the risk levels of the asset portfolio will enable it to face the prevailing difficult economic and social context with even stronger coverage levels and economic robustness, reinforcing the confidence that stakeholders have in CEMG.

PENSION FUND

According to the accounting policy of Caixa Económica Montepio Geral and IAS 19 - Employee Benefits, liabilities on account of post-employment benefits (namely pensions and health) were evaluated with reference to 31 December 2014. In the evaluation conducted, the actuarial assumptions were changed when compared to the assumptions used in the evaluation, with reference to 31 December 2013, as follows:

	2013	2014
Salary growth rate	1.50%	0.75%
Pension growth rate	0.50%	0.05%
Rate of return rate of fund assets	4.00%	2.50%
Discount rate	4.00%	2.50%
Mortality table	TV 88/90	TV 88/90
Disability table	EVK 80	EVK 80

The evaluation conducted, based on the abovementioned assumptions, had a negative impact on equity, which came to 153.1 million euros, representing -115 basis points in the Common Equity Tier 1 ratio.

The selection of the actuarial assumptions used in the evaluation of the liabilities associated to post-employment benefits was based on the following considerations:

a) Salary and pension growth rate

Based on the current salary trend and the economic situation to date, CEMG changed the salary growth rate from 1.5% to 0.75% and the pension growth rate from 0.5% to 0.05%.

b) Discount rate

The determination of the discount rate was based on (i) yields of high quality corporate bonds for the Euro Zone and, (ii) the duration of the liabilities maintained by CEMG.

Due to the decrease in the discount rate, in spite of the longer duration of the pension fund of CEMG, the liabilities assumed by CEMG as at 31 December 2014 come to 672.7 million euros, which represents an increase of 126.9 million euros relative to 31 December 2013.

The value of the assets of the pension fund reached 648.4 million euros, relative to the 547.4 million euros registered as at 31 December 2013, corresponding to an increase of 18.5%. The coverage level of minimum liabilities stood at 100.2% and the coverage level of total liabilities stood at 96.4%.

PENSION FUND

(thousand euros)

		2013 Amount	2014 Amount	Variation Amount	%
1	**Total liabilities**				
	Current staff	409 333	515 932	106 599	26.0
	Retired staff	136 502	156 791	20 289	14.9
	Total 1	***545 835***	***672 723***	**126 888**	**23.2**
2	**Non-required or deferred liabilities**				
	Exemption of financing	20 467	25 797	5 330	26.0
	Total 2	**20 467**	**25 797**	**5 330**	**26.0**
3	**Minimum liabilities to be financed (1-2)**	**525 368**	**646 926**	**121 558**	**23.1**
4	**Fund's Assets Value**	**547 407**	**648 409**	**101 002**	**18.5**
5	**Coverage of:**				
	Minimum liabilities (4/3)	104.2%	100.2%		-4.0 p.p.
	Total liabilities (4/1)	100.3%	96.4%		-3.9 p.p.
6	**Movements during the year with impact on the Fund's value:**				
6.1	Contributions to the Fund (+)	17 201	67 606	50 405	>100
6.2	Actual return on assets (+)	22 978	43 377	20 399	88.8
6.3	Value of Finibanco Pension Fund on 1/1/2011(-)	6 847	-	- 6 847	-100.0
6.4	Pension payments (-)	8 679	9 981	1 302	15.0
6.6	**Total 6 (6.1+6.2-6.3-6.4)**	**24 653**	**101 002**	**76 349**	**>100**

SOLVENCY

The Capital of Caixa Económica reached a total of 1,700 million euros as at 31 December 2014, which includes Institutional Capital, belonging to Montepio Geral Associação Mutualista, in the amount of 1,500 million euros and, since 17 December 2013, 200 million euros of Units representing its Participation Fund, issued and admitted to trading on the stock exchange as of that date.

Since the start of 2014, prudential indicators of solvency are based on the new legislation of Basel III, namely Directive 2013/36/EU and Regulation (EU) No. 575/2013, both from the European Parliament and of the Council, as well as Notice 6/2013 of Banco de Portugal. In compliance with this legal framework, the Own Funds of CEMG are divided into Common Equity Tier 1 (CET1), Tier 1(T1) and Tier 2 (T2).

The full application of the new Basel III regulations will be introduced gradually up until 2018, with this process usually referred to as Phasing-in. The full assumption of the new regulations, without considering transitional plans, is referred to as Full Implementation. The Phasing-in process is currently in force, and it is on this basis that Banco de Portugal determined the regulatory minimum ratios to be met for 2014: 7% for CET1 and 8% for Total Capital (T1 + T2).

In December 2014, the Common Equity Tier 1 ratio, calculated in accordance with the CRD IV/CRR phasing-in rules, was 8.5%, above the minimum value of 7% set by Banco de Portugal for 2014. The Total Capital ratio reached 8.7%, also above the required level.

CAPITAL AND CAPITAL REQUIREMENTS

(thousand euros)

Headings	Jun 14	Dec 14	Variation	
	Amount	Amount	Amount	%
1. Total Capital	**1,798,585**	**1,309,093**	**-489,492**	**-27.2**
(+) Instruments eligible for CET1	*1,698,458*	*1,682,235*	*-16,223*	*-1.0*
(+) Reserves and Net Income	*11,683*	*-316,909*	*-328,592*	*-2,812.6*
(-) Regulatory Deductions	*143,693*	*80,118*	*-63,575*	*-44.2*
1.1 (=) Common Equity Tier I Capital	**1,566,448**	**1,285,208**	**-281,240**	**-18.0**
(+) Other Equity Instruments	*6,618*	*6,618*	*0*	*0*
(-) Tier I Deductions	*6,618*	*6,618*	*0*	*0*
1.2 (=) Tier I Capital	**1,566,448**	**1,285,208**	***-281,240***	**-18.0**
(+) Tier II Capital	246,075	32,826	*-213,249*	-86.7
(-) Other Deductions	13,938	8,941	*-4,997*	-35.9
2. Minimum Own Funds Requirements	**1,195,421**	**1,207,530**	**12,109**	**1.0**
3. Risk-weighted assets and equivalents	**14,942,765**	**15,094,123**	**151,358**	**1.0**
4. Ratios - CRD IV Phasing-in [(a)]				
Common Equity Tier 1 Ratio (1.1 / 3)	10.48%	8.51%	-1.97 p.p.	
Tier 1 Ratio *(1.2 / 3)*	10.48%	8.51%	-1.97 p.p.	
Total Capital Ratio (1/3)	12.04%	8.67%	-3.37 p.p.	
5. Ratios - Full Implementation				
Common Equity TIER1 Ratio	9.49%	6.99%	-2.50 p.p.	
Tier1 Ratio	9.49%	7.00%	-2.49 p.p.	
Total Capital Ratio	11.13%	7.22%	-3.91 p.p.	

5. RISK ANALYSIS

During 2014, the development of methods and procedures in the area of risk identification, quantification of underlying potential losses and the taking of measures towards their mitigation was continued.

CREDIT RISK

In 2014, a project was initiated whose objective is the presentation, in the medium term, of the application to adopt the Internal Ratings Based (IRB) Approach for assessing capital requirements for credit risk. This project is strategic for CEMG and, given its depth and breadth, involves various areas of the organisation and requires the review of and possible improvements related to credit risk assessment models, the credit assessment and decision process and the capital requirements calculation algorithm, among others.

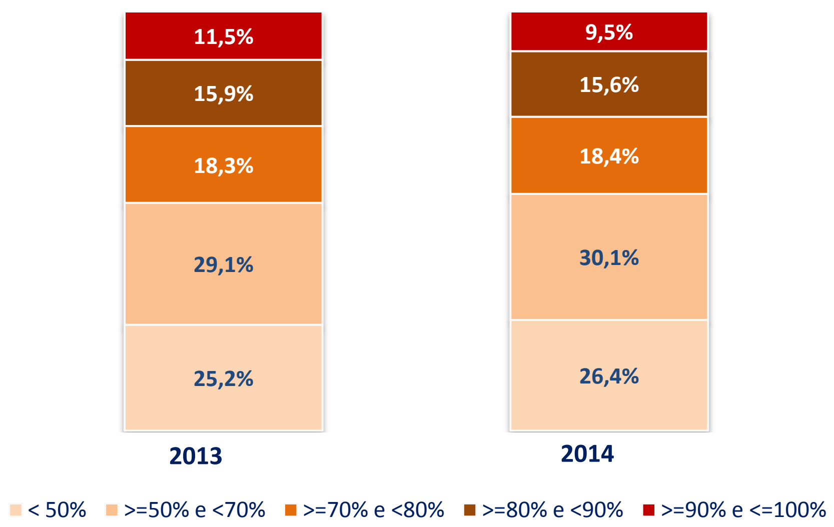
The decision-making process for credit operations is based on a series of policies using scoring models for the portfolios of Private and Business customers and rating models for the Companies segment. The models, developed from internal historical data, allow for an assessment involving the attribution of a risk class to the customer/operation. Within the scope of the project of application to the Internal Ratings Based (IRB) Approach for assessing capital requirements, the review of the scoring and rating models of CEMG, associated to the most significant segments of the credit portfolio, is underway, which will result in the improvement of the internal risk and governance models.

The internal risk classification, combined with the assessment of risk mitigators, in the form of personal or asset-backed guarantees, constitute determinant aspects for the decision and price of the operations. The level at which pricing decisions are taken is defined according to the risk adjusted return on equity (ROE), in accordance with the principle that the authority to approve operations with a lower risk-adjusted ROE lies with the higher levels of management.

In addition to the rating and scoring models, the decision process for credit operations is also based on rejection rules. Credit rejection is determined by the occurrence of credit events in the financial system, breach of credit rules (for example, borrowing capacity in the case of credit to individuals) and whenever the pricing associated to a specific operation represents a risk of adverse selection.

In the mortgage loan portfolio, the LTV (loan-to-value - the value of the financing divided by the value of the guarantee) ratio recorded an improvement, with the average LTV of the lending portfolio having fallen from 64.8% in 2013 to 63.6% in 2014.

DISTRIBUTION OF THE MORTGAGE LOAN PORTFOLIO BY LTV LEVEL



The maintenance of the adverse economic climate continued to reflect itself in the deterioration of default and credit risk ratios, with the balance of credit and interest overdue having increased by 15.0%. This evolution led to a degradation of some credit risk indicators, with the ratio of loans overdue by more than 90 days standing at 6.1% and the ratio of non-performing loans at 7.4%.

However, the credit at risk ratio fell by 0.2 p.p. to 12.0%, resulting from the sale of a non-strategic assets portfolio, namely of credit, in the amount of 398.1 million euros.

EVOLUTION OF THE MAIN INDICATORS OF NON-PERFORMING LOANS

(thousand euros)

Indicators	2013	2014	Variation Amount	Variation %
Gross Credit to Customers	**16,556,907**	**16,540,943**	**-15,964**	**-0.1**
Credit and Interest Overdue	**999,031**	**1,148,497**	**149,466**	**15.0**
Credit and Interest Overdue by more than 90 days	877,365	1,014,197	136,832	15.6
Impairment for Credit Risks	**1,051,526**	**1,385,872**	**334,346**	**31.8**
Ratios (%)				
Credit and Interest Overdue by more than 90 days	5.30	6.13	0.83 p.p.	
Non-performing loans (a)	7.12	7.42	0.30 p.p.	
Net non-performing loans (a)	0.84	-1.00	-1.84 p.p.	
Credit-at-Risk (a)	12.25	12.03	-0.22 p.p.	
Net Credit-at-Risk (a)	6.32	4.02	-2.30 p.p.	
Restructured Credit (b)	9.68	10.49	0.81 p.p.	
Restructured Credit not included in Credit-at-Risk (b)	7.30	6.89	-0.41 p.p.	
Coverage by Impairments (%)				
Credit and Interest Overdue by more than 90 days	119.85	136.65	16.80 p.p.	
Credit and Interest Overdue	105.25	120.67	15.42 p.p.	
Credit-at-Risk		69.35	17.65 p.p.	

(a) In accordance with Banco de Portugal Instruction No. 23/2012.
(b) In accordance with Banco de Portugal Instruction No. 32/2013.

CEMG reinforced the amount of impairments for credit risk, which came to 1,385.9 million euros at the end of 2014. This provisioning reinforcement enabled much higher levels of coverage of credit and interest overdue and of credit-at-risk by impairments than those registered at the end of 2013 to be achieved. The Simple Coverage of Credit-at-Risk by impairments stood at 69.4%, whereas the coverage ratio considering total credit impairments and the associated real estate collaterals reached 136.5%, at the upper limit of the national financial system.

CONCENTRATION RISK

Following the diversification strategy endorsed by CEMG, in 2014 there was a favourable evolution in the level of sectoral concentration of credit to customers, as regularly reported, pursuant to Banco de Portugal Instruction No. 5/2011. The index fell from 14.5% in December 2013 to 12.3% in December 2014, with the weight of the construction sector having declined in the portfolio of credit to non-financial companies from 27.7% to 21.3%. In the sectoral distribution of credit in December 2014, the tertiary sector intensified its predominance in relation to the secondary sector, with 58.4% and 39.6%, respectively (56.0% and 42.9% in December 2013, respectively).

In relation to geographic concentration, the districts of Lisbon and Porto continue to be the regions with the highest weight in the credit portfolio, with 38.7% and 16.2% (36.5% and 14.3% in December 2013, respectively), in line with the population and company density of both districts.

Regarding the risk of individual concentration, which measures the risk arising from significant exposure to an individual counterpart or a group of related counterparts, an increase was observed in the weight of the 100 largest exposures, from 13.2% to 17.8% between December 2013 and December 2014, which corresponded to a variation of the general concentration index from 0.23% to 0.30%. The index of concentration of the 1,000 largest exposures increased by 0.13% in December 2013 to 0.18% in December 2014, with the weight in the total portfolio increasing from 25.9% to 32.0% between December 2013 and December 2014.

FINANCIAL ASSET RISK

The securities portfolio of CEMG registered a decrease of 875.7 million euros from 2013 to 2014. This decrease was observed in various types of assets, i.e. reduction of exposure to bonds (-19.0%), equity securities and participation units (-16.7%), and commercial paper (-67.5%).

STRUCTURE OF THE SECURITIES PORTFOLIO BY TYPE OF ASSET

(thousand euros)

Type of Asset	2013		2014		Variation	
	Amount	%	Amount	%	Amount	%
Bonds (*)	4,009,874	87.3	3,246,806	87.4	-763,068	-19.0
Commercial Paper	30,773	0.7	10,000	0.3	-20,773	-67.5
Equities and PUs	551,643	12.0	459,769	12.4	-91,874	-16.7
Total	**4,592,290**	**100.0**	**3,716,575**	**100.0**	**-875,715**	**-19.1**

(*) Including Interest

The investment policy of CEMG was marked by the reduction of the exposure to national public debt securities, which, alongside the upgrade of the credit rating by Moody's in 2014, led to changes in the structure of the bond portfolio by rating category (excluding mortgage bonds and securitisations). This variation of the rating and exposure to national public debt led to the variations between BB and BB+. In addition to this change, the increase in exposure to securities without rating due to the increase in the exposure to national corporate debt is also noteworthy.

STRUCTURE OF THE BOND PORTFOLIO BY RATING CATEGORY

(excluding Mortgage Bonds and Securitisations)

(thousand euros)

RATING CLASSES	2013		2014		Variation	
	Amount	%	Amount	%	Amount	%
AAA	13,587	0.3	5,507	0.2	-8,080	-59.5
AA	3,202	0.1	2,080	0.1	-1,122	-35.0
AA-	4,986	0.1	3,017	0.1	-1,969	-39.5
A+	19,706	0.5	24,392	0.8	4,686	23.8
A	6,540	0.2	69,897	2.2	63,357	968.8
A-	23,073	0.6	40,832	1.3	17,759	77.0
BBB+	19,047	0.5	69,091	2.2	50,044	262.7
BBB	58,882	1.5	155,307	4.9	96,425	163.8
BBB-	23,456	0.6	80,019	2.5	56,563	241.1
BB+	131,150	3.3	1,987,978	62.6	1,856,828	1415.8
BB	3,007,775	76.7	6,965	0.2	-3,000,810	-99.8
BB-	86,671	2.2	109,355	3.4	22,684	26.2
B+	30,146	0.8	2,628	0.1	-27,518	-91.3
B	7,611	0.2	9,901	0.3	2,290	30.1
B-	12,086	0.3	35,404	1.1	23,318	192.9
CCC	1,916	0.0	0	0.0	-1,916	-100.0
CC	1,538	0.0	206	0.0	-1,332	-86.6
NR	474,039	12.1	572,431	18.0	98,392	20.8
Total	**3,925,411**	**100.0**	**3,175,010**	**100.0**	**-750,401**	**-19.1**

LIQUIDITY RISK

In a context of maintenance of a weak economy and rising cost of risk, the mitigation of liquidity risk continued to be one of the main objectives, reflected, in addition to deleveraging and the increase in deposits, in the reduction of the exposure to financial markets and in the maintenance of a large pool of assets eligible for refinancing operations with the ECB.

The positive evolution of customer deposits and the continuation of the deleveraging process led to another significant decrease of the commercial gap (deposits - credit), which came to -924,4 million euros in 2014 (1 437,4 million euros, in 2013) with a positive impact from a liquidity position stand point.

A further decrease in the leverage ratio (credit to deposits) from 110.2% in 2013 to 106.5% in 2014 (-3,7 p.p.). If total customers' resources including securities placed with customers are factored in the level ratio decreased 2.2 p.p. to 92.5 %.

LOAN TO DEPOSIT RATIO (%)

	2013	2014	Variation
	%	%	Amount
Net Credit to Customers / Customers´ Deposits [(a)]	**110.18**	**106.46**	**-3.21 p.p.**
Net Credit to Customers / On-Balance Sheet Customers´ Resources [(b)]	**94.70**	**92.50**	**-2.20 p.p.**

(a) In accordance with Banco de Portugal Instruction No. 23/2012.

(b) On-Balance Sheet Customers´ Resources = Customers´ Deposits and Securities Placed with Customers

In 2014, 726.1 million euros of securitised debt were repaid (708.1 million euros of bonds and commercial paper and 18.0 million euros of debt certificates), which, in addition to the repayments made between 2010 and 2013, made up a total of 6,484.2 million euros over the last 5 years. The refinancing of medium and long term debt is is fully covered by the maturity of the bond portfolio.

The value of the assets eligible as collateral for refinancing operations with the ECB decreased by 1,581.3 million euros, from 5,783.7 million euros as at 31 December 2013 to 4,202.4 million euros as at 31 December 2014.

This decrease was essentially due to two factors:

- The non-use of credit portfolios for discount at the ECB;
- The sale of Portuguese public debt in portfolio during 2014.

The balance of ECB resources on the balance sheet increased from 3,395.0 million euros as at 31 December 2013 to 2,476.0 million euros at the end of 2014, which enabled the decrease of assets eligible as collateral to be partially mitigated. As a result, the pool of eligible assets available for possible refinancing with the ECB, if necessary, remained high, at 1,726.4 million euros.

ECB financing includes a total of 476.0 million euros, obtained in Targeted Longer Term Refinancing Operations (TLTRO), undertaken in September and October, with maturity in 2018.

POOL OF ELIGIBLE ASSETS FOR REFINANCING OPERATIONS WITH THE ECB

	2013		2014		YoY	
	Amount	%	Amount	%	Amount	%
Pool of Eligible Assets	5,783,695	100.0	4,202,365	100.0	-1,581,330	-27.3
Use of the Pool	3,395,000	58.7	2,475,990	58.9	-919,010	-27.1
Pool of Available Assets	**2,388,69**	**41.3**	**1,726,37**	**41.1**	**-662,320**	**-27.7**

In 2014, the Interbank Money Market (IMM), between national banks, returned to near-normal levels, but with shorter periods and lower limits of operations than normal. The IMM operations without guarantee undertaken with financial institutions from other jurisdictions remained at low levels, with a significant increase in operations and amounts negotiated with collaterals having been observed, namely repo and new-CIM (Collateralised Interbank Market) operations. The maintenance of the sovereign rating below investment grade was the main factor to condition business without collateral with foreign banks.

The position of CEMG in the IMM, at the end of 2014, reflected a surplus of loans and advances to other credit institutions of 436.0 million euros and of 130.1 million US dollars, with average assignment rates of 0.1005% and 1.2141%, respectively, above, in the case of the loans and advances in euros, the ECB reference rate. CEMG had no funds underwritten in the IMM as at 31 December 2014.

In addition, at the start of the 2nd half of 2014, CEMG benefited from a loan from the European Investment Bank (EIB), in the amount of 150.0 million euros and with maturity in 2022.

Historically, CEMG has shown dynamic positive liquidity gaps, with positive accumulated mismatches (gaps in the phasing between resource inflows and outflows) for the different time-frames up to 12 months, reflecting a balanced liquidity plan. At the end of 2014, the dynamic accumulated liquidity mismatch up to the following 12 months came to 2,653.8 million euros, registering an improvement relative to the previous estimate (the 12-month projection with reference to December 2013 was 2,161.9 million euros).

DYNAMIC LIQUIDITY POSITION GAPS AS AT DECEMBER 2014

(million euros)

Position on reference date + forecast amounts	maturity periods				
	On demand and up to 1 week	more than 1 week and up to 1 month	more than 1 month and up to 3 months	more than 3 months and up to 6 months	more than 6 months and up to 12 months
Accumulated mismatches	**2,434**	**2,393**	**2,552**	**2,609**	**2,654**

INTEREST RATE RISK

In 2014, the impact on net worth arising from a parallel shift of +200 basis points of the yield curve was 3% (-6% in 2013). The sensitivity of CEMG's banking portfolio to interest rate risk was thus within the guideline limit of 20% of Own Funds defined by the BIS in "Principles for the Management and Supervision of Interest Rate Risk".

At the end of 2014, the accumulated repricing gap at 12 months was estimated at 3.6 billion euros (3.8 billion euros in 2013) with an estimated impact on Net Interest Income of +40.4 million euros (+32.9 million euros in 2013) in the case of a sudden alteration of interest rates by +100 basis points. The variation observed in this figure essentially arises from the mismatch between the interest rate revision periods, showing greater weight of debt securities at longer periods.

OPERATIONAL RISK

Within the scope of operational risk management, there was an increase in reporting undertaken directly by the actual representatives (+23% in relation to 2013), reflecting a growing entrenchment and dissemination of the operational risk culture in the institution.

In terms of risk assessment, significant focus has been placed on the prior identification of relevant operational risks whenever a product, a process or a system is implemented or reviewed in the CEMG Group.

In terms of exposure to operational risk, the business lines that present the highest exposure are the retail and the payment and settlement activities.

DISTRIBUTION OF EVENTS BY BUSINESS LINE IN 2014

	Frequency	Severity
Retail banking	74.8%	53.5%
Payment and settlement	21.9%	42.2%
Retail brokerage	1.0%	4.3%
Other	2.3%	0.0%

Within the scope of Business Continuity Management, the survey of the processes of the other Group companies is underway, with a view to centralising the business continuity management functions in the Risk Department.

In 2014, integrated emergency exercises were undertaken, with the collaboration of the Shared Services Unit, which tested activation, communication and building evacuation procedures, at locations where activities of high criticality for the institution are concentrated.

This level of participation enabled testing the activation of the Business Continuity Plans, namely the proper functioning of their communication flows and the alignment of the procedures with the emergency management teams.

STRESS TESTS

CEMG undertook stress test exercises, according to the requirements and macroeconomic assumptions established and in conformity to the new Basel III legislation (Regulation No. 575/2013 of the European Parliament). The results obtained in the assumed adverse scenario demonstrated that CEMG continues to show adequate capitalisation levels.

In parallel, stress tests were undertaken within the scope of the Recovery Plan of the CEMG Group and of the Internal Capital Adequacy Assessment Process (ICAAP).

The Recovery Plan of the CEMG Group analyses and measures impacts arising from adverse scenarios, namely systemic events, idiosyncratic events of the Group and a combination of both. Based on the foregoing analysis, a series of strategic options and recovery measures to be put into practice are elaborated, to ensure the preservation and solidity of the levels of capital, liquidity, profitability and operational activities of the CEMG Group, when facing situations of contingency or of financial crisis.

In the Internal Capital Adequacy Assessment Process (ICAAP), in order to assess capital insufficiencies in periods of stress, a series of effort tests (analysis of sensitivity and of scenarios) on the risk quantification models were defined. The result of the tests concluded that the levels of internal capital were suited to the adverse scenarios tested.

In addition to the stress tests reported to Banco de Portugal, CEMG regularly carries out other impact studies, whose results are disclosed and debated in ALCO. These tests aim to provide an analytical perspective of CEMG's position in terms of liquidity, net income for the year and equity when subject to adverse scenarios arising from changes in risk factors such as interest rates, credit spreads, repayment of deposits, margins of assessment of eligible assets applied by the ECB, ratings (of CEMG and counterparts), non-performance of portfolios, and collateral, among others. The results of the analyses performed demonstrate the conformity of the outlined strategies and ensure compliance with the solvency, liquidity and sustainability levels.

COMPLIANCE RISK

The compliance function (“control of fulfilment”) is part of the internal control system, which is common to the CEMG Group, whose main responsibility is the management of compliance risk, which reflects the risk of the occurrence of legal or regulatory sanctions, of financial loss or reputational risk as a result of the failure to comply with the application of laws, regulations, the code of conduct and of good banking practices.

Compliance risk is mitigated through the promotion of a culture of compliance, of promotion of respect of the Group entities and their employees for all the applicable standards, through an independent intervention of the responsible body, in combination with all the organisational units. The compliance function is responsible for defining the respective procedures and mechanisms of conformity control and carry out their monitoring.

In 2014, it is important to mention, for the purposes of analysis, mitigation and monitoring of compliance risk, the follow-up of initiatives that tend to implement continuous improvement processes associated to the provisions set out in Notice of Banco de Portugal No. 5/2008 ("Principles and minimum requirements of the Internal Control System") and the developments necessary for full compliance with Notice of Banco de Portugal No. 5/2013 ("Regulates the conditions, mechanisms and procedures necessary for the effective compliance with the duties to prevent money laundering and terrorist financing"), namely in the improvement of the IT solutions dedicated to the management of Compliance risk.

In addition, emphasis is given, in 2014, to the analysis and monitoring of the process of implementation of various regulations in areas such as:

- Market Abuse – Criminal sanctions applicable to the abuse of privileged information and market manipulation under the terms of Directive 2014/57/EU of the European Parliament and of the Council of 16 April and Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April which revokes Directive 2003/6/EC of the European Parliament and of the Council of 16 April and the Directives 2003/124/EC, 2003/125/EC and 2004/72/EC of the Commission;
- Information requirements relating to the management of the risk of money laundering and terrorist financing to be reported to Banco de Portugal, provided under Notice of Banco de Portugal No. 9/2012 and amended by Notice No. 2/2014 of 22 May;
- Protection of mortgage loan debtors in a very difficult economic situation, whose extraordinary regime is embodied in Law No. 58/2014, of 25 August;
- Change to the Legal Framework of Credit Institutions and Financial Companies, by transposing Directive 2013/36/EU and Regulation (EU) No. 575/2013, enshrined in Decree-Law No. 157/2014, of 24 October, into Portuguese law;
- Minimum information duties to be observed during the period of the consumer credit contracts (and towards consumers) concluded within the scope of Decree-Laws No. 359/91 and 133/2009, of 21 September and 2 June, respectively, defined by Notice of Banco de Portugal No. 10/2014, of 3 December.

In short, the exercise of the compliance function contributed to the further strengthening and implementation of the strategic guidelines with respect to the improvement of the internal control management and system.

6. RATINGS

In a context marked by a continuing slow economic recovery, combined with the need to reinforce impairments, arising from the consequent deterioration of the quality of assets, and with the more stringent prudential requirements stemming from the new capital rules and requirements of Basel III, the ratings attributed to CEMG debt by the agencies Moody's Investors Service, Fitch Ratings and DBRS remained unchanged in 2014.

In this regard, the following rating actions took place during 2014:

- On 29 July 2014, the agency Moody's Investors Service confirmed the short term and the medium and long term senior debt ratings at “NP” and “B2”, respectively.
- On 24 November 2014, Fitch Ratings confirmed the medium and long term non-collateralised senior debt rating of “BB” and the short term debt rating of “B”.
- On 16 December 2014, DBRS confirmed the short term and the medium and long term non-collateralised senior debt ratings of CEMG at “R-2 (low)" and "BBB (low)”, respectively.

At the end of 2014, CEMG ratings were as follows:

Rating Agencies	Long Term	Short Term	Outlook
Fitch Ratings	BB	B	Negative
Moody's Investors Service	B2	NP	Negative
DBRS	BBB (low)	R-2 (low)	Negative

7. PROPOSAL FOR THE APPROPRIATION OF PROFIT - Individual Basis

In accordance with the provisions of subparagraph f) of article 16 of the Articles of Association, it is proposed that the net income for 2014 of Caixa Económica Montepio Geral, determined on an individual basis, of - 157,306 thousand euros, be transferred to Retained Earnings.

Montepio

8. FINANCIAL STATEMENTS, EXPLANATORY NOTES, STATEMENTS, LEGAL CERTIFICATION OF ACCOUNTS AND AUDIT REPORTS

8.1. Consolidated Financial Statements and Explanatory Notes

CONSOLIDATED BALANCE SHEET OF CAIXA ECONÓMICA AS AT 31 DECEMBER 2014 AND 2013

(thousand euros)

	2014			2013
	Gross Assets	I r p a	Net Assets	Net Assets
ASSETS				
Cash and deposits at central banks	284,813	-	284,813	314,259
Deposits at other credit institutions	217,043	-	217,043	233,785
Financial assets held for trading	86,581	-	86,581	64,106
Other financial assets at fair value through profit or loss	-	-	-	3,450
Financial assets available for sale	3,645,474	5	3,589,711	4,545,816
Loans and advances to credit institutions	546,475	3	546,162	330,063
Credit to customers	16,612,095	1	15,226,223	15,555,141
Investments held to maturity	120,101	-	120,101	34,631
Hedging derivatives	60	-	60	503
Non-current assets held for sale	934,230	1	799,739	681,388
Investment properties	715,737	-	715,737	543,534
Other tangible assets	274,516	1	98,931	120,492
Intangible assets	140,630	7	66,054	59,279
Investments in associates and subsidiaries excluded from consolidation	24,991	3 4	24,650	42,399
Current tax assets	2,664	-	2,664	1,832
Deferred tax assets	355,881	-	355,881	336,264
Other assets	355,364	1	339,124	172,261
TOTAL ASSETS	**24,316,655**	**1**	**22,473,474**	**23,039,203**
LIABILITIES				
Resources from central banks			2,496,886	3,427,354
Financial liabilities held for trading			85,292	62,224
Resources from other credit institutions			1,070,156	474,497
Resources from customers and other resources			14,314,659	14,142,828
Debt securities issued			2,146,525	2,319,428
Financial liabilities associated with transferred assets			163,650	195,049
Hedging derivatives			1,494	1,849
Provisions			20,329	8,014
Current tax liabilities			3,104	1,353
Other subordinated liabilities			373,279	370,078
Other liabilities			383,576	389,186
TOTAL LIABILITIES			**21,058,950**	**21,391,860**
CAPITAL				
Institutional Capital			1,500,000	1,500,000
Participation Fund			200,000	200,000
Other equity instruments			8,273	8,273
Own securities			-3,280	-
Revaluation reserves			18,516	-11,533
Other reserves and retained earnings			-148,472	238,194
Net income for the year			-186,953	-298,626
Non-controlling Interests			26,440	11,035
TOTAL CAPITAL			**1,414,524**	**1,647,343**
TOTAL LIABILITIES AND CAPITAL			**22,473,474**	**23,039,203**

THE CHARTERED ACCOUNTANT

Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

António Tomás Correia - Chairman

Jorge Humberto Cruz Barros Jesus Luís

Pedro Miguel de Almeida Alves Ribeiro

Fernando Paulo Pereira Magalhães

João Carlos Martins da Cunha Neves

CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2014 AND 2013

(thousand euros)

	2014	2013
Interest and similar income	913,710	816,030
Interest and similar costs	577,204	590,783
NET INTEREST INCOME	**336,506**	**225,247**
Income from equity instruments	610	535
Income from services, fees and commissions	135,708	143,686
Expenses from services, fees and commissions	26,142	29,052
Gains arising from assets and liabilities at fair value through profit and loss	4,204	-27,986
Gains arising from financial assets available for sale	374,386	44,025
Gains arising from currency revaluation	17,016	20,223
Gains arising from sale of other assets	-41,974	35,479
Other operating income	-15,815	-34,480
NET OPERATING REVENUES	**784,499**	**377,677**
Personnel expenses	194,153	196,834
General administrative overheads	120,494	109,927
Amortization and Depreciation	27,077	33,352
Provisions net of reversals and annulments	13,225	3,196
Impairment of credit net of reversals and recoveries	524,579	298,834
Impairment of other financial assets net of reversals and recoveries	61,648	34,022
Impairment of other assets net of reversals and recoveries	46,291	61,282
Earnings from associates and joint ventures (equity method)	-5,223	-12,682
EARNINGS BEFORE TAX AND NON-CONTROLLING INTERESTS	**-208,191**	**-372,452**
Taxes		
Current	-18,190	-9,469
Deferred	41,004	85,448
Non-controlling Interests	-1,576	-2,153
CONSOLIDATED NET INCOME FOR THE YEAR	**-186,953**	**-298,626**

THE CHARTERED ACCOUNTANT

Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

António Tomás Correia - Chairman

Jorge Humberto Cruz Barros Jesus Luís

Pedro Miguel de Almeida Alves Ribeiro

Fernando Paulo Pereira Magalhães

João Carlos Martins da Cunha Neves

Caixa Económica Montepio Geral

Consolidated Financial Statements

31 December 2014 and 2013

April 2015
This Report contains 171 pages

FINANCIAL STATEMENTS

- NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Caixa Económica Montepio Geral

Consolidated Income Statement
for the years ended at 31 December, 2014 and 2013

(Thousands of Euro)

	Notes	2014	2013
Interest and similar income	3	913 710	816 030
Interest and similar expense	3	577 204	590 783
Net interest income		336 506	225 247
Dividends from equity instruments	4	610	535
Fee and comission income	5	135 708	143 686
Fee and comission expense	5	(26 142)	(29 052)
Net gains / (losses) arising from financial assets and liabilities at fair value through profit or loss	6	4 204	(27 986)
Net gains/(losses) arising from available-for-sale financial assets	7	374 386	44 025
Net gains/ (losses) arising from foreign exchange differences	8	17 016	20 223
Net gains/ (losses) arising from sale of other financial assets	9	(41 974)	35 479
Other operating income	10	(15 815)	(34 480)
Total operating income		784 499	377 677
Staff costs	11	194 153	196 834
General and administrative expenses	12	120 494	109 927
Depreciation and amortisation	13	27 077	33 352
Total operating costs		341 724	340 113
Loans impairment	14	524 579	298 834
Other financial assets impairment	15	61 648	34 022
Other assets impairment	16	46 291	61 282
Other provisions	17	13 225	3 196
Operating profit		(202 968)	(359 770)
Share of profit of associates under the equity method	18	(5 223)	(12 682)
Profit before income tax		(208 191)	(372 452)
Tax			
Current	33	(18 190)	(9 469)
Deferred	33	41 004	85 448
Profit / (loss) for the year		(185 377)	(296 473)
Profit / (loss) for the year attributable to			
Institutional Capital and Participation Fund		(186 953)	(298 626)
Non-controlling interests	50	1 576	2 153
Profit / (loss) for the year		(185 377)	(296 473)

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Consolidated Statement of financial position as at 31 December, 2014 and 2013

(Thousands of Euro)

	Notes	2014	2013
Assets			
Cash and deposits at central banks	19	284 813	314 259
Loans and advances to credit institutions repayable on demand	20	217 043	233 785
Other loans and advances to credit institutions	21	546 162	330 063
Loans and advances to customers	22	15 226 223	15 555 141
Financial assets held for trading	23	86 581	64 106
Other financial assets at fair value through profit or loss	24	-	3 450
Financial assets available for sale	25	3 589 711	4 545 816
Hedging derivatives	26	60	503
Held-to-maturity instruments	27	120 101	34 631
Investments in associated companies and others	28	24 650	42 399
Non-current assets held for sale	29	799 739	681 388
Investment properties	30	715 737	543 534
Property and equipment	31	98 931	120 492
Intangible assets	32	66 054	59 279
Current tax assets		2 664	1 832
Deferred tax assets	33	355 881	336 264
Other assets	34	339 124	172 261
Total Assets		22 473 474	23 039 203
Liabilities			
Deposits from central banks	35	2 496 886	3 427 354
Deposits from other financial institutions	36	1 070 156	474 497
Deposits from customers	37	14 314 659	14 142 828
Debt securities issued	38	2 146 525	2 319 428
Financial liabilities relating to transferred assets	39	163 650	195 049
Financial liabilities held for trading	23	85 292	62 224
Hedging derivatives	26	1 494	1 849
Provisions	40	20 329	8 014
Current tax liabilities		16 962	1 353
Other subordinated debt	41	373 279	370 078
Other liabilities	42	369 718	389 186
Total Liabilities		21 058 950	21 391 860
Equity			
Institutional capital	43	1 500 000	1 500 000
Participation fund	44	200 000	200 000
Other equity instruments	45	8 273	8 273
Treasury stock	46	(3 280)	-
Fair value reserves	48	18 516	(11 533)
Other reserves and retained earnings	47 and 48	(148 472)	238 194
Consolidated profit / (loss) for the year attributable to MGAM		(186 953)	(298 626)
Total equity attributable to holders of institutional capital and participation fund units		1 388 084	1 636 308
Non-controlling interests	50	26 440	11 035
Total Equity		1 414 524	1 647 343
		22 473 474	23 039 203

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Consolidated Statement of Cash Flows
for the years ended at 31 December, 2014 and 2013

(Thousands of Euro)

	2014	2013
Cash flows arising from operating activities		
Interest income received	893 071	840 871
Commissions income received	73 755	209 375
Interest expense paid	(618 707)	(654 032)
Commissions expense paid	(25 126)	(22 679)
Payments to employees and suppliers	(312 211)	(240 038)
Recoveries on loans previously written off	12 561	9 015
Other payments and receivables	478 617	(157 902)
	501 960	(15 390)
(Increase) / decrease in operating assets		
Loans and advances to credit institutions and customers	(433 444)	(323 014)
Other assets	(335 171)	(79 497)
	(768 615)	(402 511)
(Increase) / decrease in operating liabilities		
Deposits from customers	192 065	933 120
Deposits from credit institutions	595 742	(151 007)
Deposits from central banks	(919 010)	1 635 000
	(131 203)	2 417 113
	(397 858)	1 999 212
Cash flows arising from investing activities		
Dividends received	610	535
(Acquisition) / sale of financial assets held for trading	(23 973)	(5 424)
(Acquisition) / sale of other financial assets at fair value through profit or loss	3 450	8 850
(Acquisition) / sale of available for sale financial assets	894 496	(2 124 071)
(Acquisition) / sale of hedging derivatives	160	(633)
(Acquisition) / sale of investments held to maturity	(84 546)	(6 955)
(Acquisition) / sale of shares in associated companies	(22 424)	(27 050)
Deposits owned with the purpose of monetary control	38 576	15 084
Proceeds from sale of fixed assets	-	1 818
Acquisition of fixed assets	(192 285)	(149 299)
	614 064	(2 287 145)
Cash flows arising from financing activities		
Dividends paid	-	(1 692)
Capital increase	-	405 000
Other instruments and capital	-	(6 727)
Repurchase of participation fund	(2 578)	-
Proceeds from issuance of bonds and subordinated debt	573 597	1 515 987
Reimbursement of bonds and subordinated debt	(818 530)	(1 602 688)
Increase / (decrease) in other sundry liabilities	23 694	636
	(223 817)	310 516
Net changes in cash and equivalents	(7 611)	22 583
Cash and equivalents balance at the beginning of the year	414 002	391 419
`Net changes in cash and equivalents	(7 611)	22 583
Cash and equivalents balance at the end of the year	406 391	414 002
Cash and equivalents balance at the end of the year includes:		
Cash (note 19)	189 348	180 217
Loans and advances to credit institutions repayable on demand (note 20)	217 043	233 785
Total	406 391	414 002

HIEF ACCOUNTANT THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Consolidated Statement of Changes in Equity
for the years ended 31 December, 2014 and 2013

(Thousands of Euro)

	Total equity	Institutional Capital	Share Instruments	Other equity instruments	General and special reserves	Fair value reserves	Other fair value reserves	Other reserves and retained earnings	Non-controlling interests
Balance on 1 January, 2013	1 634 970	1 295 000	-	15 000	254 095	(20 290)	18 321	65 887	6 957
Actuarial losses for the year (note 53)	(66 227)	-	-	-	-	-	-	(66 227)	-
Deferred taxes related to balance sheet changes accounted for reserves (note 33)	(4 778)	-	-	-	-	-	-	(4 778)	-
Changes in fair value (note 48)	33 436	-	-	-	-	33 436	-	-	-
Deferred taxes related to fair value changes (note 48)	(9 860)	-	-	-	-	(9 860)	-	-	-
Profit / (loss) for the year	(296 473)	-	-	-	-	-	-	(298 626)	2 153
Non-controlling interests (note 50)	2 359	-	-	-	-	-	-	-	2 359
Dividends from CEMG	(1 692)	-	-	-	-	-	-	(1 692)	-
Dividends from Finibanco Angola, S.A.	(434)	-	-	-	-	-	-	-	(434)
Other reserves	(41 470)	-	-	-	-	-	(33 140)	(8 330)	-
Increase in institutional capital (note 43)	205 000	205 000	-	-	-	-	-	-	-
Increases in capital by subscription of participation fund (note 44)	200 000	-	200 000	-	-	-	-	-	-
Costs related to the issue of perpetual subordinated Instruments	(761)	-	-	-	-	-	-	(761)	-
Perpetual subordinated instruments	(6 727)	-	-	(6 727)	-	-	-	-	-
Transfers of reserves:									
General reserve	-	-	-	-	1 597	-	-	(1 597)	-
Special reserve	-	-	-	-	113	-	-	(113)	-
Balance on 31 December, 2013	1 647 343	1 500 000	200 000	8 273	255 805	3 286	(14 819)	(316 237)	11 035
Actuarial losses for the year (note 53)	(82 054)	-	-	-	-	-	-	(82 054)	-
Deferred taxes related to balance sheet changes accounted for reserves (note 33)	(7 146)	-	-	-	-	-	-	(7 146)	-
Changes in fair value (note 48)	45 039	-	-	-	-	58 257	(13 218)	-	-
Deferred taxes related to fair value changes (note 48)	(14 241)	-	-	-	-	(14 241)	-	-	-
Profit / (loss) for the year	(185 377)	-	-	-	-	-	-	(186 953)	1 576
Non-controlling interests (note 50)	16 298	-	-	-	-	-	-	-	16 298
Dividends paid	-	-	-	-	-	-	-	-	-
Dividends from Finibanco Angola, S.A.	(2 469)	-	-	-	-	-	-	-	(2 469)
Other reserves	411	-	-	-	-	-	(749)	1 160	-
Acquisition of participation fund	(3 280)	-	(3 280)	-	-	-	-	-	-
Balance on 31 December, 2014	1 414 524	1 500 000	196 720	8 273	255 805	47 302	(28 786)	(591 230)	26 440

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income
for the year ended at 31 December, 2014

(Thousands of Euro)

			2014	
	Notes	**Total**	**Holders of institutional capital and participation fund**	**Non-controlling Interests**
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available-for-sale financial assets	48	58 257	58 257	-
Taxes	33 and 48	(14 241)	(14 241)	-
		44 016	44 016	-
Items that won't be reclassified into the Income Statement				
Actuarial losses for the year	53	(82 054)	(82 054)	-
Deferred taxes	33	(7 146)	(7 146)	-
		(89 200)	(89 200)	-
Profit / (loss) for the year		(185 377)	(186 953)	1 576
Total comprehensive income/(loss) for the year		(230 561)	(232 137)	1 576

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income
for the year ended at 31 December, 2013

(Thousands of Euro)

			2013	
	Notes	**Total**	**Holders of institutional capital and participation fund**	**Non-controlling Interests**
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available-for-sale financial assets	48	33 436	33 436	-
Taxes	33 and 48	(9 860)	(9 860)	-
		23 576	23 576	-
Items that won't be reclassified into the Income Statement				
Actuarial losses for the year	53	(66 227)	(66 227)	-
Deferred taxes	33	(4 778)	(4 778)	-
Costs related to the issue of perpetual subordinated instruments		(761)	(761)	-
		(71 766)	(71 766)	-
Profit / (loss) for the year		(296 473)	(298 626)	2 153
Total comprehensive income/(loss) for the year		(344 663)	(346 816)	2 153

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Notes to the Consolidated Financial Statements

31 December, 2014

1 Accounting policies

a) Basis of presentation

Caixa Económica Montepio Geral ("CEMG") is a credit institution held by Montepio Geral – Associação Mutualista, established on 24 March, 1844, and authorised to operate in accordance with Decree-Laws no. 298/92 of 31 December, and no. 136/79 of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. However, CEMG is authorised to carry out banking operations in addition to those mentioned in its by-laws, if previously authorised by the Bank of Portugal. This fact conducts to the practice of banking operations in general. The consolidated financial statements reflect the results of the operations of CEMG and all its subsidiaries (together referred to as the "Group") and the Group's interest in associates, for the years ended 31 December, 2014 and 2013.

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

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

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

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Counsel, of 19 July, 2002 and Regulation no. 1/2005 from the Bank of Portugal, Group's consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body. The consolidated financial statements presented herein were approved by the Executive Board of

Directors of CEMG on 25 March, 2015. The financial statements are presented in Euro rounded to the nearest thousand.

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

The financial statements for the year ended 31 December, 2014 have been prepared in accordance with the IFRS, established by the European Union and in use in the period.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January, 2014, as referred in note 59.

The accounting policies in this note were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period, being introduced the amendments from the adoption of the following standards: IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interest in Other Entities, with mandatory application on 1 January, 2014.

IFRS 10 – Consolidated Financial Statements

IFRS 10 revoked part of IAS 27- Separate Financial Statements and SIC 12 and introduced a new single model of control which determines when an investment should be consolidated. This new model is focus on whether the entity has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns (presumed control).

According with the transition rules defined on IFRS 10, the Group revaluated the control over its investments at 1 January, 2013, and no impacts were caused by this revaluation.

IFRS 11 - Joint Arrangements

IFRS 11 revoked IAS 31 and SIC 13 by defining “joint control”, with the introduction of the control model defined in IFRS 10 and requiring that an entity that is part of a “joint arrangement” to determine the nature of the joint arrangement in which is involved (“joint operation” or “joint venture”), evaluating its rights and obligations. IFRS 11 removes the option of proportional consolidation to jointly controlled entities. These entities that meet the definition of “joint ventures” must be account by using the equity method (IAS 28).

The changes introduced by the adoption of IFRS 11 did not had any impact on the measurement of assets and liabilities of the Group.

IFRS 12 - Disclosure of Interest in Other Entities

IFRS 12 includes the disclosure obligations for all forms of investments in other entities, including joint arrangements, associates, special vehicles and other vehicles that are off the balance sheet.

The financial statements are prepared under the historical cost convention, as modified by the application of fair-value for derivative financial instruments, financial assets and liabilities at fair-value through profit or loss (trading and fair-value option) and available for sale assets, except those for which a reliable measure of fair-value is not available. Financial assets and liabilities that are hedged under hedge accounting are stated at fair-value in respect of the risk that is being hedged, if applicable. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair-value less costs to sell.

The liability for defined benefit obligations is recognised as the present value of the defined benefit obligation net of the value of the fund.

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

As at 30 October, 2013, CEMG's Executive Board of Directors was informed by the Bank of Portugal, about the decision to promote a special audit, to be performed by an external entity, in order to assess the practices implemented by CEMG regarding credit risk's management, namely the credit recovery/restructuring practices, arising from situations regarding the use of overdrafts, and suitability of collaterals valuation processes.

Following this communication, in July 2014, the Bank of Portugal informed the CEMG's Executive Board of Directors that the audit referred above was going to start, with an estimate duration from 10 to 12 weeks. Additionally, CEMG was informed that the analysis for the scope of the work described above would comprise the period from January 2009 to December 2012.

At the date of the approval of the financial statements by the CEMG's Executive Board of Directors, all guidance, recommendations and determinations transmitted by the Bank of Portugal were properly reflected and included on the preparation of the financial statements for the year ended at 31 December, 2014.

b) Basis of Consolidation

As from 1 January, 2010, the Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in the accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

The consolidated financial statements now presented reflect the assets, liabilities, profits and losses of CEMG and its subsidiaries (Group), and the results attributable to the Group by its financial investments in associates firms.

Investment in subsidiaries

Subsidiaries

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

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

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

Investments in associates

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

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

- representation on the Executive Board of Directors or equivalent governing body of the investee;

- participation in policy-making processes, including participation in decisions about dividends or other distributions;

- material transactions between the Group and the investee;

- interchange of the management team;

- provision of essential technical information.

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

Goodwill – Differences arising from consolidation

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

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

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

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

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

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

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

Purchases and diluition of non-controlling interests

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

Loss of control

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

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

Investments in foreign subsidiaries and associates

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

Regarding the investments in foreign operations that are consolidated in the Group accounts under the full consolidation and equity methods, for exchange differences between the conversion to Euros of the opening net assets at the beginning of the year and their value in Euros at the exchange rate ruling at the balance sheet date for consolidated accounts are charged against consolidated reserves.

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

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

Transactions eliminated on consolidation

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

c) Loans and advances to customers

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

The derecognition of these assets occurs in the following situations: (i) the contractual rights of the Group have expired; or (ii) the Group transferred substantially all the associated risks and rewards.

Loans and advances to customers are initially recognised at fair-value plus any directly attributable transaction costs and fees and are subsequently measured at amortised cost using the effective interest method, less impairment losses.

Impairment

The Group's policy consists in a regular assessment of the existence of objective evidence of impairment in the loan portfolios. Impairment losses identified are charged against results and subsequently the charge is reversed, if there is a reduction of the estimated impairment loss, in a subsequent period.

After initial recognition, a loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, may be classified as impaired when there is objective evidence of impairment as a result of one or more events and when the loss event has an impact on the estimated future cash flows of the loan or of the loan portfolio that can be reliably estimated.

According to IAS 39, there are two basic methods of calculating impairment losses: *(i)* individually assessed loans; and *(ii)* collective assessment.

(i) Individually assessed loans

Impairment losses on individually assessed loans are determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Group assesses, at each balance sheet date, the existence of any objective evidence of impairment. In determining such impairment losses on individually assessed loans, the following factors are considered:

- Group's aggregate exposure to the customer and the existence of overdue loans;

- The viability of the customer's business and capability to generate sufficient cash flow to service their debt obligations in the future;

- The existence, nature and estimated value of the collaterals;

- A significant downgrading in the client rating;

- The assets available on liquidation or insolvency;

- The ranking of all creditor claims; and

- The amount and timing of expected receipts and recoveries.

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

Individual loans that are not identified as having an objective evidence of impairment are grouped on the basis of similar credit risk characteristics, and assessed collectively.

(ii) Collective assessment

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

- for homogeneous groups of loans that are not considered individually significant; or

- in respect of losses which have been incurred but have not yet been reported (“IBNR”) on loans for which no objective evidence of impairment is identified (see section *(i)*).

The collective impairment loss is determined considering the following factors:

- historical loss experience in portfolios of similar risk characteristics;

- knowledge of the current economic and credit conditions and its impact on the historical losses level; and

- the estimated period between a loss occurring and a loss being identified.

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

Loans which have been individually assessed and for which no evidence of impairment has been identified, are grouped together based on similar credit risk characteristics for calculating a collective impairment loss. This loss covers loans that are impaired at the balance sheet date but which will not be individually identified as such until sometime in the future.

In accordance with "Carta-Circular" no. 15/2009 of the Bank of Portugal, loans and advances to customers are charged-off when there are no realistic expectation, from an economic perspective, of recovering the loan amount. For collateralized loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals for the part of the loans which is collateralized is effectively received. This charge-off is carried out only for loans that are considered not to be recoverable and fully provided.

d) Financial instruments

(i) Classification, initial recognition and subsequent measurement

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

1a) Financial assets held for trading

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

The interest from debt instruments are recognised as interest margin.

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

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

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

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

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

- the assets and liabilities are managed, evaluated and reported internally at its fair-value;

- the designation eliminates or significantly reduces the accounting mismatch of the transactions; or

- the assets and liabilities include derivatives that significantly change the cash-flows of the original contracts (host contracts).

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

2) Financial assets available for sale

Financial assets available for sale held with the purpose of being maintained by the Group, namely bonds, treasury bills or shares, are classified as available for sale, except if they are classified in another category of financial assets. The financial assets available for sale are initially accounted at fair-value, including all expenses or income associated with the transactions and subsequently measured at fair-value. The changes in fair-value are accounted for against fair-value reserves until they are sold or an impairment loss exists. In the sale of the financial assets available for sale, the accumulated gains or losses recognised as fair-value reserves are recognised under Net gains / (losses) arising from available for sale financial assets. Interest income from debt instruments is recognised in Net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends are recognised in the income statement when the right to receive the dividends is attributed.

3) Investments held-to-maturity

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

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

4) Loans and receivables - Loans represented by securities

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

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

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

5) Other financial liabilities

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

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

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

(ii) Impairment

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

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

(iii) Embedded derivatives

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

e) Derivatives hedge accounting

(i) Hedge accounting

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

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

- at the inception of the hedge there is formal documentation of the hedge;

- the hedge is expected to be highly effective;

- the effectiveness of the hedge can be reliably measured;

- the hedge is valuable in a continuous basis and highly effective throughout the reporting period; and

- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

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

(ii) Fair-value hedge

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

(iii) Cash flow hedge

In a hedge relationship, the effective portion of changes in fair-value of derivatives that are designated and qualify as cash flow hedges are recognised in equity - cash flow hedge reserves. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis.

Therefore, the fair-value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

- Deferred over the residual period of the hedged instrument; or

- Recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair-value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

(iv) Hedge effectiveness

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

(v) Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in the income statement. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are included in the income statement on the disposal of the foreign operation as part of the gain or loss from the disposal.

f) Reclassifications between financial instruments categories

In October 2008, the IASB issued a change to IAS 39 – Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures). This change allowed an entity to transfer Financial assets from Financial assets at fair-value through profit and loss – trading to Financial assets available for sale, to Loans and Receivables - Loans represented by securities or to investments held-to-maturity, as long as the requirements described in the Standard are met, namely:

- if a financial asset, at the date of reclassification present the characteristics of a debt instrument for which there is no active market; or

- when there is some event that is uncommon and highly improbable that will occur again in the short term, that is, the event can be classified as a rare circumstance.

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

Transfers of financial assets recognised in the category of Financial assets available-for-sale to Loans and receivables - Loans represented by securities and to Financial assets held-to-maturity are allowed, in determined and specific circumstances.

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

g) Derecognition

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

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

h) Equity instruments

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

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

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

i) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

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

(ii) Repurchase agreements

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

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

j) Non-current assets held for sale and discontinued operations

Non-current assets, groups of non-current assets held for sale (groups of assets together and related liabilities that include at least a non-current asset) and discontinued operations are classified as held for sale when there is an intention to sell the referred assets and liabilities and when the referred assets are available for immediate sale and its sale is highly probable.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair-value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short term, are consolidated until the disposal.

The Group also classifies as non-current assets held for sale, the investments arising from recovered loans that are measured initially by the lower of its fair-value net of selling costs and the loan's carrying amount on the date that the recovery occurs or the judicial decision is formalised.

The fair-value is determined based on the expected selling price estimated through periodic valuations performed by the Group.

The subsequent accounting of these assets is determined based on the lower of the carrying amount and the corresponding fair-value net of selling costs. In case of unrealised losses, these should be recognised as impairment losses against results.

k) Finance lease transactions

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

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

l) Interest income and expense

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

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

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

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

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

- Interest income for overdue loans with collaterals are accounted for as income up to the limit of the valuation of the collateral valued on a prudent basis. This income is registered against results in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and

- The interests accrued and not paid for overdue loans for more than 90 days that are not covered by collaterals are written-off and are recognised only when they are received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

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

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

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

n) Fee and commission income

Fees and commissions are recognised according to the following criteria:

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

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

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

o) Fiduciary activities

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

p) Property and equipment

Property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Group. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

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

	Number of years
Premises	50
Expenditure on freehold and leasehold buildings	10
Other fixed assets	4 to 10

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount.

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

The impairment losses of the fixed tangible assets are recognised in profit and loss.

q) Investment property

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

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

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

r) Intangible Assets

Software

The Group accounts as intangible assets the costs associated to software acquired from external entities and depreciates them on a straight line basis by an estimated lifetime of three or six years. The Group does not capitalise internal costs arising from software development.

s) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, including cash and deposits with banks.

Cash and cash equivalents exclude restricted balances with Central Banks.

t) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

u) Foreign currency transactions

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

v) Employee benefits

Pensions

Arising from the signing of the "Acordo Colectivo de Trabalho" (ACT) and subsequent amendments resulting from the 3 tripartite agreements as described in note 53, CEMG and other Group entities set up pension funds and other mechanisms to cover the liabilities with pensions on retirement and disability, widows' pension, health-care benefits and death subsidy.

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

The pension plans of the Group are classified as defined benefit plans, since the criteria to determine the pension benefit to be received by employees on retirement are predefined and usually depend on factors such as age, years of service and level of salary.

The liability with pensions is calculated annually by the Group, as at 31 December for each plan individually, using the projected unit credit method, and is reviewed annually by qualified independent actuaries. The discount rate used in this calculation is determined based on market rates of emissions associated with high quality corporate bonds, denominated in the currency in which benefits will be paid and with a similar maturity to the date of termination of the plan.

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

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

The Group recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income / cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurred during the period. The net income / cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of 65.

The Group makes payments to the funds in order to maintain its solvency and to comply with the following minimum levels: (i) the liability with pensioners shall be totally funded at the end of each year, and (ii) the liability related to past services cost with employees in service shall be funded at a minimum level of 95%.

Annually, the Group assesses for each plan separately, the recoverability of any recognised asset in relation to the defined benefit pension plans, based on the expectation of reductions in future contributions to the funds.

Health care benefits

The Group provides to its banking employees health care benefits through a specific Social-Medical Assistance Service. This Social-Medical Assistance Service (SAMS) is an autonomous entity which is managed by the respective Union.

SAMS provides to its beneficiaries services and/or contributions on medical assistance expenses, diagnostics, medicines, hospital confinement and surgical operations, in accordance with its financing availability and internal regulations.

The annual contribution of the Group to SAMS amounts to 6.50% of the total annual remuneration of employees, including, among others, the holiday and Christmas subsidy.

The measurement and recognition of the Group’s liability with post-retirement healthcare benefits is similar to the measurement and recognition of the pension liability described above. These benefits are covered by the Pension Fund which at present covers all responsibilities with pensions and health care benefits.

Long-term service benefits

In accordance with the ACT "Acordo Colectivo de Trabalho" for the banking sector, the Group has assumed the commitment to pay to current employees that achieve 15, 25 and 30 years of service within the Group, long-term service premiums corresponding, respectively, to 1, 2 and 3 months of their effective monthly remuneration earned at the date the premiums are paid.

At the date of early retirement or disability, employees have the right to a premium proportional to what they would earn if they remained in service until the next payment date.

These long-term service benefits are accounted for by the Group in accordance with IAS 19 as other long-term employee benefits.

The liability with long-term service benefits is calculated annually, at the balance sheet date, by the Group using the projected unit credit method. The actuarial assumptions used are based on the expectations about future salary increases and mortality tables. The discount rate used in this calculation was determined based on the same methodology described for pensions.

In each period the increase in the liability for long-term service premiums, including actuarial gains and losses and past service costs is charged to the income statement.

Bonus to employees and to the Executive Board of Directors

In accordance with IAS 19 Employee benefits, the bonus payment to employees and to the Executive Board of Directors is recognised in the income statement in the period to which they relate.

w) Income taxes

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

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

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

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

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

x) Segmental reporting

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

The Group controls its activity through the following main operating segments: (i) Portugal: Retail Banking, Corporate Banking and Others segments, and (ii) International Area (Angola, Cabo Verde and Mozambique).

y) Provisions

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

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

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

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

z) Insurance and reinsurance brokerage services

The CEMG is duly authorized by the Portuguese Insurance Institute (Instituto de Seguros de Portugal) to provide insurance brokerage services, in the Insurance Brokerage Services area, in accordance with the article 8, paragraph a), subparagraph i) of Decree-Law 144/2006 of July 31, operating in the life and non life insurance brokerage areas.

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

Commission received for insurance brokerage services refer to:

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

- Commission for participation in the results of insurance, which are calculated annually and paid by the insurer in the beginning of the year following that to which they refer (up to January 31).

Commission received for insurance brokerage services are recognised in an accruals basis. Fees paid in a different period from that to which it relates are recorded as a receivable in the caption “Other assets” by corresponding entry to “Income from services and commissions - for insurance brokerage services”.

The Group does not collect insurance premiums on behalf of Insurers, nor receives or pay funds relating to insurance contracts. Thus, there are no other assets, liabilities, income or expenses to be recognised relating to the insurance brokerage services rendered by the Group, other than those already disclosed.

aa) Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments and require the Executive Board of Directors and management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects the Group reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Executive Board of Directors, the Group reported results would differ if a different treatment was chosen. The Executive Board of Directors believes that the choices made are appropriate and that the financial statements present the Group‘s financial position and results fairly in all material aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairment of available for-sale financial assets

The Group determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decrease in the fair-value below its acquisition cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the volatility in the prices of the financial assets. According to the Group's policies, 30% depreciation in the fair-value of an equity instrument is considered a significant devaluation and the 1 year period is assumed to be a prolonged decrease in the fair-value below the acquisition cost.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair-value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the consolidated income statement of the Group.

Impairment losses on loans and advances to customers

The Group reviews its loan portfolios to assess impairment losses on a regularly basis, as described in the accounting policy described in note 1 c).

The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgments. The probability of default, risk ratings, value of associated collaterals recovery rates and the estimation of both the amount and timing of future cash flows, among other things, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the consolidated income statement of the Group.

Fair-value of derivatives

Fair-values are based on listed market prices if available, otherwise fair-value is determined either by dealer price quotations (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their values.

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

Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

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

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

Entities included in the consolidation perimeter

For the purposes of determining entities to include in the consolidation perimeter, the Group assess whether it assumes the control of its activities, is exposed to, or has rights to, the variable returns from its involvement with the entity (de facto control).

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

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

Income taxes

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

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

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

Pension and other employees benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, liquid rates, and other factors that could impact the cost and liability of the pension plan.

Changes in these assumptions could materially affect these values.

Goodwill impairment

The goodwill recoverable amount recognised as a Group's asset, is revised annually regardless the existence of impairment losses.

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

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

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

IFRS requires a separate disclosure of net interest income and net gains arising from financial assets and financial liabilities at fair-value through profit or loss and available-for-sale financial assets activities, as presented in notes 3, 6 and 7. A particular business activity can generate impact in net interest income and net gains arising from trading, hedging and available-for-sale activities. This required disclosure, however, does not take into account that net gains arising from assets and liabilities at fair-value through profit or loss, available-for-sale financial assets and interest and similar income activities are generated by a range of different business activities. In many cases, a particular business activity can generate both net interest and trading income.

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Net interest income	336 506	225 247
Net gains arising from assets and liabilities at fair value through profit and loss	4 204	(27 986)
Net gains arising from available-for-sale financial assets	374 386	44 025
	715 096	241 286

3 Net interest income

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Interest and similar income:		
Interest from loans to customers	597 813	521 285
Interest from deposits and other investments	4 504	2 095
Interest from available-for-sale financial assets	180 627	155 190
Interest from held for trading financial assets	104 098	109 747
Interest from financial assets at fair value through profit and loss	50	166
Interest from held-to-maturity financial assets	10 204	1 629
Interest from hedging derivatives	606	833
Other interest and similar income	15 808	25 085
	913 710	816 030
Interest and similar expense:		
Interest from deposits of customers	316 303	337 444
Interest from loans of Central Banks and other financial institutions	13 823	27 716
Interest from securities issued	87 161	106 077
Interest from subordinated liabilities	7 142	6 332
Interest from financial liabilities associated with transfered assets	43 045	1 370
Interest from held for trading financial liabilities	104 920	106 746
Interest from hedging derivatives	1 183	1 290
Other interest and similar expense	3 627	3 808
	577 204	590 783
Net interest income	336 506	225 247

The balances Interest from loans to customers and Other interest and similar expenses include the positive amount of Euro 558 thousand and the negative amount of Euro 1,204 thousands (2013: the positive amount of Euro 449 thousand and the negative amount of Euro 1,386 thousands), respectively, related to commissions and other gains / losses which are accounted for under the effective interest rate method, as referred in the accounting policy, note 1 l).

The balance Interest and similar expense – Interest from deposits of customers includes the negative amount of Euro 5,346 thousands regarding the accounting of interest on term deposits, with increasing interest rates (2013: Euro 5,730 thousands).

4 Dividends from equity instruments

The balance includes dividends and income from investment fund units received during the year.

5 Net fee and commission income

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Fee and commission income:		
From banking services	92 580	103 473
From transactions order by third parties	22 312	20 616
From commitments to third parties	8 532	9 471
From insurance activity	11 731	8 373
Other fee and commission income	553	1 753
	135 708	143 686
Fee and commission expense:		
From banking services rendered by third parties	20 540	23 122
From transactions with securities	584	575
Other fee and commission expense	5 018	5 355
	26 142	29 052
Net fee and commission income	109 566	114 634

As at 31 December, 2014 and 2013, commission received on insurance brokerage services or reinsurance are presented as follows:

(Thousands of Euro)

	2014	2013
Life insurance:		
Mortgage	1 731	1 754
Consumer	1 266	808
Other	5 493	2 699
	8 490	5 261
Non-life insurance:		
Mortgage	1 924	2 070
Consumer	138	111
Other	1 179	931
	3 241	3 112
	11 731	8 373

6 Net gains/ (losses) arising from financial assets and liabilities at fair-value through profit or loss

The amount of this account is comprised of:

(Thousands of Euro)

	2014			2013		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed income securities						
Issued by public entities	1 824	(1 333)	491	64	-	64
Issued by other entities	242	(166)	76	130	(94)	36
Shares	29 007	(29 086)	(79)	7 883	(6 180)	1 703
Investment units	5 622	(5 505)	117	887	(932)	(45)
	36 695	(36 090)	605	8 964	(7 206)	1 758
Derivative financial instruments						
Exchange rate contracts	74 643	(73 206)	1 437	100 903	(100 793)	110
Interest rate contracts	231 928	(228 147)	3 781	417 027	(419 787)	(2 760)
Credit default contracts (CDS)	253	(224)	29	656	(311)	345
Futures contracts	3 381	(5 322)	(1 941)	10 673	(10 043)	630
Options contracts	13 340	(13 736)	(396)	14 772	(15 039)	(267)
Others	34 400	(34 299)	101	485	(462)	23
	357 945	(354 934)	3 011	544 516	(546 435)	(1 919)
Loans and other receivables						
Loans to customers	401	(337)	64	629	(1 316)	(687)
Others	5 309	(47)	5 262	-	(3 073)	(3 073)
	5 710	(384)	5 326	629	(4 389)	(3 760)
Other financial assets at fair value through profit or loss						
Bonds and other fixed income securities issued by other entities	1 216	(275)	941	1 237	(150)	1 087
	1 216	(275)	941	1 237	(150)	1 087
Hedging derivatives						
Interest rate contracts	2 684	(2 603)	81	8 827	(8 195)	632
	2 684	(2 603)	81	8 827	(8 195)	632
Financial liabilities						
Deposits from other credit institutions	281	(2 342)	(2 061)	1 323	(9 610)	(8 287)
Deposits from customers	5 872	(529)	5 343	10 991	(823)	10 168
Debt securities issued	1 265	(5 413)	(4 148)	3 093	(27 116)	(24 023)
Other subordinated liabilities	-	(3 014)	(3 014)	1 301	(5 085)	(3 784)
	7 418	(11 298)	(3 880)	16 708	(42 634)	(25 926)
Other financial operations						
Loans to customers	-	(1 085)	(1 085)	-	(1 085)	(1 085)
Other	206	(1 001)	(795)	1 227	-	1 227
	206	(2 086)	(1 880)	1 227	(1 085)	142
	411 874	(407 670)	4 204	582 108	(610 094)	(27 986)

The balance Financial liabilities, includes fair-value changes related with changes in the own credit risk (spread) of operations, as described in notes 36, 37, 38 and 41.

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

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

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

The amount of this account is comprised of:

(Thousands of Euro)

	2014			2013		
	Gains	Losses	Total	Gains	Losses	Total
Fixed income securities						
Bonds						
Issued by public entities	364 506	875	363 631	44 389	952	43 437
Issued by other entities	1 975	3 300	(1 325)	8 739	5 508	3 231
Shares	1 418	386	1 032	1 177	621	556
Other variable income securities	14 450	3 402	11 048	5 967	9 166	(3 199)
	382 349	7 963	374 386	60 272	16 247	44 025

The balance Fixed income securities – Bonds – Issued by other entities includes the amount of Euro 363,735 thousands (2013: Euro 43,437 thousands), related with the sale of treasury bonds of Portuguese domestic debt.

As at 31 December 2013 the balance Shares includes the amount of Euro 146 thousands related to the sale of shares of Futuro – Sociedade Gestora de Fundos de Pensões, S.A. to Montepio Seguros, S.G.P.S., S.A., as described in notes 9 and 28.

8 Net gains/ (losses) from foreign exchange differences

The amount of this account is comprised of:

(Thousands of Euro)

	2014			2013		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	176 081	159 065	17 016	53 958	33 735	20 223

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

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

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Sale of investments in associates	19 000	32 187
Sale of other assets	(667)	(3 887)
Sale of real estate properties	(22 595)	(3 431)
Sale of loans and advances to customers	(37 712)	10 610
	(41 974)	35 479

As at 31 December 2014, the balance Sale of loans and advances to customers includes the gain on the sale of loans to customers which were in default. The global amount of loans sold amounted to Euro 398,100 thousands, as described in note 22.

Additionally, as at 31 December 2013, the balance Sale of loans and advances to customers includes the gain on the sale of loans to customers which were recorded off balance sheet. The total amount of loans sold amounted to Euro 157,013 thousands, as described in note 22.

As at 31 December 2014, the balance Sale of investments in associates refers to the gain related with to the disposal of Nutre S.G.P.S, S.A., as described in notes 7 and 28.

Additionally, as at 31 December 2013, the balance Sale of investments in associates refers to the disposal of Lusitânia, Companhia de Seguros, S.A. and Lusitânia Vida, Companhia de Seguros, S.A., as described in note 28.

The balance Sale of real estate properties is related to the net gains/(losses) from non-current assets held for sale.

10 Other operating income

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Other operating income:		
Profits arising from deposits on demand management	8 667	13 279
Reimbursement of expenses	8 052	7 834
Income from services	6 938	6 630
Staff transfer	6 129	6 169
Repurchase of own securities	980	2 356
Other	35 907	27 561
	66 673	63 829
Other operating expense:		
Indirect taxes	14 905	15 261
Deposit Guarantee Fund	3 117	3 225
Specific contribution for the Resolution Fund	1 850	2 345
Donations and membership	980	585
Other	61 636	76 893
	82 488	98 309
Other net operating income	(15 815)	(34 480)

As at 31 December 2014 and 2013, the balance Other operating income – Staff transfer refers to the staff transfers carried out by the Group to Montepio Geral Associação Mutualista.

As at 31 December 2014 and 2013, the balance Repurchase of own securities is calculated in accordance with accounting policy described in note 1 d) and refer to the re-acquisition of Euro Medium Term Notes.

The caption Specific contribution for the banking Sector is estimated according to the terms of the Decree-Law 55-A/2010. The determination of the amount payable focuses on: (i) the annual average liability developed in balance deducted from core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund; and (ii) the notional amount of derivative financial instruments. As at 31 December 2014, the Group recognised as expense for the year the amount of Euro 7,778 thousands (2013: Euro 5,133 thousands), included in the balance Other operating expenses – Indirect Taxes.

Additionally, as at 31 December 2014, the balance Other operating expenses – Indirect taxes includes the amount of Euro 577 thousands (2013: Euro 5,294 thousands), regarding the payment of Municipal Tax on Property (‘IMT’).

11 Staff costs

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Remunerations	141 887	143 567
Mandatory social security charges	37 379	38 145
Charges with the pensions fund	8 569	4 685
Other staff costs	6 318	10 437
	194 153	196 834

As at 31 December 2014, the caption Charges with the pensions fund includes the amount of Euro 1,076 thousands (2013: Euro 690 thousands) related to the impact of early retirements.

According with IAS 19, it is a negative past service cost that occurs when there are changes in the benefit plan, which constitutes a reduction on the responsibilities' actual value of provided services. In this extent, and according to note 53, the Group recorded the related impact on the income statement.

The costs with salaries and other benefits attributed to the Group key management personnel in 2014 are presented as follows:

(Thousands of Euro)

	Board of Director's	Other key management personnel	Total
Salaries and other short-term benefits	2 971	7 528	10 499
Pension costs and health-care benefits (SAMS)	20	206	226
Bonus	262	166	428
Total	3 253	7 900	11 153

The costs with salaries and other benefits attributed to the Group key management personnel in 2013 are presented as follows:

(Thousands of Euro)

	Board of Director's	Other key management personnel	Total
Salaries and other short-term benefits	2 033	5 869	7 902
Pension costs and health-care benefits (SAMS)	29	223	252
Bonus	138	202	340
Total	2 200	6 294	8 494

It is our understanding that the Other key management personnel are the top directors of the Group.

As at 31 December, 2014 and 2013, loans granted by the Group to its key management personnel, amounted to Euro 4,779 thousands and Euro 4,839 thousands, respectively.

The average number of employees by professional category at service in the Group during 2014 and 2013 is analysed as follows:

	2014	2013
Management	250	238
Managerial staff	803	779
Technical staff	1 335	1 215
Specific categories	180	186
Administrative staff	1 770	1 726
Staff	83	85
	4 421	4 229

12 General and administrative expenses

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Rental costs	29 528	29 989
Specialised services:		
IT services	9 913	9 474
Independent work	2 760	6 194
Other specialised services	35 636	19 039
Advertising costs	9 059	5 248
Communication costs	10 385	10 199
Maintenance and related services	5 991	5 544
Water, energy and fuel	5 488	6 274
Transportation	3 144	3 271
Insurance	2 841	2 993
Travel, hotel and representation costs	2 651	2 196
Consumables	1 925	2 110
Other supplies and services	773	7 101
Training costs	400	295
	120 494	109 927

The balance Rental costs, includes the amount of Euro 26,199 thousands (2013: Euro 25,211 thousands) related to rents paid regarding buildings used by the Group as lessee.

13 Depreciation and amortisation

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Intangible assets:		
Software	13 399	13 615
Other tangible assets:		
Land and buildings	4 291	6 300
Equipment:		
Computer equipment	5 212	6 537
Interior installations	1 653	1 671
Office equipment	1 010	970
Security equipment	553	1 420
Motor vehicles	529	92
Furniture	92	96
Operational lease	212	2 479
Other tangible assets	126	172
	13 678	19 737
	27 077	33 352

14 Loans impairment

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Other loans and advances to credit instituitions:		
Charge for the year	265	1 625
Write-back for the year	(762)	(840)
	(497)	785
Loans and advances to customers:		
Charge for the year net of reversals	537 637	307 064
Recovery of loans and interest charged-off	(12 561)	(9 015)
	525 076	298 049
	524 579	298 834

The caption Loans and advances to customers relates to the estimate of the incurred losses determined according with the methodology for a regular evaluation of objective evidence of impairment, as described in note 1 c).

15 Other financial assets impairment

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Impairment for available for sale financial assets		
Charge for the year	78 400	68 881
Write-back for the year	(16 752)	(34 859)
	61 648	34 022

As at 31 December 2014, the balance impairment for available for sale financial assets – charge for the year includes the amount of Euro 219 thousands (2013: Euro 6,153 thousands) that corresponds to the impairment recognised for investments units in a Fund specialized in the recovery of loans, acquired under the sale of loans and advances to customers, as referred in notes 22, 25 and 61.

As at 31 de December 2014, this balance includes the amount of Euro 419 thousands (2013: reversal of Euro 2,842 thousands) that corresponds to the impairment recognised for sovereign debt of Greece, as referred in notes 25 and 60.

16 Other assets impairment

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Impairment for non-current assets held for sale:		
Charge for the year	62 189	71 885
Write-back for the year	(19 847)	(9 787)
	42 342	62 098
Impairment for other assets:		
Charge for the year	7 503	1 654
Write-back for the year	(3 554)	(2 470)
	3 949	(816)
	46 291	61 282

17 Other provisions

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Provision for other liabilities and charges:		
Charge for the year	17 061	3 444
Write-back for the year	(3 836)	(248)
	13 225	3 196

18 Share of profit of associates under the equity method

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

(Thousands of Euro)

	2014	2013
Lusitania Vida, Companhia de Seguros, S.A.	-	1 506
Montepio Seguros, S.G.P.S., S.A.	(5 278)	(7 926)
Lusitania, Companhia de Seguros, S.A.	-	(4 354)
Nutre S.G.P.S., S.A.	-	(1 931)
Iberpartners Cafés, S.G.P.S., S.A.	93	23
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	(38)	-
	(5 223)	(12 682)

19 Cash and deposits at central banks

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Cash	189 348	180 217
Deposits at central banks		
Bank of Portugal	31 079	87 459
Other central banks	64 386	46 583
	284 813	314 259

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

As at December 2014, these deposits at Bank of Portugal presented an average interest rate of 0.05% (2013: 0.25%).The Other deposits at central banks are non-interest-bearing deposits.

20 Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Credit institutions in Portugal	160 244	183 356
Credit institutions abroad	18 812	15 302
Amounts due for collection	37 987	35 127
	217 043	233 785

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

21 Other loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Loans and advances to credit institutions in Portugal		
Deposits	1 076	1 135
Loans	48	-
Short-term investments	96 473	14 865
Other loans and advances	10 126	4 002
	107 723	20 002
Loans and advances to credit institutions abroad		
Deposits	19 653	9 990
Loans	1 284	-
Repos	15 621	-
Short-term investments	286 883	186 615
Subordinated investments	271	-
Other loans and advances	115 040	114 266
	438 752	310 871
	546 475	330 873
Impairment for loans and advances to credit institutions	(313)	(810)
	546 162	330 063

The main loans and advances to credit institutions in Portugal, as at 31 December 2014, bear interest at an average annual interest rate of 0.08% (2013: 0.35%).

Loans and advances to banks abroad bear interest at international market rates where the Group operates.

In operations of financial derivative instruments with institutional counterparties, and as defined in the respective contracts, the Group holds an amount of Euro 103,263 thousands (2013: Euro 113,870 thousands) related to deposits in credit institutions given as has collateral for the referred operations.

The balance Other loans and advances to credit institutions, by maturity, is analysed as follows:

(Thousands of Euro)

	2014	2013
Due within 3 months	496 496	320 719
3 to 6 months	28 130	-
6 months to 1 year	42	-
1 to 5 years	12 720	-
Over 5 years	8 037	10 046
Undetermined	1 050	108
	546 475	330 873

The changes in impairment for loans and advances to credit institutions, are analysed as follows:

(Thousands of Euro)

	2014	2013
Balance on 1 January	810	25
Charge for the year	265	1 625
Write-back for the year	(762)	(840)
Balance on 31 December	313	810

22 Loans and advances to customers

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Domestic loans		
Corporate		
Loans	2 635 216	2 419 920
Commercial lines of credits	1 072 130	1 296 183
Loans represented by securities	627 348	596 275
Finance leases	487 088	374 122
Discounted bills	111 241	112 777
Factoring	87 998	76 554
Overdrafts	68 131	55 754
Other loans	1 099 673	1 055 583
Retail		
Mortgage loans	7 763 579	8 281 270
Finance leases	75 312	64 624
Consumer and other loans	1 108 171	1 104 246
	15 135 887	15 437 308
Foreign loans		
Corporate	282 834	109 887
Retail	40 764	55 306
	15 459 485	15 602 501
Correction value of assets subject to hedge operations		
Other credits	4 113	5 135
Overdue loans and interest		
Less than 90 days	134 300	121 666
More than 90 days	1 014 197	877 365
	1 148 497	999 031
	16 612 095	16 606 667
Impairment for credit risks	(1 385 872)	(1 051 526)
	15 226 223	15 555 141

As at 31 December 2014, the balance Loans and advances to customers includes the amount of Euro 2,711,971 thousands (2013: Euro 2,716,829 thousands) related to the issue of covered bonds held by the Group.

As at December 2014, CEMG's Executive Board of Directors decided to sell a portfolio of credits on default to SilverEquation, Unipessoal, Lda, S.A. ("SilverEquation"). This sale implied the transfer of all risks and rewards related to the portfolio, including the right over the guarantees given as collateral of loans/credits. Considering the nature of this operation the Executive Board of Directors analysed this transaction and its accounting impacts, considering the derecognition requirements in IAS 39 – Financial Instruments: Recognition and Measurement, particularly the ones expressed on paragraphs AG 36 and following, of this standard. This analysis was performed in order to verify the followings aspects:

- Transference in full of the rights to the asset's future cash-flows;

- Existence or not of price adjustment ("contingent price");

- Existence or not of rights on credits returns;

- Verification of the transferee's autonomy (autopilot); and

- Eventual control or influence by CEMG over SilverEquation.

Considering the characteristics of the contract celebrated between CEMG and SilverEquation, the Executive Board of Directors concluded that by selling the credits, CEMG eliminated its exposure to the variability of the amounts and timing of the cash-flows associated to the credit portfolio. On that basis, the Executive Board of Directors concluded that all the risks and rewards related to the respective credit portfolio were transferred, and therefore credits in the amount of Euro 398,100 thousands were derecognised from the financial statement position generating a gain of Euro 37,712 thousands recorded in the income statement, in accordance with note 9.

As referred in notes 15, 25 and 61, the Group performed a set of sales of Loans and advances to customers for a Fund specialized in the recovery of loans. The global total amount of loans sold amounted to Euro 71,207 thousands (2013: Euro 54,444 thousands).

As at 31 December 2013, the Group reclassified the commercial paper portfolio from financial assets available for sale to loans and advances to customers, in the amount of Euro 596,275 thousands and impairment in the amount of Euro 21,029 thousands, as described in note 25.

During 2013, the CEMG performed a sale of loans and advances to customers, which were recorded off balance sheet. The total amount of loans sold amounted to Euro 157,013 thousands, which led to an outcome of Euro 10,610 thousands, as referred in note 9.

The Group realized operations conducted under the Programme for the issuance of CEMG Covered Bonds:

– May 2013: Issue of Euro 500,000 thousands; term: 4 years; and interest rate: Euribor 3M + 0.75%;

– July 2012: Refund of Euro 655,000 thousands;

– June 2012: Cancellation of Euro 53,300 thousands, with a score of Euro 1,857 thousands;

– November 2011: Issue of Euro 300,000 thousands; term: 5 years; an interest rate: Euribor 3M + 0.75%;

– October 2011: Cancellation of Euro 291,700 thousands, with a score of Euro 17,750 thousands.

– September 2011: Issue of Euro 550,000 thousands; term: 5 years; and interest rate: Euribor 3M + 0.75%;

– November 2010: Issue of Euro 500,000 thousands; term: 5 years; an interest rate: Euribor 3M + 2.5%;

– December 2009: Issue of Euro 150,000 thousands; term: 7 years; an interest rate: Euribor 3M + 0.75%; and

– July 2009: Issue of Euro 1,000,000 thousands; term: 3 years; an interest rate: 3.25%.

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

Securitization operations performed by the Group are related to mortgages credits, consumer credit, leasings and loans to firms realized through special purpose entities (SPE's). As referred in accounting policy described in note 1 b), the SPE's are consolidated by full method when the substance of the relation with the entities show that the Group has control over his activities. As at 31 December 2014, the value of loans and advances to customers (net of impairment), includes the amount of Euro 191,970 thousands (2013: Euro 214,474 thousands) related to securitisation transactions where, in accordance with the accounting policy described in note 1 b), are subject of consolidation in the Group under the full method (note 56).

As at 31 December 2014, the balance Loans and advances to customers includes the amount of Euro 3,219,099 thousands (2013: Euro 3,451,627 thousands) related with loans object of securitization that, in accordance with note 1 g), were not subject of derecogniton.

In the balance Correction value of assets subject to hedge operations is accounted the fair-value of portfolio that is hedge. The valuation is accounted for in the income statement, in accordance with note 1 e). The Group evaluates on an ongoing basis the effectiveness of the existing hedge operations.
The fair-value of the portfolio of loans to customers is presented in note 52.
Loans and advances to customers include mostly variable interest rate contracts.
The analysis of Loans and advances to customers, by maturity date and type of credit as at 31 December 2014, is as follows:

(Thousands of Euro)

	Loans and advances to costumers				
	Due within 1 year	**1 year to 5 years**	**Over 5 years**	**Undetermined**	**Total**
Asset - backed loans	473 687	1 168 163	9 781 530	633 646	12 057 026
Other guarantee loans	684 273	74 941	640 545	298 141	1 697 900
Finance leases loans	18 352	218 190	325 858	49 759	612 159
Commercial Paper	626 359	-	-	-	626 359
Other loans	763 183	255 572	432 945	166 951	1 618 651
	2 565 854	1 716 866	11 180 878	1 148 497	16 612 095

The analysis of Loans and advances to customers, by maturity date and type of credit as at 31 December 2013, is as follows:

(Thousands of Euro)

	Loans and advances to costumers				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Asset - backed loans	477 060	1 417 912	10 046 372	500 663	12 442 007
Other guarantee loans	777 150	271 574	368 876	255 474	1 673 074
Finance leases loans	2 123	147 216	289 407	44 917	483 663
Commercial Paper	603 235	-	-	-	603 235
Other loans	482 661	302 479	421 571	197 977	1 404 688
	2 342 229	2 139 181	11 126 226	999 031	16 606 667

The balance Financial leases, by maturity as at 31 December 2014, is analysed as follows:

(Thousands of Euro)

	Finance leases			
	Due within 1 year	1 year to 5 years	Over 5 years	Total
Outstanding rents	90 000	271 761	191 130	552 891
Outstanding interest	(17 645)	(43 151)	(34 619)	(95 415)
Residual Values	12 104	50 125	42 695	104 924
	84 459	278 735	199 206	562 400

The balance Financial leases, by maturity as at 31 December 2013, is analysed as follows:

(Thousands of Euro)

	Finance leases			
	Due within 1 year	1 year to 5 years	Over 5 years	Total
Outstanding rents	68 781	220 697	204 382	493 860
Outstanding interest	(15 194)	(56 184)	(52 399)	(123 777)
Residual Values	7 825	19 688	41 150	68 663
	61 412	184 201	193 133	438 746

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

(Thousands of Euro)

	2014	2013
Asset-backed loans	633 646	500 663
Other guarantee loans	298 141	255 474
Finance leases loans	49 759	44 917
Other loans	166 951	197 977
	1 148 497	999 031

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

(Thousands of Euro)

	2014	2013
Corporate		
Construction / Production	267 505	224 435
Investment	276 859	199 332
Treasury	353 667	306 764
Other loans	27 726	7 198
Retail		
Mortgage loans	69 354	111 223
Consumer credit	45 457	56 420
Other loans	53 181	54 001
Public sector	456	90
Other segments	54 292	39 568
	1 148 497	999 031

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

(Thousands of Euro)

	2014	2013
Balance on 1 January	1 051 526	922 284
Charge for the year net of reversals	537 637	307 064
Loans charged-off	(362 292)	(315 552)
Transfers	159 001	137 730
Balance on 31 December	1 385 872	1 051 526

In accordance with the Group’s policy, interest on overdue loans for a period over 90 days not covered by asset-backed guarantees, is only recorded as income when received.

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

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

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

(Thousands of Euro)

	2014	2013
Asset-backed loans	795 564	683 946
Other guaranteed loans	350 715	237 289
Unsecured loans	239 593	130 291
	1 385 872	1 051 526

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

(Thousands of Euro)

	2014	2013
Asset-backed loans	272 584	32 460
Other guaranteed loans	26 271	125 739
Unsecured loans	63 437	157 353
	362 292	315 552

The recovered loans and overdue interest, performed during 2014 and 2013, includes the amount of Euro 12,561 thousands and Euro 9,015 thousands, respectively, related with the recovery of asset-backed loans, as referred in note 14.

As at 31 December 2014 and 2013, the impairment detail according to note 1 c) in the accounting policies, is as follows:

(Thousands of Euro)

	2014						
	Impairment on an individual basis		Impairment on a portfolio basis		Total		
	Loan Value	Impairment	Loan Value	Impairment	Loan Value	Impairment	Loans net of impairment
Corporate loans	5 375 331	848 851	2 985 454	326 952	8 360 785	1 175 803	7 184 982
Loans to customers - Mortgages	19 095	2 407	7 812 919	100 797	7 832 014	103 204	7 728 810
Loans to customers - Others	91 428	18 734	862 215	88 131	953 643	106 865	846 778
	5 485 854	869 992	11 660 588	515 880	17 146 442	1 385 872	15 760 570

(Thousands of Euro)

	2013						
	Impairment on an individual basis		Impairment on a portfolio basis		Total		
	Loan Value	Impairment	Loan Value	Impairment	Loan Value	Impairment	Loans net of impairment
Corporate loans	5 039 348	496 160	2 805 125	292 474	7 844 473	788 634	7 055 839
Loans to customers - Mortgages	8 128	772	8 265 727	166 597	8 273 855	167 369	8 106 486
Loans to customers - Others	74 272	5 739	892 743	89 784	967 015	95 523	871 492
	5 121 748	502 671	11 963 595	548 855	17 085 343	1 051 526	16 033 817

The Group's credit portfolio, which includes loans to customers, that also have the guarantees and commitments granted to third parties, splitted between impaired credit and not impaired credit, is analysed as follows:

(Thousands of Euro)

	2014	2013
Total of loans	17 146 442	17 085 343
Individually significant		
Gross amount	5 485 854	5 121 748
Impairment	(869 992)	(502 671)
Net amount	4 615 862	4 619 077
Collective analysis		
Loans with impairment triggers		
Gross amount	2 165 706	2 517 444
Impairment	(485 922)	(536 755)
Net amount	1 679 784	1 980 689
Loans and advances to customers without impairment	9 494 882	9 446 151
Impairment (IBNR)	(29 958)	(12 100)
Loans net of impairment	15 760 570	16 033 817

The balance Total of loans includes direct loans to customers and indirect loans, accounted in the balance Guarantees and other commitments (as described in note 51), in the amount of Euro 534,347 thousands (2013: Euro 478,676 thousands).

The fair-value of collaterals associated to the loans and advances to customers portfolio is analysed as follows:

(Thousands of Euro)

	2014	2013
Loans with impairment:		
Individually significant:		
Securities and other financial assets	365 418	338 704
Residential real estate (Mortgage Loans)	102 566	49 058
Other real estate (Civil Construction)	2 795 126	3 287 983
Other guarantees	399 753	241 179
	3 662 863	3 916 924
Parametric analysis:		
Securities and other financial assets	56 897	61 618
Residential real estate (Mortgage Loans)	1 795 475	2 202 509
Other real estate (Civil Construction)	625 995	795 620
Other guarantees	56 357	110 312
	2 534 724	3 170 059
Loans without impairment:		
Securities and other financial assets	491 558	448 981
Residential real estate (Mortgage Loans)	13 280 989	13 650 872
Other real estate (Civil Construction)	851 571	875 747
Other guarantees	611 296	520 437
	15 235 414	15 496 037
	21 433 001	22 583 020

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

As at 31 December 2014, the credit exposures by segment and impairment are presented as follows:

(thousand of Euros)

	Exposure Dec 2014					Impairment Dec 2014		
Segment	Total Exposure	Credit in compliance	Reestructured credit in compliance	Default Credit	Reestructured default credit	Total Impairment	Credit in compliance	Default credit
Corporate	5 774 440	4 998 966	197 609	775 474	234 900	613 707	227 462	386 245
Construction and CRE	2 586 345	1 508 077	333 721	1 078 268	488 189	562 096	121 409	440 687
Retail - Mortgages	7 832 014	7 456 896	275 984	375 118	110 954	103 204	16 822	86 382
Retail - others	953 643	793 320	35 773	160 323	29 104	106 865	24 263	82 602
	17 146 442	14 757 259	843 087	2 389 183	863 147	1 385 872	389 956	995 916

(thousands of Euros)

		Total Exposure Dec 2014						Total Impairment Dec 2014			
		Credit in compliance			Credit in default			Credit in compliance		Credit in default	
			overdue days <30		Overdue days	Overdue Days	Impairment	Overdue days	Overdue days	Overdue days	Overdue Days
Segment	Total Exposure Dec 2014	without signs	with signs	Sub-total	<= 90*	>90 days	Total Dec 2014	<30	Between 30 - 90	<=90*	>90 days
Corporate	5 774 440	4 499 579	593 988	5 093 567	282 382	520 203	613 707	215 838	11 624	98 607	287 638
Construction and CRE	2 586 345	979 418	527 583	1 507 001	368 147	747 816	562 096	112 273	9 135	113 957	326 731
Retail - Mortgages	7 832 014	6 456 670	648 500	7 105 170	32 807	329 455	103 204	12 143	4 678	5 469	80 914
Retail - others	953 643	611 771	135 937	747 708	13 737	141 092	106 865	21 747	2 516	7 577	75 025
	17 146 442	12 547 438	1 906 008	14 453 446	697 073	1 738 566	1 385 872	362 001	27 953	225 610	770 308

As at 31 December 2014, the credit portfolio by segment and production year are presented as follows:

(thousands of Euros)

	Corporate			Construction and CRE			Retail - Mortgages			Retail - Others		
Production year	Number of operations	Amount	Booked Impairment	Number of operations	Amount	Booked Impairment	Number of operations	Amount	Booked Impairment	Number of operations	Amount	Booked Impairment
2004 and before	2 890	167 943	29 657	2 156	400 707	164 975	67 290	2 746 589	39 786	45 857	45 442	9 598
2005	964	54 112	9 683	579	132 390	44 156	15 371	917 281	12 437	5 709	14 936	2 335
2006	1 362	86 995	11 401	823	177 329	55 376	18 238	1 107 974	16 471	8 971	51 597	10 421
2007	2 826	168 723	33 924	1 408	244 721	55 550	18 462	1 105 686	16 599	49 595	66 419	14 466
2008	9 183	176 275	39 353	2 780	182 139	36 757	9 673	580 279	7 771	65 284	70 372	13 149
2009	11 602	256 305	45 456	3 825	252 673	58 566	5 387	370 653	3 936	48 414	78 336	14 803
2010	12 885	438 505	70 010	2 593	187 505	38 492	5 577	414 490	3 382	28 769	95 218	14 673
2011	17 837	407 781	57 444	3 890	159 296	27 175	2 181	162 034	913	29 248	88 842	10 576
2012	11 989	494 232	54 037	2 544	177 120	31 674	1 492	112 642	859	17 772	73 054	6 627
2013	22 047	1 056 616	100 094	2 664	267 584	30 573	1 877	146 837	748	25 740	125 604	5 454
2014	37 378	2 466 952	162 648	6 066	404 881	18 802	2 123	167 549	302	37 011	243 823	4 763
	130 963	5 774 440	613 707	29 328	2 586 345	562 096	147 671	7 832 014	103 204	362 370	953 643	106 865

As at 31 December 2014, the gross value exposure and individual/collective impairment by segment are presented as follows:

(thousands of Euros)

	Corporate		Construction and CRE		Retail - Mortgages		Retail - Others		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation										
Individual	3 378 629	392 708	1 996 702	456 143	19 095	2 407	91 428	18 734	5 485 854	869 992
Collective	2 395 811	220 999	589 643	105 953	7 812 919	100 797	862 215	88 131	11 660 588	515 880
	5 774 440	613 707	2 586 345	562 096	7 832 014	103 204	953 643	106 865	17 146 442	1 385 872

As at 31 December 2014, the gross value exposure and individual/collective impairment by activity sector are presented as follows:

	Construction		Industry		Commerce		Real Estate Activities		Other activities		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation												
Individual	1 216 112	296 817	591 919	53 739	445 196	54 271	688 247	145 318	2 433 858	298 707	5 375 332	848 394
Collective	325 250	70 896	863 470	66 055	813 653	98 960	118 231	14 728	864 849	76 312	2 985 453	327 374
Total	1 541 362	367 713	1 455 389	119 794	1 258 849	153 231	806 478	160 046	3 298 707	375 019	8 360 785	1 175 767

As at 31 December 2014, the gross value exposure and individual/collective impairment by geography are presented as follows:

(thousands of Euros)

	Portugal		Angola		Internacional		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation								
Individual	5 485 854	869 992	-	-	-	-	5 485 854	869 992
Collective	11 202 547	493 451	410 967	17 836	32 708	4 593	11 646 222	515 880
	16 688 401	1 363 443	410 967	17 836	32 708	4 593	17 132 076	1 385 872

As at 31 December 2014, the restructured credit portfolio by restructuration measure is presented as follows:

(thousands of Euros)

	Dec 14								
	Credit in compliance			Credit in default			Total		
Measure	Operations Number	Exposure	Impairment	Operations Number	Exposure	Impairment	Operations Number	Exposure	Impairment
Term extension	1 261	124 409	11 994	447	65 850	11 890	1 708	190 259	23 884
Shortage period	3 990	536 962	64 403	2 064	589 514	185 031	6 054	1 126 476	249 434
New operation with settlement	1 225	55 203	2 691	480	24 134	7 907	1 705	79 337	10 598
Interest rate decrease	28	4 743	102	131	13 249	4 337	159	17 992	4 439
Others	712	121 770	31 755	714	170 400	81 129	1 426	292 170	112 884
	7 216	843 087	110 945	3 836	863 147	290 294	11 052	1 706 234	401 239

The inflows and outflows in the restructured credit portfolio are presented as follows:

(thousands of Euros)

	Dec 14
Initial balance of the restructured portfolio (gross of impairment)	1 624 305
Restructured credit in the period	293 593
Accrued interest of the restructured portfolio	1 203
Restructured credit liquidation (partial or total)	(185 791)
Reclassified credits from "restructured" to "normal"	(390)
Others	(26 686)
Final balance of the restructured portfolio (gross of impairment)	1 706 234

As at 31 December 2014, the fair-value of collateral underlying to credit portfolio of Corporate, Construction and Commercial Real Estate (CRE) and Retail - Mortgages segments is presented as follows:

(thousands of Euros)

	Contruction and CRE				Retail - Mortgages			
	Real Estate		Other real collaterals		Real Estate		Other real collaterals	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
< 0,5 M€	5 208	686 595	1 939	79 963	114 236	14 730 677	317	12 532
>= 0,5 M€ e <1M€	401	280 853	49	29 877	406	252 514	1	500
>= 1 M€ e <5M€	487	996 232	38	63 339	37	50 955	1	1 584
>= 5 M€ e <10M€	61	442 890	2	13 690	-	-	-	-
>= 10 M€ e <20M€	36	473 288	1	12 609	-	-	-	-
>= 20 M€ e <50M€	11	326 858	-	-	-	-	-	-
>= 50M€	2	201 334	-	-	-	-	-	-
	6 206	3 408 050	2 029	199 478	114 679	15 034 146	319	14 616

As at 31 December 2014, the LTV ratio of Corporate, Construction and CRE and Retail - Mortgages segments is presented as follows:

(thousands of Euros)

	Dec 14			
Segment / Ratio	Number of Real Estate	Credit in compliance	Credit in default	Impairment
Corporate				
Without Real Estate associated (*)	n.a.	4 252 770	521 698	489 210
< 60%	2 209	299 971	41 334	21 335
>= 60% e < 80%	870	165 167	79 987	15 491
>= 80% e < 100%	950	224 700	45 350	22 238
>= 100%	240	56 358	87 105	65 433
Construction and CRE				
Without Real Estate associated (*)	n.a.	789 393	368 842	205 318
< 60%	2 130	250 275	153 948	74 429
>= 60% e < 80%	994	158 059	140 452	58 304
>= 80% e < 100%	1 858	167 776	168 322	70 363
>= 100%	1 224	142 574	246 704	153 682
Retail - Mortgage				
Without Real Estate associated (*)	n.a.	641 911	59 393	16 215
< 60%	65 197	2 726 701	55 157	14 079
>= 60% e < 80%	29 630	2 374 375	68 338	18 081
>= 80% e < 100%	17 659	1 601 013	93 567	25 031
>= 100%	2 193	112 896	98 663	29 798

(*) Includes operations with other types of associated collaterals, namely, financial collaterals.

As at 31 December 2014, the fair-value and net value of real estate received as default payments, by asset type and ageing, are presented as follows:

	2014		
Asset	Number of Real Estate	Asset fair value	Accounting value
Property	**1 605**	**309 119**	**258 009**
Urban	1 351	243 732	199 929
Rural	254	65 387	58 080
Buildings in development	**569**	**134 798**	**125 016**
Commercials	88	7 635	6 571
Housing	468	126 983	118 267
Others	13	180	178
Developed buildings	**3 584**	**440 664**	**396 714**
Commercials	921	139 361	121 685
Housing	2 151	292 554	267 752
Others	512	8 749	7 277
Total	5 758	884 581	779 739

As at 31 December 2014, the elapsed time since the recovery/execution of real estate received is presented as follows:

(thousands of Euros)

	Dec 14				
Elapsed time since the recovery / execution	< 1 year	>= 1 years e < 2.5 years	>= 2.5 years e < 5 years	>= 5 years	Total
Property	**59 015**	**162 571**	**33 670**	**2 754**	**258 010**
Urban	50 676	116 810	30 142	2 301	199 929
Rural	8 339	45 761	3 528	452	58 080
Buildings in development	**23 587**	**62 756**	**38 562**	**111**	**125 016**
Commercials	887	3 347	2 337	-	6 571
Housing	22 664	59 267	36 225	111	118 267
Others	36	142	-	-	
Developed buildings	**144 962**	**193 408**	**49 634**	**8 710**	**396 714**
Commercials	25 174	78 700	15 323	2 488	121 685
Housing	116 538	111 344	33 922	5 948	267 752
Others	3 250	3 364	389	274	7 277
	227 564	418 735	121 866	11 575	779 740

23 Financial assets and liabilities held for trading

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

(Thousands of Euro)

	2014	2013
Financial assets held for trading		
Securities		
Shares	6 115	7 809
Bonds	648	584
	6 763	8 393
Derivatives		
Financial derivatives instruments with positive fair value	74 509	48 142
Loans and other receivables	5 309	7 571
	79 818	55 713
	86 581	64 106
Financial liabilities held for trading		
Securities		
Short sales	561	1 389
Derivatives		
Financial derivatives instruments with negative fair value	84 731	60 835
	85 292	62 224

The balance Financial derivatives instruments with positive fair-value includes the amount of Euro 30,350 thousands (2013: Euro 33,278 thousands) referred to instruments associated to assets or liabilities at fair-value through profit and loss, with the exception of loans and advances to customers in the amount of Euro 218 thousands (2013: Euro 196 thousands).

The balance Financial derivatives instruments with negative fair-value includes the amount of Euro 24,215 thousands (2013: Euro 23,299 thousands) referred to instruments associated to assets or liabilities at fair-value through profit and loss, with the exception of loans and advances to customers in the amount of Euro 2,177 thousands (2013: Euro 2,161 thousands).

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

As referred in IFRS 13, financial instruments are measured in accordance with the following fair-value measurement levels, described in note 52, as follows:

(Thousands of Euro)

	2014	2013
Financial assets held for trading		
Level 1	6 763	8 393
Level 2	74 509	48 142
Level 3	5 309	7 571
	86 581	64 106
Financial liabilities held for trading		
Level 1	561	1 389
Level 2	84 731	60 835
	85 292	62 224

The analysis of the securities portfolio held for trading by maturity as at 31 December 2014 is as follows:

(Thousands of Euro)

	2014				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Bonds					
Foreign	-	-	648	-	648
Variable income securities					
Shares					
Portuguese	-	-	-	1 080	1 080
Foreign	-	-	-	5 035	5 035
	-	-	648	6 115	6 763
Quoted	-	-	648	6 115	6 763

The analysis of the securities portfolio held for trading by maturity as at 31 December 2013 is as follows:

(Thousands of Euro)

	2013				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Bonds					
Foreign	-	-	584	-	584
Variable income securities					
Shares					
Portuguese	-	-	-	2 022	2 022
Foreign	-	-	-	5 787	5 787
	-	-	-	7 809	8 393
Quoted	-	-	584	584	8 393

The balance of financial assets and liabilities held for trading as at 31 December 2014, is analysed as follows:

(Thousands of Euro)

		2014						
		Derivative			Related asset/liability			
Derivative	Related financial asset / liability	Notional	Fair value	Fair value changes in the year	Fair value	Changes in the fair value in the year	Book Value	Reimbursement amount at maturity date
Interest rate swap	Debt securities issued and others subordinated debt	228 653	2 827	(2 836)	(7 945)	7 162	266 440	262 864
Interest rate swap	Deposits from customers	101 610	(1 383)	(222)	20	(5 343)	95 657	95 624
Interest rate swap	Deposits from financial institutions	87 745	9 239	(711)	1 842	2 270	61 009	60 000
Interest rate swap	Covered bonds	5 513 279	(4 547)	(74)	-	-	-	-
Interest rate swap	Loans	43 740	(1 959)	6	1 852	64	44 110	43 740
Interest rate swap	Others	3 198 090	(15 416)	5 447	-	-	-	-
Currency swap	-	197 172	662	1 052	-	-	-	-
Futures	-	1 559	(4)	(1)	-	-	-	-
Options	-	214 562	359	(109)	-	-	-	-
Credit Default Swaps	-	-	-	(81)	-	-	-	-
		9 586 410	(10 222)	2 471	(4 231)	4 153	467 216	462 228

The balance of financial assets and liabilities held for trading as at 31 December 2013, is analysed as follows:

(Thousands of Euro)

		2013						
		Derivative			Related asset/liability			
Derivative	Related financial asset / liability	Notional	Fair value	Fair value changes in the year	Fair value	Changes in the fair value in the year	Book Value	Reimbursement amount at maturity date
Interest rate swap	Debt securities issued and other subordinated debt	297 003	5 663	(6 392)	(15 107)	27 807	382 630	349 095
Interest rate swap	Deposits from customers	44 500	(1 161)	(27 216)	5 363	(10 168)	484	362 313
Interest rate swap	Deposits from financial institutions	92 559	9 950	(7 376)	(428)	8 678	61 023	60 000
Interest rate swap	Covered bonds	5 450 922	(4 473)	1 046	-	-	-	-
Interest rate swap	Loans	25 000	(1 965)	747	1 788	(687)	24 646	25 000
Interest rate swap	Others	4 287 471	(20 863)	4 188	-	-	-	-
Currency swap	-	207 304	(390)	(605)	-	-	-	-
Futures	-	6 034	(3)	(13)	-	-	-	-
Options	-	203 538	468	(317)	-	-	-	-
Credit Default Swaps	-	9 000	81	255	-	-	-	-
		10 623 331	(12 693)	(35 683)	(8 384)	25 630	468 783	796 408

The analysis of financial instruments held for trading, by maturity date as at 31 December 2014, is as follows:

(Thousands of Euro)

	2014					
	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Positive	Negative
Interest rate contracts						
Interest rate swaps	106 450	313 457	8 752 940	9 172 847	67 665	78 904
Options	40 530	111 796	62 236	214 562	6 013	5 654
Exchange rate contracts						
Currency swaps	195 533	1 639	-	197 172	831	169
Index contracts						
Index futures	1 559	-	-	1 559	-	4
	344 072	426 892	8 815 176	9 586 140	74 509	84 731

The analysis of financial instruments held for trading, by maturity date as at 31 December 2013, is as follows:

(Thousands of Euro)

	2013					
	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Positive	Negative
Interest rate contracts:						
Interest rate swaps	49 950	823 530	9 323 975	10 197 455	41 200	54 049
Options	11 650	32 404	159 484	203 538	6 496	6 028
Exchange rate contracts:						
Currency swaps	207 304	-	-	207 304	311	701
Index contracts:						
Index futures	3 543	2 491	-	6 034	-	3
Credit default contracts						
Credit default swaps	3 000	6 000	-	9 000	135	54
	275 447	864 425	9 483 459	10 623 331	48 142	60 835

24 Other financial assets at fair-value through profit or loss

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Bond issued by other issuers		
Foreign	-	3 450

The Group's choice of naming these assets at fair-value through profit and loss, according to IAS 39 and note 1 d), can be observed in the planed strategy of the Group's management, considering that (i) these financial assets are managed and evaluated in a fair-value basis and/or (ii) that these assets are holding embedded derivative instruments.

As referred in IFRS 13, financial instruments are measured according with the appreciation levels described in note 52. In 2013, the financial assets included in this account are categorized on level 1.

The analysis of the securities at fair-value through profit or loss, by maturity is as follows:

(Thousands of Euro)

	2014	2013
Due within 3 months	-	2 451
From 1 to 5 years	-	999
	-	3 450
Quoted	-	3 450

25 Financial assets available for sale

This balance is analysed as follows:

(Thousands of Euro)

	2014				
		Fair value reserve			
	Cost [(1)]	Positive	Negative	Impairment Losses	Book Value
Fixed income securities					
Issued by public entities					
Portuguese	1 751 190	59 697	(3 085)	-	1 807 802
Foreign	123 227	5 030	(1 331)	(8 834)	118 092
Issued by other entities					
Portuguese	657 855	7 155	(19 037)	(19 690)	626 283
Foreign	568 952	18 707	(5 501)	(8 278)	573 880
Commercial paper	10 998	-	-	(998)	10 000
Variable income securities					
Shares					
Portuguese	87 184	147	(55)	(6 775)	80 501
Foreign	16 482	2 248	(916)	(3 030)	14 784
Investment fund units	359 977	11 790	(5 240)	(8 158)	358 369
	3 575 865	104 774	(35 165)	(55 763)	3 589 711

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

(Thousands of Euro)

	2013				
		Fair value reserve			
	Cost [(1)]	Positive	Negative	Impairment Losses	Book Value
Fixed income securities					
Issued by public entities					
Portuguese	3 019 779	50 566	(17 162)	-	3 053 183
Foreign	31 209	1 544	(1 250)	(8 415)	23 088
Issued by other entities					
Portuguese	604 692	3 527	(23 923)	-	584 296
Foreign	313 878	3 610	(4 987)	(1 859)	310 642
Commercial paper	31 771	-	-	(998)	30 773
Variable income securities					
Shares					
Portuguese	19 909	286	(43)	(6 463)	13 689
Foreign	13 557	2 012	(65)	(3 251)	12 253
Investment fund units	538 935	5 545	(8 308)	(18 280)	517 892
	4 573 730	67 090	(55 738)	(39 266)	4 545 816

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

As at 31 December 2014, the balance Financial assets available-for-sale, in the financial statement position, includes securities subject to hedging operations, in the amount of Euro 1,230 thousands (2013: Euro 1,478 thousands), as referred in note 26.

As referred in note 1 d), the portfolio of assets available-for-sale are presented at market value with fair-value changes accounted for against fair-value reserves, as referred in note 48. The Group assesses periodically whether there is objective evidence of impairment losses on the available-for-sale financial assets, following the judgment criteria's described in note 1 aa).

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

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

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

- The reclassification of commercial paper from financial assets available for sale to the loans and advances to customers is realized at the fair-value of the debt instrument at the date of reclassification;

- No unrealized gain or loss recognised was recognised in the fair-value reserve at the date of reclassification;

- The fair-value of commercial paper in the reclassification date will become the new cost;

- As at the date of reclassification a new effective interest rate is determined as the basis of calculation and recognition of interest and amortized cost from that moment;

- The new effective interest rate is the rate that exactly discounts estimated future cash flows over the remaining expected life of the instruments fair-value at the date of reclassification;

- A subsequent change in the fair-value of the debt instrument over its new amortized cost is not recognised;

- It's performed a review of subsequent impairment taking into consideration the new amortized cost, the new effective interest rate and the expected future cash flows; and

- Any impairment loss, measured as the difference between the new amortized cost and the present value of estimated future cash flows (excluding future credit losses that have not incurred) discounted at the new effective interest rate determined at the date of reclassification, is recognised in profit or loss.

In this context, as at 31 December 2013, the Group reclassified commercial paper portfolio from financial assets available for sale to loans and advances to customers, in the amount of Euro

596,275 thousands and impairment in the amount of Euro 21,029 thousands, as described in note 22.

As referred in note 61, the balance Variable income securities – Investment fund units includes the amount of Euro 94,528 thousands (2013: Euro 81,498 thousands) relating to units in a Fund specialized in the recovery of loans acquired under the sale of loans and advances to customers. As at 31 December 2014 and 2013 this amount includes Euro 6,153 thousands engaged to junior securities (investment fund units with a more subordinated character), which are fully provided, according to note 15.

As at 31 December 2014 and 2013, the analysis of financial assets available-for-sale net of impairment, by valuation levels, is presented as follows:

(Thousands of Euro)

	2014				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Issued by public entities					
Portuguese	1 807 802	-	-	-	1 807 802
Foreign	102 217	-	-	15 875	118 092
Issued by other entities					
Portuguese	28 764	590 392	7 127	-	626 283
Foreign	523 680	49 998	202	-	573 880
Commercial paper	-	-	-	10 000	10 000
	2 462 463	640 390	7 329	25 875	3 136 057
Variable income securities					
Shares					
Portuguese	919	-	-	79 582	80 501
Foreign	14 392	-	-	39	14 431
Investment fund units	298 647	59 722	-	-	358 369
	313 958	59 722	-	79 621	453 301
	2 776 421	700 112	7 329	105 496	3 589 358

(Thousands of Euro)

	2013				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Total**
Fixed income securities					
Issued by public entities					
Portuguese	3 053 183	-	-	-	3 053 183
Foreign	23 088	-	-	-	23 088
Issued by other entities					
Portuguese	-	527 465	46 554	10 277	584 296
Foreign	-	-	310 642	-	310 642
Commercial paper	-	-	-	30 773	30 773
	3 076 271	527 465	357 196	41 050	4 001 982
Variable income securities					
Shares					
Portuguese	8 268	-	-	5 421	13 689
Foreign	12 253	-	-	-	12 253
Investment fund units	-	-	517 892	-	517 892
	20 521	-	517 892	5 421	543 834
	3 096 792	527 465	875 088	46 471	4 545 816

As referred on IFRS 13, the financial instruments are measured according with the valuation levels described on note 52.

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

(Thousand of Euro)

	2014	2013
Balance on 1 January	39 266	38 948
Charge for the year	78 400	68 881
Write-back for the year	(16 752)	(34 859)
Charge-off	(45 151)	(33 704)
Balance on 31 December	55 763	39 266

The Group recognizes impairment in financial assets available-for-sale when there is a significant or prolonged decline in the fair-value or when there is an impact on estimated future cash flows of the assets. This assessment implies, by the Group, a judgment which takes into consideration the volatility of securities prices, among other factors.

As a result of low liquidity and significant volatility in financial markets, the company considered the following factors:

- Equity instruments: (i) depreciation higher than 30% towards the acquisition cost; or (ii) market value below acquisition cost for more than 12 months period;

- Debt instruments: when there is an objective evidence of events with impact on the recoverable value of future cash flows of these assets.

As described in note 1 d) in the accounting policy, the portfolio of financial assets available for sale is presented net of the total fair-value reserve and impairment. The total fair-value reserve for financial assets available for sale portfolio is positive and amounts to Euro 69,609 thousands (2013: positive Euro 13,352 thousands) and impairment amounts to Euro 55,763 thousands (2013: Euro 39,266 thousands).

The evolution of the debt crisis of the Euro countries associated with macro-economic developments in Greece, which has contributed to a deterioration of economic and financial situation of the Greek State and the inability to access markets which implies that the solvency of the country immediately remains dependent on continued support from EU and the IMF.

At 31 December 2014 and 2013, impairment losses recognised regarding the sovereign debt of Greece amounts to Euro 8,834 thousands and Euro 8,415 thousands, respectively, as referred in notes 15 and 60.

The analysis of the available-for-sale financial assets by maturity date, as at 31 December 2014, is as follows:

(Thousands of Euro)

	2014				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Issued by public entities					
Portuguese	835	23 205	1 783 762	-	1 807 802
Foreign	7 193	13 811	97 088	-	118 092
Issued by other entities					
Portuguese	10 397	15 513	598 251	2 122	626 283
Foreign	67 152	19 487	483 766	3 475	573 880
Commercial paper	10 000	-	-	-	10 000
	95 577	72 016	2 962 867	5 597	3 136 057
Variable income securities					
Shares					
Portuguese	-	-	-	80 501	80 501
Foreign	-	-	-	14 784	14 784
Investment fund units	-	-	1 772	356 597	358 369
	-	-	1 772	451 882	453 654
	95 577	72 016	2 964 639	457 479	3 589 711

The analysis of the available-for-sale financial assets by maturity date, as at 31 December 2013, is as follows:

(Thousands of Euro)

	2013				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Issued by public entities					
Portuguese	-	26 364	3 026 819	-	3 053 183
Foreign	-	-	23 088	-	23 088
Issued by other entities					
Portuguese	5 203	52 787	524 311	1 995	584 296
Foreign	2 086	10 504	295 170	2 882	310 642
Commercial paper	26 046	4 727	-	-	30 773
	33 335	94 382	3 869 388	4 877	4 001 982
Variable income securities					
Shares					
Portuguese	-	-	-	13 689	13 689
Foreign	-	-	-	12 253	12 253
Investment fund units	-	-	463	517 429	517 892
	-	-	463	543 371	543 834
	33 335	94 382	3 869 851	548 248	4 545 816

This balance, regarding quoted and unquoted securities, is analysed as follows:

(Thousands of Euro)

	2014			2013		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed income securities						
Issued by public entities						
Portuguese	1 807 802	-	1 807 802	3 053 183	-	3 053 183
Foreign	102 217	15 875	118 092	23 088	-	23 088
Issued by other entities						
Portuguese	35 891	590 392	626 283	554 196	30 100	584 296
Foreign	523 680	50 200	573 880	310 642	-	310 642
Commercial paper	-	10 000	10 000	-	30 773	30 773
Variable income securities						
Shares						
Portuguese	919	79 582	80 501	9 095	4 594	13 689
Foreign	14 393	391	14 784	11 910	343	12 253
Investment fund units	358 369	-	358 369	516 620	1 272	517 892
	2 843 271	746 440	3 589 711	4 478 734	67 082	4 545 816

26 Hedging derivatives

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Asset		
Interest rate swap	60	503
Liability		
Interest rate swap	1 494	1 849

As referred in IFRS 13, hedging derivatives are measured according to the valuation levels described in note 52.

The Group uses derivatives to hedge interest rate risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair-value changes, variability in cash-flows or highly probable forecast transactions.

The Group performs periodical effectiveness tests of the hedging relationships.

The adjustment performed to the assets and liabilities that includes hedged items is analysed as follows:

(Thousands of Euro)

	2014	2013
Deposits from other credit institutions	-	209
Financial assets available for sale	1 230	1 478
	1 230	1 687

The analysis of the hedging derivatives portfolio by maturity date, as at 31 December 2014 is as follows:

(Thousands of Euro)

	2014							
	Notional by maturity date				Fair value			
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Due within 3 months	3 months to 1 year	Over 1 year	Total
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	-	20 000	6 500	26 500	-	(447)	(987)	(1 434)
	-	20 000	6 500	26 500	-	(447)	(987)	(1 434)

The analysis of the hedging derivatives portfolio by maturity date, as at 31 December 2013 is as follows:

(Thousands of Euro)

	2013							
	Notional by maturity date				Fair value			
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Due within 3 months	3 months to 1 year	Over 1 year	Total
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	-	19 500	26 500	46 000	-	200	(1 546)	(1 346)
	-	19 500	26 500	46 000	-	200	(1 546)	(1 346)

As at 31 December 2014, the fair-value hedge relationships present the following features:

(Thousands of Euro)

	2014						
Derivative	Hedged item	Heged risk	Notional	Fair value of derivative (1)	Changes in the fair value of the derivative in the year	Hedge item fair value (2)	Changes in te fair value of the hedged item in the year (2)
Interest rate swap	Deposits	Interest rate	-	-	(414)	-	209
Interest rate swap	Financial assets available for sale	Interest rate	26 500	(1 434)	326	1 230	(248)
			26 500	(1 434)	(88)	1 230	(39)

(1) Includes the accrued interest.

(2) Attributable to the hedge risk.

As at 31 December 2013, the fair-value hedge relationships present the following features:

(Thousands of Euro)

	2013						
Derivative	Hedged item	Heged risk	Notional	Fair value of derivative (1)	Changes in the fair value of the derivative in the year	Hedge item fair value (2)	Changes in te fair value of the hedged item in the year (2)
Interest rate swap	Deposits	Interest rate	10 000	414	(389)	209	(391)
Interest rate swap	Financial assets available for sale	Interest rate	36 000	(1 760)	1 289	1 478	(509)
			46 000	(1 346)	900	1 687	(900)

(1) Includes the accrued interest.

(2) Attributable to the hedge risk.

27 Held-to-maturity investments

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Fixed income securities		
Bonds issued by portuguese public entities	6 209	6 149
Bonds issued by foreign public entities	113 892	28 482
	120 101	34 631

The fair-value of held-to-maturity investments portfolio is presented in note 52.

The Group assessed, with reference to 31 December 2014, the existence of objective evidence of impairment on its held-to-maturity investments portfolio and no events with impact on the recoverable amount of the future cash flows associated with those investments were identified.

The held-to-maturity investments, as at 31 December 2014 are analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity Date	Interest Rate	Book Value
OT - Outubro 05/15-10-2015	July, 2005	October, 2015	Fixed rate of 3.35%	6 209
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3.25%	5 061
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3.50%	2 029
Belgium Kingdom 05/28-09-2015	March, 2005	September, 2015	Fixed rate of 3.75%	2 011
Buoni Poliennali del Tes. 05/2015	May, 2005	August, 2015	Fixed rate of 3.75%	2 022
OT Cabo Verde 13/28-04-2016	April, 2013	April, 2016	Fixed rate of 5.50%	50
OT Angola 13/15-11-2015	November, 2013	November, 2015	Fixed rate of 5.00%	27 735
OT Angola 13/15-11-2016	November, 2013	November, 2016	Fixed rate of 5.00%	21 088
OT Angola 13/15-11-2017	November, 2013	November, 2017	Fixed rate of 5.00%	5 046
OT Angola 13/04-12-2015	December, 2013	December, 2015	Fixed rate of 7.00%	4 205
OT Angola 13/04-12-2016	December, 2013	December, 2016	Fixed rate of 7.25%	4 206
OT Angola 14/09-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	1 123
OT Angola 14/16-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	1 123
OT Angola 14/23-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	1 126
OT Angola 14/30-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	562
OT Angola 14/16-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	844
OT Angola 14/23-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	845
OT Angola 14/30-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	844
OT Angola 14/23-07-2018	July, 2014	July, 2018	Fixed rate of 7.50%	423
OT Angola 14/30-07-2018	July, 2014	July, 2018	Fixed rate of 7.50%	422
OT Angola 14/23-07-2019	July, 2014	July, 2019	Fixed rate of 7.75%	423
OT Angola 14/30-07-2019	July, 2014	July, 2019	Fixed rate of 7.75%	423
OT Angola 14/06-08-2017	August, 2014	August, 2017	Fixed rate of 7.25%	526
OT Angola 14/13-08-2017	August, 2014	August, 2017	Fixed rate of 7.25%	2 887
OT Angola 14/06-08-2018	August, 2014	August, 2018	Fixed rate of 7.50%	1 054
OT Angola 14/13-08-2018	August, 2014	August, 2018	Fixed rate of 7.50%	1 444
OT Angola 14/06-08-2019	August, 2014	August, 2019	Fixed rate of 7.75%	527
OT Angola 14/13-08-2019	August, 2014	August, 2019	Fixed rate of 7.75%	1 446
OT Angola 14/16-09-2018	September, 2014	September, 2018	Fixed rate of 7.50%	1 436
OT Angola 14/16-09-2019	September, 2014	September, 2019	Fixed rate of 7.75%	1 437
OT Angola 14/01-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2 008
OT Angola 14/08-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2 005
OT Angola 14/22-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	1 990
OT Angola 14/29-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	1 984
OT Angola 14/01-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2 010
OT Angola 14/08-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2 006
OT Angola 14/22-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	1 991
OT Angola 14/29-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	1 985
OT Angola 14/26-11-2018	November, 2014	November, 2018	Fixed rate of 7.50%	2 772
OT Angola 14/26-11-2019	November, 2014	November, 2019	Fixed rate of 7.75%	2 773
				120 101

The held-to-maturity investments, as at 31 December 2013 are analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity Date	Interest Rate	Book Value
OT - Outubro 05/15-10-2015	July, 2005	October, 2015	Fixed rate of 3.35%	6 149
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3.25%	5 040
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3.50%	2 025
Belgium Kingdom 05/28-09-2015	March, 2005	September, 2015	Fixed rate of 3.75%	2 002
Buoni Poliennali del Tes. 05/2015	May, 2005	August, 2015	Fixed rate of 3.75%	2 011
OT Angola 12/18-07-2014	July, 2012	July, 2014	Fixed rate of 6.98%	1 151
OT Angola 12/18-07-2014	July, 2012	July, 2014	Fixed rate of 6.98%	1 151
OT Angola 12/25-07-2014	July, 2012	July, 2014	Fixed rate of 6.98%	3 732
OT Angola 12/25-07-2014	July, 2012	July, 2014	Fixed rate of 6.99%	3 732
OT Angola 13/04-12-2015	December, 2013	December, 2015	Fixed rate of 7.00%	3 794
OT Angola 13/04-12-2016	December, 2013	December, 2016	Fixed rate of 7.25%	3 794
OT Cabo Verde 13/28-04-2016	April, 2013	April, 2016	Fixed rate of 5.50%	50
				34 631

The held-to-maturity investments are stated in accordance with the established in note 1 d) of the accounting policy.

During 2014 and 2013, the Group did not transfer to or from this assets category.

As at 31 December 2014 the analysis of held-to-maturity investments by maturity is as follows:

(Thousand of Euro)

	2014				
	Due within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds issued by portuguese public issuers	-	6 209	-	-	6 209
Bonds issued by foreign public issuers	-	43 064	70 828	-	113 892
	-	49 273	70 828	-	120 101
Quoted	-	49 273	70 828	-	120 101

As at 31 December 2013 the analysis of held-to-maturity investments by maturity is as follows:

(Thousand of Euro)

	2013				
	Due within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds issued by portuguese public issuers	-	-	6 149	-	6 149
Bonds issued by foreign public issuers	-	9 765	18 717	-	28 482
	-	9 765	24 866	-	34 631
Quoted	-	9 765	24 866	-	34 631

28 Investments in associated companies and others

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Investments in associated companies and others		
Montepio Seguros, S.G.P.S., S.A.	19 553	22 031
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 330	3 412
Iberpartners Cafés S.G.P.S., S.A.	1 069	1 020
Montepio - Gestão de Activos Imobiliários, ACE	698	-
Pinto & Bulhosa, S.A.	191	191
Naviser – Transportes Marítimos Internacionais, S.A.	150	150
Nutre S.G.P.S., S.A.	-	15 936
Unquoted	24 991	42 740
Impairment of investments in associated companies	(341)	(341)
	24 650	42 399

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

(Thousands of Euro)

	Assets	Liabilities	Equity	Income	Profit / (Loss) for the year	Acquisition cost
31 December 2014						
Montepio Seguros, S.G.P.S., S.A.	1 069 177	986 290	82 887	226 801	(15 688)	65 100
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	42 019	25 370	16 649	7 598	(188)	3 200
Iberpartners Cafés S.G.P.S., S.A.	5 376	1 741	3 635	410	315	1 000
Montepio - Gestão de Activos Imobiliários, ACE	3 817	1 367	2 450	2 086	-	698
			5 376			
31 December 2013						
Montepio Seguros, S.G.P.S., S.A.	998 162	924 847	73 315	248 293	(23 864)	65 100
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	43 416	26 357	17 059	8 200	(1)	3 200
Iberpartners Cafés S.G.P.S., S.A.	5 117	1 644	3 473	129	79	1 000
Nutre S.G.P.S., S.A.	173 314	140 377	32 937	8 868	(9 654)	22 018

(Thousands of Euro)

	Percentage held		Book value		Associated companies net profit	
	2014 %	2013 %	2014	2013	2014	2013
Montepio Seguros, S.G.P.S., S.A.	33.65%	33.65%	19 553	22 031	(5 278)	(7 926)
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	20%	20%	3 330	3 412	(38)	-
Iberpartners Cafés S.G.P.S., S.A.	29.41%	29.41%	1 017	1 020	93	-
Nutre S.G.P.S., S.A.	0%	20%	-	15 936	-	(1 931)
Montepio - Gestão de Activos Imobiliários, ACE	28.50%	0%	698	-	-	-
Pinto & Bulhosa, S.A.	16%	16%	-	-	-	-
Naviser - Transportes Marítimos Internacionais, S.A.	20%	20%	-	-	-	-

The movements for this balance are analysed as follows:

(milhares de Euros)

	2014	2013
Balance on 1 January	42 740	61 177
Acquisitions	698	65 100
Share of profit of associates	(5 223)	(12 682)
Fair value reserve from associates	(13 224)	(31 774)
Dividends received	-	(944)
Disposals	-	(38 137)
Balance on 31 December	24 991	42 740

As at 9 May, 2014, Montepio – Gestão de Activos Imobiliários, ACE was incorporated. CEMG has a 28,5% quote on this ACE.

As at December 2013, under the restructuring of Group Montepio Geral a reorganization of the financial investments associated with the insurance and pension sectors was undertaken. In this context, on 27 December 2013 was created Montepio Seguros, S.G.P.S., S.A. in order to manage the equity of the mentioned sectors.

CEMG sold the shares directly held in Lusitania Vida – Companhia de Seguros, S.A. and Lusitania – Companhia de Seguros, S.A. to Montepio Seguros, S.G.P.S., S.A., having both been reimbursed for supplementary capital contributions in the amount of Euro 18,750 thousands. Additionally, acquired 33.65% of the capital of Montepio Seguros, S.G.P.S., S.A. for Euro 46,350 thousands, and carried supplementary capital contributions in the amount of Euro 18,750 thousands.

After this operation, the capital of Montepio Seguros, which is fully paid, rose to Euro 137,750 thousands, being held in 52.63% by Montepio Geral – Associação Mutualista, in 33.65% by the Group, in 8.35% by Lusitania, in 3.26% by Futuro and in 2.11% by Lusitania Vida.

These shares presented a balance amount of Euro 15,096 thousands, originating a gain of Euro 31,254 thousands, as described in notes 7 and 9. This operation can be analysed as follows:

(Thousands of Euro)

	Gross value	Sale value	Profit
Lusitania Vida - Companhia de Seguros, S.A.	20 484	32 162	11 678
Lusitania - Companhia de Seguros, S.A.	(5 807)	13 623	19 430
Futuro - Sociedade Gestora de Fundos de Pensões, S.A.	419	565	146
	15 096	46 350	31 254

29 Non-current assets held for sale

This balance is analysed as follows.

(Thousands of Euro)

	2014	2013
Investments arising from recovered loans	934 230	773 540
Impairment for non-current assets held for sale	(134 491)	(92 152)
	799 739	681 388

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

The balance Investments arising from recovered loans includes buildings and other assets resulting from the foreclosure of contracts of loans to customers, originated by (i) delivery of the assets, with option to repurchase or leasing, accounted with the celebration of the contract or the promise to deliver the asset and the respective irrevocable power of attorney issued by the customer in the name of the Group; or (ii) the adjudication of the assets as a result of a judicial process of guarantees execution, accounted with the title of adjudication or following the adjudication request after the record of the first (payment prosolvency).

According to Group's expectation, these assets are available for sale in a period less than 1 year and the Group has a strategy for its sale. Nevertheless, given the current market conditions, in some situations it is not possible to conclude these sales before the expected deadline. This balance includes buildings and other assets for which the Group has already established contracts for the sale in the amount of Euro 9,271 thousands (2013: Euro 15,677 thousands).

The movements, in 2014 and 2013, for non-current assets held for sale are analysed as follows:

(Thousands of Euro)

	2014	2013
Balance on 1 January	773 540	521 849
Acquisitions	288 615	458 304
Disposals	(131 430)	(207 351)
Other movements	3 505	738
Balance on 31 December	934 230	773 540

The movements in impairment for non-current assets held for sale are analysed as follows:

(Thousands of Euro)

	2014	2013
Balance on 1 January	92 152	30 054
Charge for the year	62 189	71 885
Write-back for the year	(19 847)	(9 787)
Charge-off	(3)	-
Balance on 31 December	134 491	92 152

30 Investment properties

The balance Investment properties considers the real estate properties owned by "Finipredial - Fundo de Investimento Aberto", "Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional", "Montepio Arrendamento II – Fundo de Investimento Fechado para Arrendamento Habitacional", "Montepio Arrendamento III – Fundo de Investimento Fechado para Arrendamento Habitacional", "Polaris – Fundo de Investimento Imobiliário Fechado de Subscrição Particular", "Portugal Estates Fund – Fundos de Investimento Imobiliário Fechado de Subscrição Particular e Carteira Imobiliária" and "Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto" which are fully consolidated, according to the accounting policy described in note 1 b).

The real estate properties are measured in accordance with the accounting policy described in note 1 q).

The movements in this balance are analysed as follows:

(Thousands of Euro)

	2014	2013
Balance on 1 January	543 534	388 260
Changes in the consolidation perimeter	149 816	131 182
Revaluations	(13 821)	(11 477)
Disposals	(23 145)	(132)
Transfers	59 353	35 701
Balance on 31 December	715 737	543 534

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

31 Property and equipment

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Cost		
Land and buildings		
For own use	40 006	34 577
Leasehold improvements in rented buildings	54 699	52 695
Construction in progress	19 989	21 968
Equipment		
Computer equipment	87 389	84 367
Furniture	22 103	21 796
Interior installations	21 953	21 359
Security equipment	8 155	7 678
Motor vehicles	5 517	4 803
Office equipment	3 682	3 354
Other equipment	42	5
Works of art	2 869	2 869
Assets in operacional lease	975	25 653
Assets in finance lease	38	38
Other tangible assets	2 452	2 439
Work in progress	4 647	2 038
	274 516	285 639
Accumulated depreciation		
Charge for the year	(10 438)	20 181
Accumulated charge in previous years	(165 147)	(185 328)
	(175 585)	(165 147)
	98 931	120 492

The movements in Property and equipment, during the year of 2014, are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost					
Land and buildings					
For own use	34 577	1 589	(311)	4 151	40 006
Leasehold improvements in rented bu	52 695	258	-	1 746	54 699
Construction in progress	21 968	-	-	(1 979)	19 989
Equipment					
Computer equipment	84 367	3 157	(1 529)	1 394	87 389
Furniture	21 796	1 114	(151)	(656)	22 103
Interior installations	21 359	279	(59)	374	21 953
Security equipment	7 678	149	(14)	342	8 155
Motor vehicles	4 803	1 045	(1 071)	740	5 517
Office equipment	3 354	178	(30)	180	3 682
Other equipment	5	-	-	37	42
Works of art	2 869	-	-	-	2 869
Assets in operacional lease	25 653	164	(859)	(23 983)	975
Assets in finance lease	38	-	-	-	38
Other tangible assets	2 439	5	(8)	16	2 452
Work in progress	2 038	4 625	14	(2 030)	4 647
	285 639	12 563	(4 018)	(19 668)	274 516
Accumulated depreciation					
Land and buildings					
For own service	(9 019)	(1 397)	146	(146)	(10 416)
Leasehold improvements in rented bu	(32 947)	(2 894)	-	(166)	(36 007)
Equipment					
Office equipment	(2 978)	(92)	29	(29)	(3 070)
Motor vehicles	(3 652)	(529)	1 061	(61)	(3 181)
Security equipment	(6 603)	(553)	14	(104)	(7 246)
Interior installations	(13 365)	(1 653)	57	(114)	(15 075)
Furniture	(17 249)	(1 010)	149	(649)	(18 759)
Computer equipment	(73 567)	(5 212)	1 512	(1 912)	(79 179)
Other equipment	(5)	-	-	-	(5)
Assets in operational lease	(3 739)	(212)	567	2 862	(522)
Assets in finance lease	(38)	-	-	-	(38)
Other tangible assets	(1 985)	(126)	8	16	(2 087)
	(165 147)	(13 678)	3 543	(303)	(175 585)

The movements in Property and equipment, during the year of 2013, are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost					
Land and buildings					
For own use	35 288	175	(306)	(580)	34 577
Leasehold improvements in rented bu	70 733	104	(18 904)	762	52 695
Construction in progress	2 547	22 015	-	(2 594)	21 968
Equipment					
Computer equipment	92 550	1 863	(10 133)	87	84 367
Interior installations	25 467	408	(4 594)	78	21 359
Furniture	20 635	1 568	(375)	(32)	21 796
Security equipment	9 474	114	(1 884)	(26)	7 678
Motor vehicles	4 835	610	(591)	(51)	4 803
Office equipment	3 292	103	(57)	16	3 354
Other equipment	5	-	-	-	5
Works of art	2 869	-	-	-	2 869
Assets in operacional lease	10 365	18 831	(3 543)	-	25 653
Assets in finance lease	38	-	-	-	38
Other tangible assets	2 454	-	-	(15)	2 439
Work in progress	1 351	4 632	-	(3 945)	2 038
	281 903	50 423	(40 387)	(6 300)	285 639
Accumulated depreciation					
Land and buildings					
For own service	(9 386)	(964)	579	752	(9 019)
Leasehold improvements in rented bu	(46 066)	(5 336)	19 028	(573)	(32 947)
Equipment					
Office equipment	(2 967)	(96)	58	27	(2 978)
Motor vehicles	(4 380)	(92)	576	244	(3 652)
Security equipment	(7 224)	(1 420)	1 884	157	(6 603)
Interior installations	(16 188)	(1 671)	4 590	(96)	(13 365)
Furniture	(16 705)	(970)	354	72	(17 249)
Computer equipment	(77 373)	(6 537)	10 124	219	(73 567)
Other equipment	(5)	-	-	-	(5)
Assets in operational lease	(3 191)	(2 479)	1 673	258	(3 739)
Assets in finance lease	(38)	-	-	-	(38)
Other tangible assets	(1 805)	(172)	-	(8)	(1 985)
	(185 328)	(19 737)	38 866	1 052	(165 147)

32 Intangible assets

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Cost		
Software	77 206	59 307
Revaluation and consolidation differences (Goodwill)	56 304	53 024
Other intangible assets	1 490	5 609
Work in progress	5 629	216
	140 629	118 156
Accumulated depreciation		
Charge for the year	(15 698)	8 342
Accumulated charge in previous years	(32 365)	(40 707)
	(48 063)	(32 365)
Impairment for intangible assets	(26 512)	(26 512)
	66 054	59 279

The balance Revaluation and consolidation differences (Goodwill), corresponds to the difference between the acquisition cost and the total fair value of assets and liabilities and contingent liabilities: (i) of Finibanco Group acquired by the Group on March 31, 2011 to Montepio Geral – Associação Mutualista, as described in note 1 a) and; (ii) of Banco Terra.

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

In accordance with IAS 36 the recoverable amount of goodwill should be the highest between its value in use (the present value of the future cash flows expected from its use) and its fair-value less costs to sell. Based on this criteria, the Group made valuations of their investments for which there is goodwill recognised considering among other factors:

(i) an estimate of future cash flows generated;

(ii) an expectation of potential changes in the amounts and timing of cash flows;

(iii) the time value of money;

(iv) a risk premium associated with the uncertainty by holding the asset; and

(v) other factors associated with the current situation of financial markets.

The valuations were based on reasonable and sustainable assumptions representing the best estimate of the Executive Board of Directors on the economic conditions that affect each entity, the budgets and the latest projections approved by the Executive Board of Directors for those entities and their extrapolation to future periods. The assumptions made for these valuations may vary with the change in economic conditions and in the market.

The movements in Intangible assets, during the year of 2014, are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost					
Software	59 307	576	(20)	17 343	77 206
Revaluation and consolidation differences (Goodwill)	53 024	3 280	-	-	56 304
Other intangible assets	5 609	-	-	(4 119)	1 490
Work in progress	216	18 404	-	(12 991)	5 629
	118 156	22 260	(20)	233	140 629
Accumulated depreciation					
Software	(32 365)	(13 399)	20	(2 319)	(48 063)
	(32 365)	(13 399)	20	(2 319)	(48 063)

The amount of acquisition/changes in revaluation and consolidation differences (goodwill) refers to the goodwill arising from the acquisition of the investment in Banco Terra, presented in note 63.

The movements in Intangible assets, during the year of 2013, are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost					
Software	64 565	16 795	(22 109)	56	59 307
Revaluation and consolidation differences (Goodwill)	53 024	-	-	-	53 024
Other intangible assets	8 590	-	-	(2 981)	5 609
Work in progress	87	905	-	(776)	216
	126 266	17 700	(22 109)	(3 701)	118 156
Accumulated depreciation					
Software	(40 707)	(13 615)	22 107	(150)	(32 365)
	(40 707)	(13 615)	22 107	(150)	(32 365)

33 Taxes

The temporary differences between accounting income and the results accepted for tax purposes of IRC, whenever there is a reasonable probability that such taxes will be paid or recovered in the future, according to the in the accounting policy described in note 1w) are eligible for the recognition of deferred taxes.

Deferred tax assets and liabilities as at 31 December 2014 and 31 December 2013 are analysed as follows:

(Thousands of Euro)

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
Financial instruments	13 105	17 784	(35 434)	(25 872)	(22 329)	(8 088)
Other tangible assets	10	(24)	-	(421)	10	(445)
Provisions	260 661	195 784	-	-	260 661	195 784
Benefits to employees	35 900	40 063	-	-	35 900	40 063
Others	4 609	1 151	(111)	(3 926)	4 498	(2 775)
Tax losses carried forward	77 141	111 725	-	-	77 141	111 725
Net deferred tax assets/(liabilities)	391 426	366 483	(35 545)	(30 219)	355 881	336 264

Deferred taxes are calculated using the tax rates expected to be in force when the temporary differences are reversed, which correspond to the rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset and when the deferred taxes are related to the same tax.

As a result of Law no. 82-B/2014 of 16 January, (State Budget Law for 2015) the income tax rate was reduced from 23% to 21%, being effective from 1 January, 2015, onwards with impact on deferred taxes calculated on 31 December 2014.

The deferred tax rate is analysed as follows:

	2014 %	2013 %
Income tax (a)	21.0%	23.0%
Municipal surcharge rate	1.5%	1.5%
State surcharge rate	7.0%	5.0%
Total (b)	29.5%	29.5%

(a) - Applicable to deferred taxes related to tax losses;

(b) - Applicable to deferred taxes related to temporary differences

The Group evaluated the recoverability of its deferred tax assets on the balance sheet based on the expectations of future taxable profits.

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

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

(Thousands of Euro)

Expiry year	2014	2013
2014	-	10 542
2015	1 409	4 606
2017	28 248	49 093
2018	47 484	47 484
	77 141	111 725

Deferred tax balance movements were recognised as follows:

(Thousands of Euro)

	2014	2013
Initial balance	336 264	265 454
Charged to results	41 004	85 448
Charged to reserves and retained earnings	(21 387)	(14 638)
Final balance (Asset/ (Liability))	355 881	336 264

Tax recognised in the income and reserves for the years ended 31 December, 2014 and 2013 is analysed as follows:

(Thousands of Euro)

	2014		2013	
	Charged to net (loss) / income	**Charged to reserves**	**Charged to net (loss) / income**	**Charged to reserves**
Financial instruments	-	(14 241)	-	(9 860)
Other tangible assets	455	-	-	40
Provisions	64 877	-	42 555	-
Employees benefits	2 983	(7 146)	909	(2 556)
Others	7 273	-	(2 490)	(2 262)
Tax losses carried forward	(34 584)	-	44 474	-
Deferred taxes	41 004	(21 387)	85 448	(14 638)
Current taxes	(18 190)	-	(9 469)	-
Total tax recognized	**22 814**	**(21 387)**	**75 979**	**(14 638)**

The movements in Net deferred tax balance includes the deferred tax expenses for the year recognised in the profit and loss account, as well as the changes recognised in reserves and retained earnings, namely the impact resulting from the changes, of the accounting policy for the recognition of actuarial gains and losses related with pension and post-employment benefits, for the year and for previous years and unrealized gains and losses resulting from the revaluation of financial assets available for sale recognised in Equity.

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

(Thousands of Euro)

	2014		2013	
	%	**Value**	**%**	**Value**
Profit before taxes		(208 191)		(372 452)
Income tax based on the nominal tax rate	23.0	(47 884)	25.0	(93 113)
Impact of municipal and state surcharge	(3.0)	6 203	(0.0)	19
Post-employment benefits and Pensions Fund	2.1	(4 305)	(0.0)	33
Creation/reversal of taxed provisions	(31.2)	64 937	(9.9)	36 942
Extraordinary contribution for the banking sector	(0.9)	1 789	(0.3)	1 277
Tax benefits	(0.1)	139	(0.1)	410
Used tax losses	8.7	(18 046)	-	-
Autonomous taxation and other assets	(0.5)	1 008	(0.4)	1 367
Others	(6.9)	14 256	(16.8)	62 534
Impact on calculation of the deferred tax	19.7	(40 911)	22.9	(85 448)
Income tax for the year	11.0	(22 814)	0.2	(75 979)

The Group evaluated the recoverability of its deferred tax assets on the balance sheet based on the expectations of future taxable profits. As at the present date, there are no unrecognised deferred taxes.

In 2012, CEMG was object of a Tax Authority's inspection. As a result of the inspection, CEMG was object of an additional payment of income tax, related to autonomous taxation and other adjustments to the calculated tax loss. Regarding stamp taxes, CEMG was also object of additional payment. CEMG paid the settled amounts, without prejudice of appeal regarding some corrections made by the tax authorities.

34 Other assets

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Recoverable subsidies from Portuguese Government unliquidated	6 460	8 111
Other debtors	203 384	122 190
Other accrued income	7 354	8 998
Prepayments and deferred costs	2 695	2 448
Sundry debtors	135 471	42 246
	355 364	183 993
Impairment for other assets	(16 240)	(11 732)
	339 124	172 261

The balance Recoverable subsidies from Portuguese Government corresponds to mortgage credit interest subsidies, in accordance with the regulations applicable to mortgage loans benefits. The referred amounts do not bear interest and are claimed monthly.

As at 31 December 2014 and 31 December 2013, the balance Recoverable subsidies from the Portuguese Government is analysed as follows:

(Thousands of Euro)

	2014	2013
Recoverable subsidies from the Portuguese Government unliquidated	2 265	677
Subsidies unclaimed	315	4 071
Overdue subsidies unclaimed	3 880	3 363
	6 460	8 111

The balance Sundry debtors includes, as at 31 December 2014, the amount of Euro 1,443 thousands (2013: 8,027 Euro thousands) regarding transactions with securities recorded on trade date and pending settlement.

The movements in impairment for Other assets is analysed as follows:

(Thousands of Euro)

	2014	2013
Balance on 1 January	11 732	3 636
Charge for the year	7 503	1 654
Write-back for the year	(3 554)	(2 470)
Transfers	559	8 912
Balance on 31 December	16 240	11 732

35 Deposits from central banks

As at 31 December 2014 and 2013, this balance is related to deposits obtained in the European System of Central Banks and is covered by securities from the available-for-sale portfolio pledged as collaterals portfolio of financial assets available-for-sale.

The analysis of deposits from Central Banks by maturity, as at 31 December 2014 and 31 December 2013, is as follows:

(Thousands of Euro)

	2014	2013
Up to 3 months	2 020 772	1 768 860
More than 6 months	476 114	1 658 494
	2 496 886	3 427 354

36 Deposits from other financial institutions

This balance is analysed as follows:

(Thousands of Euro)

	2014			2013		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions in Portugal	920	45 449	46 369	143	53 321	53 464
Deposits from credit institutions abroad	2 604	1 021 183	1 023 787	40 668	380 365	421 033
	3 524	1 066 632	1 070 156	40 811	433 686	474 497

The balance Deposits from other financial institutions, analysed by maturity, is as follows:

(Thousands of Euro)

	2014	2013
Up to 3 months	81 372	31 534
3 to 6 months	98 656	96 279
6 months to 1 year	262 397	62 215
1 year to 5 years	379 530	52 076
More than 5 years	246 359	232 612
	1 068 314	474 716
Adjustments arising from hedging operations	1 842	(219)
	1 070 156	474 497

The balance Deposits from other financial institutions includes emissions at fair-value according to internal valuation methodologies, considering mainly market's observed data, with amount of Euro 61,009 thousands (2013: Euro 61,023 thousands). So, in accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are categorized in Level 2. Financial liabilities included in this balance are revaluated against results, according with the accounting policy described in note 1 d), having recognised a loss, at 31 December 2014, in the amount of Euro 2,270 thousands (2013: a loss of Euro 8,678 thousands) related to fair-value variations associated to the Group credit risk, as referred in notes 6 and 23.

The balance Deposits from other financial institutions also includes issues subject to hedging operations, whose impact on the book value rises to Euro 1,842 thousands (2013: a negative amount of Euro 219 thousands). Financial liabilities included in this balance are revaluated against results, according with the accounting policy described in note 1 d), having recognised, at 31 December 2014, the amount of Euro 2,061 thousands (2013: Euro 8,287 thousands) related hedging amount variations, as referred in notes 6 and 26.

37 Deposits from customers

This balance is analysed as follows:

(Thousands of Euro)

	2014			2013		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	217 597	2 575 057	2 792 654	256 309	2 233 635	2 489 944
Time deposits	-	11 398 222	11 398 222	-	11 497 167	11 497 167
Saving accounts	-	110 992	110 992	-	130 589	130 589
Other resources	12 771	-	12 771	19 765	-	19 765
Adjustments arising from hedging operations	20	-	20	5 363	-	5 363
	230 388	14 084 271	14 314 659	281 437	13 861 391	14 142 828

In the terms of Ordinance no. 180/94, of 15 December, the deposit guarantee fund was established to guarantee the reimbursement of funds deposited in credit institutions. The criteria to calculate the annual contributions to the referred fund are defined by Regulation no. 11/94 of Bank of Portugal, of 29 December.

The caption Time deposits includes deposits at fair-value, measured in accordance with internal evaluation techniques considering, mainly, observable market inputs, in the amount of Euro 95,657 thousands (2013: Euro 484 thousands). According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d), As at 31 December 2014, a gain in an amount of Euro 5,343 thousands (2013: Euro 10,168 thousands) was recorded, regarding the fair-value variations resulting from the Group’s credit risk, as referred in notes 6 and 23.

The balance Deposits from customers, analysed by maturity, is as follows:

(Thousands of Euro)

	2014	2013
Deposits repayable on demand	2 792 654	2 489 944
Time deposits and saving accounts		
Due within 3 months	1 750 684	1 971 031
3 months to 6 months	3 617 759	3 184 516
6 months to 1 year	2 660 610	2 111 418
1 year to 5 years	3 412 371	4 292 374
Over 5 years	67 790	68 417
	14 301 868	14 117 700
Adjustments arising from hedging operations	20	5 363
	14 301 888	14 123 063
Other items		
Due within 3 months	12 771	19 765
	14 314 659	14 142 828

38 Debt securities issued

This balance Debt securities issue is analysed as follows:

(Thousands of Euro)

	2014	2013
Euro Medium Term Notes (EMTN)	150 145	357 803
Bonds	1 974 804	1 717 872
Covered bonds	-	80
Commercial paper	21 576	243 673
	2 146 525	2 319 428

The fair-value of the debts securities issued is presented in note 52.

The balance Debt securities issued includes issues at fair-value, according with internal valuation techniques and considering, mainly, observable market data. According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d). As at 31 December 2014 an amount of Euro 4,148 thousands (2013: a loss in an amount of Euro 24,023 thousands) was recognised regarding the fair-value variations resulting from the Group's credit risk, as referred in notes 6 and 23.

As at 31 December 2014, this balance includes the amount of Euro 196,809 thousands (2013: Euro 275,279 thousands) related to debt securities issued recognised at the balance sheet at fair-value through profit or loss.

During 2014, the Group issued Euro 573,597 thousands (2013: Euro 1,515,987 thousands) of debt securities and performed the refund of Euro 781,540 thousands (2013: Euro 1,250,588 thousands).

As at 31 December 2014 and 2013, the analysis of debt securities issued outstanding by maturity is as follows:

(Thousands of Euro)

	2014	2013
Due within 6 months	364 647	304 704
6 months to 1 year	19 220	366 563
1 year to 5 years	1 565 505	1 492 150
Over 5 years	199 952	162 958
	2 149 324	2 326 375
Adjustments arising from hedging operations	(2 799)	(6 947)
	2 146 525	2 319 428

Under the Issuance of covered bonds program, with a maximum amount of Euro 5,000,000 thousands, the Group proceeded to the emissions which totalized Euro 2,000,000 thousands. As at 31 December 2014, the main characteristics of these issues are as follows:

(Thousands of Euro)

Description	Nominal value	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody´s/Fitch/Dbrs)
Covered bonds - 2S	1 000 000	1 000 347	Dec. 2009	Dec. 2016	Quarterly	Euribor 3M + 0.75%	Ba1/BBB/A
Covered bonds - 3S	500 000	502 011	Nov. 2010	Nov. 2015	Quarterly	Euribor 3M + 2.5%	Ba1/BBB/A
Covered bonds- 4S	500 000	500 096	May 2013	May 2017	Annually	Euribor 1M + 0.75%	Ba1/BBB/A
	2 000 000	2 002 454					

The covered bonds are guaranteed by a cover assets pool, comprised of mortgage credit assets and limited classes of other assets, that the issuer of mortgage covered bonds shall maintain segregated and over which the holders of the relevant covered bonds have a statutory special creditor privilege. These conditions are set up in Decree-Law no. 59/2006, Regulations no. 5/2006 of 20 March, no. 6/2006 of 11 October, no. 7/2006 of 11 October, no. 8/2006 of 11 October of the Bank of Portugal and Instruction no. 13/2006 of 15 November, of the Bank of Portugal.

At 31 December, 2014, the amount of credits that collateralise these issues is higher than Euro 2,711,971 thousands (2013: Euro 2,716,829 thousands), according with note 22.

The movements in debt securities issued during the year ended 31 December 2014 is analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Issues	Repayments	Net Repurchase	Other movements (a)	Balance on 31 December
Euro Medium Term Notes (EMTN)	357 803	-	(105 000)	(37 350)	(65 308)	150 145
Bonds	1 717 872	528 247	(416 950)	-	145 635	1 974 804
Covered bonds	80	-	-	-	(80)	-
Commercial paper	243 673	45 350	(259 590)	-	(7 857)	21 576
	2 319 428	573 597	(781 540)	(37 350)	72 390	2 146 525

[(a)] Other movements include accrued interest, fair value hedge, fair value adjustments and foreign translation exchanges adjustments.

The movements in debt securities issued during the year ended 31 December 2013, is analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Issues	Repayments	Net Repurchase	Other movements (a)	Balance on 31 December
Euro Medium Term Notes (EMTN)	708 970	-	(521 698)	147 900	22 631	357 803
Bonds	1 010 123	791 347	(103 265)	-	19 667	1 717 872
Covered bonds	63	500 000	-	(500 000)	17	80
Commercial paper	643 180	224 640	(625 625)	-	1 478	243 673
	2 362 336	1 515 987	(1 250 588)	(352 100)	43 793	2 319 428

[(a)] Other movements include accrued interest, fair value hedge, fair value adjustments and foreign translation exchanges adjustments.

In accordance with the note 1 d), debt issued repurchased by the Group is derecognised from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement.

As at 31 December 2014, the balance Debt securities issued is comprised of the following issues:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest Rate	Book Value
Papel Comercial - 26.ª Emissão	19/12/2014	18/12/2015	Rate of 3.830% indexed to Euribor 1Y	14 350
Papel Comercial - 9.ª Emissão	13/05/2014	12/05/2015	Rate of 4.606% indexed to Euribor 1Y	7 000
Emp.Obrigaccionista - CEMG 07	30/01/2007	30/01/2017	1st year rate of 4.2% 2nd year = 1 x 10yr CMS rate	70 750
Emp.Obrigaccionista - CEMG 05	25/02/2005	25/02/2015	1st year rate of 3.5%; 2nd year: 0.875% x 10yr CMS rate	80 050
Pelican Mortgages no. 1	19/12/2013	19/12/2037	W.A.I - 1.33%	61 272
Pelican Mortgages no. 2	29/09/2003	29/09/2036	W.A.I - 1.33%	127 205
OBRIGS CAIXA-MONTEPIO INFLACCAO-2008-2016-1 SER.	25/06/2008	16/06/2016	Annual fixed rate of 3.2.% + Annual European inflation rate	4 100
OBRIGS CAIXA-CRPC-SETEMBRO-2009-2017	03/09/2009	04/09/2017	Fixed Annual Rate of 3.75% (From 6th to 7th year a fixed rate of 3.75%, 8th year a fixed rate of 6.75%)	1 300
OBRIGS CAIXA-MG TAXA FIXA CRESCENTE ABRIL-2010-2015	19/04/2010	19/04/2015	Fixed Annual Rate of 3% (5th year a fixed rate of 3.5%)	500
OBRIGS CAIXA-MG CAPITAL CERTO-2010-2018-2.-SERIE	21/07/2010	22/07/2018	Fixed Annual Rate of 2.5% (5th year a fixed rate of 2.75%; 6th year a fixed rate of 3%; 7th year a fixed rate of 3.5%, 8th year a fixed rate of 5%)	850
OBRIGS CAIXA-MG TAXA FIXA SETEMBRRO 2010-2020	09/09/2010	09/09/2020	Fixed Annual Rate of 4%	200
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-1.SERIE	27/01/2011	28/01/2016	Fixed Annual Rate of 4.03% (4th year a fixed rate of 4.28%, 5th year a fixed rate of 5.28%)	21 650
OBRIGS CAIXA-MG TAXA FIXA JANEIRO 2011-2015	08/02/2011	08/02/2015	Fixed Annual Rate of 4%	19 918
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-2.SERIE	24/02/2011	25/02/2016	Fixed Annual Rate of 4.2% (4th year a fixed rate of 4.3%, 5th year a fixed rate of 5.6%)	21 850
OBRIGS CAIXA-MG TAXA CRESCENTE FEVEREIRO 2016	02/03/2011	25/02/2016	Fixed Annual Rate of 4.2% (4th year a fixed rate of 4.35%, 5th year a fixed rate of 5.6%)	9 050
OBRIGS CAIXA-MONTEPIO TOP EUROPA	09/03/2011	09/03/2015	At the maturity, the investor will receive the interest indexed to the performance of the Euro Stoxx50 index and Gold price.	4 970
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-3.SERIE	31/03/2011	01/04/2016	Fixed Annual Rate of 4.25% (4th year a fixed rate of 4.5%, 5th year a fixed rate of 5.5%)	19 150
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019-1.SERIE	31/03/2011	01/04/2019	Fixed Annual Rate of 4.65% (4th year a fixed rate of 4.65%, 5th year and 6th year fixed rate of 5%, 7th year and 8th year fixed rate of 6.5%)	2 050
OBRIGS CAIXA-MG TAXA CRESCENTE ABRIL 2016	06/04/2011	01/04/2016	Fixed Annual Rate of 4.5% (4th year a fixed rate of 4.75%, 5th year a fixed rate of 5.75%)	3 600
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-4.SERIE	28/04/2011	29/04/2016	Fixed Annual Rate of 4.25% (4th year a fixed rate of 4.5%, 5th year a fixed rate of 5.5%)	14 800
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-5.SERIE	26/05/2011	27/05/2016	Fixed Annual Rate of 4.6% (4th year a fixed rate of 4.8%, 5th year a fixed rate of 5.75%)	12 800
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019-2.SERIE	26/05/2011	27/05/2019	Fixed Annual Rate of 5.15% (4th year a fixed rate of 5.15%, 5th year ande 6th year a fixed rate of 5.5%; 7th year a fixed rate of 6%, 8th year a fixed rate of 7%)	2 500
OBRIGS CAIXA-MG TAXA CRESCENTE JUN2011-ABR2016	08/06/2011	29/04/2016	Fixed Annual Rate of 4.5% (4th year a fixed rate of 4.75%, 5th year a fixed rate of 5%)	500
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-6.SERIE	30/06/2011	01/07/2016	Fixed Annual Rate of 4.6% (4th year a fixed rate of 4.8%, 5th year a fixed rate of 5.75%)	10 000
OBRIGS CAIXA-MG CAPITAL CERTO 1795 DIAS 2011/2016	04/08/2011	29/07/2016	Fixed Annual Rate of 4.6% (4th year a fixed rate of 4.8%, 5th year a fixed rate of 5.75%)	7 850
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019-3 SERIE	07/09/2011	01/07/2019	Fixed Annual Rate of 5.15% (4th year a fixed rate of 5.15%, 5th year and 6th year a fixed rate of 5.5%; 7th year a fixed rate of 6%, 8th year a fixed rate of 7%)	4 900
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-7 SERIE	07/09/2011	01/09/2016	Fixed Annual Rate of 4.6% (4th year a fixed rate of 4.8%, 5th year a fixed rate of 5.75%)	9 850
OBRIGS CAIXA-FNB DEZEMBRO 07/17	20/12/2010	19/12/2017	1st year a fixed rate of 5%; Over 2nd year interest is calculated = Minimum [15 * (30 Yr Swap Rate – 10 Yr Swap Rate) + 0.75%;15 * (10 Yr swap Rate – 2 Yr Swap Rate) + 1.25%], of the index with a minimum of 0% and a maximum of 6,5%, each year	23 735
OBRIGS CAIXA-MG CAPITAL CERTO 2016-11 SERIE	20/01/2012	01/12/2016	Fixed semiannual rate of 6.36% (6th semester a fixed rate of 4.5%, 7th and 8th Semester a fixed rate of 6.68%, 9th and 10th Semester a fixed rate of 5.75%)	2 500
OBRIGS CAIXA-MG CAPITAL CERTO 2016-12 SERIE	20/01/2012	29/12/2016	Fixed semiannual rate of 6.026% (5th and 6th semester a fixed rate of 6.839%, 7th and 8th semester a fixed rate of 7.6515%, 9th e 10th semester a fixed rate of 11.714%)	4 000
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-1.SERIE	31/01/2012	01/02/2017	Fixed semiannual rate of 6.026% ((5th and 6th semester a fixed rate of 6.861%,7th and 8th semester a fixed rate of 7.686%, 9th e 10th semester a fixed rate of 10.162%)	5 650
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-2.SERIE	28/02/2012	01/03/2017	Fixed Annual Rate of 5.6667% (3rd year a fixed rate of 6.50%, 4th year a fixed rate of 7.3333%, 5th year a fixed rate of 9.8333%)	9 750
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-3.SERIE	30/03/2012	31/03/2017	Fixed Annual Rate of 4.9539% (3rd year a fixed rate of 5.2830%, 4th year a fixed rate of 5.6122%, 5th year a fixed rate of 6.5997%)	30 000
OBRIGS CAIXA-CRPC-2012-2020-1.SERIE	30/03/2012	31/03/2020	Fixed Annual Rate of 5.25% (3rd year and 4th year a fixed rate of 6%, 5th year a fixed rate of 6.75%; 6th year, 7th year and 8th year of Max[6.25% and Min (CPI+2%;9.15%)]	4 400
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-4.SERIE	30/04/2012	01/05/2017	Fixed Annual Rate of 4.80% (3th year a fixed rate of 5.10%, 4th year a fixed rate of 5.40%, 5th year a fixed rate of 6.35%)	67 750

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OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-5.SERIE	31/05/2012	01/06/2017	Fixed Annual Rate of 6.8874% (3th year a fixed rate of 8.8782%; 4th year a fixed rate of 9.6247%, 5th year a fixed rate of 13.6063%)	8 700
OBRIGS CAIXA-MONTEPIO CAPITAL CERTO 2012-2020-2ªSERIE	31/05/2012	01/06/2020	Fixed Annual Rate of 8.2583% (3rd year a fixed rate of 8.2583%; 4th year a fixed rate of 9.7083%; 5th year a fixed rate of 10.7250%; 6th year a fixed rate of 7.4750%; 7th year a fixed rate of 8.3% , 8th year a fixed rate of 11.1583%)	600
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-6.SERIE	29/06/2012	30/06/2017	Fixed Annual Rate of 7.27% (3rd year a fixed rate of 8.02%; 4th year a fixed rate of 9.27%, 5th year a fixed rate of 12.77%)	5 000
OBRIGACOES CAIXA-MONTEPIO CABAZ ACOES JUNHO 2012/2015	11/07/2012	11/07/2015	On maturity the investor will receive 50% of average performance of the index with a minimum of 3.75% and a maximum of 30%.	2 272
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-7.SERIE	31/07/2012	01/08/2017	Fixed Annual Rate of 8.40% (3rd year a fixed rate of 8.65%; 4th year fixed rate of 10.40%; 5th year a fixed rate of 11.90%)	6 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR AGO/12 06082015	06/08/2012	06/08/2015	Interests are paid on a semiannual base with a fixed rate of 5.25% (4th semester a fixed rate of 5.25%; 5th semester and 6th semester a fixed rate of 5.35%)	1 025
OBRIGS CAIXA-MONTEPIO CAPITAL CERTO 2012-2020-3ªSERIE	31/08/2012	01/09/2020	Fixed Annual Rate of 5.25% (3rd year and 4th year a fixed rate of 6%; 5th year a fixed rate of 6.75%; 6th year, 7th year, 8th year a fixed rate of Max(6.25% ; Min(CPI+2% ; 9.15%))	1 345
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-8.SERIE	31/08/2012	01/09/2017	Fixed Annual Rate of 9.7667% (3rd year a fixed rate of 10.9333%; 4th year a fixed rate of 12.1%; 5th year a fixed rate of 10.7%)	9 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 19092014	19/09/2012	19/09/2015	Interests are paid on a semiannual base with a fixed rate of 5.25% (3rd year a fixed rate of 5.35%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-9.SERIE	28/09/2012	29/09/2017	Fixed Annual Rate of 11.9179% (3rd year a fixed rate of 12.1625%; 4th year a fixed rate of 13.3857%; 5th year a fixed rate of 12.3286%)	14 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 01102015	01/10/2012	01/10/2015	Fixed Annual Rate of 5.25% (3rd year a fixed rate of 5.35%)	340
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-10.SERIE	31/10/2012	31/10/2017	Fixed Annual Rate of 5.15% (3rd year a fixed rate of 5.40%; 4th year a fixed rate of 5.60%; 5th year a fixed rate of 6.15%)	56 250
OBRIGS CAIXA-MG POUPANÇA FAMILIAR 1.SERIE	28/11/2012	29/11/2017	Fixed Annual Rate of 5.15% (3rd year and 4th year a fixed rate of 5.25%; 5th year a fixed rate of 6.70%)	3 450
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-11.SERIE	28/11/2012	29/11/2017	Fixed Annual Rate of 5.15% (3rd year and 4th year a fixed rate of 5.25%; 5th year a fixed rate of 5.70%)	47 250
OBRIGACOES CAIXA-MONTEPIO PARTICULAR DEZ12-21122015	21/12/2012	21/12/2015	Interests are paid every six months at the Fixed Annual Rate of 5.25% (4th semester: Annual Rate 5.25%; 5th and 6th semester: Annual Rate 5.35%)	300
OBRIGS CAIXA-MOMTEPIO-TIMBI-LEVERAGE 2012/2015	31/12/2012	31/12/2015	VN*Max(0%;(400%*Basket Performance))	5
OBRIGS CAIXA-MG-CABAZ LATAM COMMODITIES 2012/2015	31/12/2012	31/12/2015	VN*Max(0%;Min(30%;60%*Basket Performance))	5
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-03012015	03/01/2013	03/01/2015	Fixed Annual Rate of 5% (2nd year a fixed rate of 5%)	11 800
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-12.SERIE	15/01/2013	29/12/2017	Fixed Annual Rate of 5% (2nd year a fixed rate of 5.125%; 3rd year a fixed rate of 5.25%; 4th year a fixed rate of 5.40%; 5th year a fixed rate of 5.75%)	28 050
OBRIGS CAIXA-MG POUPANÇA FAMILIAR 2.SERIE	15/01/2013	29/12/2017	Fixed Annual Rate of 5% (2nd year a fixed rate of 5.25%; 3th year a fixed rate of 5.40%; 4th year a fixed rate of 5.60%; 5th year a fixed rate of 6.25%)	2 300
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-22012015	22/01/2013	22/01/2015	Interests are paid on a semiannual base with a fixed rate of 4.6% (3rd and 4th semester a fixed rate of 4.6%)	1 050
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-23012016	23/01/2013	23/01/2016	Fixed Annual Rate of 4.5% (2nd and 3rd year a ficed rate of 5.25%)	550
OBRIGS CAIXA-MONTEPIO TAXA FIXA-23JAN-2013-2015	23/01/2013	23/01/2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.25%)	6 154
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-23JAN 2013/15	23/01/2013	23/01/2015	Fixed Annual Rate of 4.75% (2º nd year a fixed rate of 4.75%)	19 018
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-29012016	29/01/2013	29/01/2016	Fixed Annual Rate of 4.5% (2nd year a fixed rate of 4.75%; 3rd year a fixed rate of 5%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-1.SERIE	31/01/2013	01/02/2018	Fixed Annual Rate of 5.00% (2nd year a fixed rate of 5.10%; 3rd year a fixed rate of 5.15%; 4th year a fixed rate of 5.25%; 5th year a fixed rate of 5.50%)	58 400
OBRIGS CAIXA-MONTEPIO PARTIC FEVEREIRO 2013-04022015 3,95%	04/02/2013	04/02/2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	500
OBRIGS CAIXA-MONTEPIO PARTIC FEV2013-04022015-4PC	04/02/2013	04/02/2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	446
OBRIGS CAIXA-MONTEPIO PARTIC FEV2013-04022015-4,625PC	04/02/2013	04/02/2015	Interests are paid on a semiannual base with a fixed rate of 4.50% (3rd semester and 4th semester a fixed rate of 4.75%)	1 000
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-6FEV-2013-2015	06/02/2013	06/02/2015	Fixed Annual Rate of 4.50% (2nd year a fixed rate of 4.5%)	14 736
OBRIGS CAIXA-MONTEPIO TAXA FIXA-6 FEVEREIRO 2013-2015	06/02/2013	06/02/2015	Fixed Annual Rate of 4.15% (2nd year a fixed rate of 4.15%)	5 961
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-13022016	13/02/2013	13/02/2016	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%; 3th year a fixed rate of 4.5%)	250
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-19022015	19/02/2013	19/02/2015	Interests are paid on a semiannual base with a fixed rate of 4.25% (2nd year a fixed rate of 4.40%)	529
OBRIGS CAIXA-MONTEPIO TAXA FIXA-20 FEVEREIRO 2013-2015	20/02/2013	20/02/2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	4 500
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-20FEV-2013-2015	20/02/2013	20/02/2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.25%)	9 077
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-22022015	22/02/2013	22/02/2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	640
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-26022015	26/02/2013	26/02/2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	1 528
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-2.SERIE	28/02/2013	01/03/2018	Fixed Annual Rate of 4.85% (2nd year a fixed rate of 4.85%; 3rd year and 4th year a fixed rate of 5.00%; 5th year a fixed rate of 5.40%)	43 550
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2021-1.SERIE	28/02/2013	01/03/2021	Fixed Annual Rate of 5.15% (2nd year a fixed rate of 5.20%; 3rd year a fixed rate of 5.30%; 4th year a fixed rate of 5.30%; 5th year a fixed rate of 5.90%; 6th year of Max[5.95%; Min (CPI+2%;8.25%)]; 7th year of Max[6.15%; Min (CPI+2%;8.50%)]; 8th year of Max[6.45%; Min (CPI+2%;8.50%)]).	2 865
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-04032015	04/03/2013	04/03/2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	-
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-05032015	05/03/2013	05/03/2018	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%; 3rd year a fixed rate of 4.50%; 4th year a fixed rate of 4.70%; 5th year a fixed rate of 4.90%)	250
OBRIGS CAIXA-MONTEPIO TAXA FIXA-06 MARÇO 2013-2015	06/03/2013	06/03/2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	3 681

(Thousands of Euro)

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OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-06 MAR-2013-2015	06/03/2013	06/03/2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	11 479
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-15032015	15/03/2013	15/03/2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	15 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-18032015	18/03/2013	18/03/2015	Fixed Annual Rate of 4.15% (2nd year a fixed rate of 4.25%)	265
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-19032015	19/03/2013	19/03/2015	Fixed Annual Rate of 4.15% (2nd year a fixed rate of 4.25%)	700
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-27032015	27/03/2013	27/03/2015	Fixed Annual Rate of 4.05% (2nd year a fixed rate of 4.125%)	250
OBRIGS CAIXA-MONTEPIO TAXA FIXA-20 MARCO 2013-2015	20/03/2013	20/03/2015	Fixed Annual Rate of 4.1% (2nd year a fixed rate of 4.1%)	30 770
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-3.SERIE	28/03/2013	29/03/2018	Fixed Annual Rate of 4.40% (2nd year a fixed rate of 4.55%; 3th year a fixed rate of 4.75%; 4th year a fixed rate of 4.90%; 5th year a fixed rate of 5.65%)	31 025
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-28032016	28/03/2013	28/03/2016	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%; 3rd year a fixed rate of 4.275%)	425
OBRIGS CAIXA-MONTEPIO TAXA FIXA-03 ABRIL 2013-2015	03/04/2013	03/04/2015	Interests are paid on a semiannual base with a fixed rate of 4% (2nd year a fixed rate of 4%)	18 203
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 05042015	05/04/2013	05/04/2015	Fixed Annual Rate of 4.125% (2nd year a fixed rate of 4.125%)	500
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 17042015	17/04/2013	17/04/2015	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%)	500
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 22042015	22/04/2013	22/04/2015	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%)	300
OBRIGS CAIXA-MONTEPIO TAXA FIXA-17 ABRIL 2013-2015	24/04/2013	24/04/2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	30 599
OBRIGS CAIXA-MONTEPIO POUPANÇA FAMILIAR 2013-2018-1.SERIE	30/04/2013	01/05/2018	Fixed Annual Rate of 4.40% (2nd year a fixed rate of 4.55%; 3rd year a fixed rate of 4.75%; 4th year a fixed rate of 4.90%; 5th year a fixed rate of 6.70%)	3 050
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-4.SERIE	30/04/2013	01/05/2018	Fixed Annual Rate of 4.40% (2nd year a fixed rate of 4.55%; 3rd year a fixed rate of 4.75%; 4th year a fixed rate of 4.90%; 5th year a fixed rate of 6.70%)	41 200
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 06052015	06/05/2013	06/05/2015	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%)	1 100
OBRIGS CAIXA-MONTEPIO TAXA FIXA-15 MAIO 2013-2015	15/05/2013	15/05/2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	22 406
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 17052015	20/05/2013	20/05/2015	Interests are paid on a semiannual base with a fixed rate of 4% (2nd year a fixed rate of 4%)	400
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 22052015	22/05/2013	22/05/2015	Fixad Annual Rate of 4.075% (2nd year a fixed rate 4.175%)	7 500
OBRIGS CAIXA-MONTEPIO TAXA FIXA-29 MAIO 2013-2015	29/05/2013	29/05/2015	Interests are paid on a semiannual base with a fixed rate of 4% (2nd year a fixed rate of 4%)	9 450
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 29052015	29/05/2013	29/05/2015	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-5.SERIE	31/05/2013	01/06/2018	Fixed Annual Rate of 4.4% (2nd year a fixed rate of 4.55%; 3rd year a fixed rate of 4.75%; 4th year a fixed rate of 4.9%; 5th year a fixed rate of 5.65%)	49 150
OBRIGS CAIXA-MONTEPIO TAXA FIXA-12 JUNHO 2013-2015	12/06/2013	12/06/2015	Interests are paid on a semiannual base with a fixed rate of 3.75% (2nd year a fixed rate of 3.75%)	7 867
OBRIGS CAIXA-MONTEPIO TAXA FIXA-26 JUNHO 2013-2015	26/06/2013	26/06/2015	Interests are paid on a semiannual base with a fixed rate 3.75% (2nd year a fixed rate of 3.75%)	6 835
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-6.SERIE	28/06/2013	29/06/2018	Fixed Annual Rate of 4.4% (2nd year a fixed rate of 4.4%; 3rd year a fixed rate of 4.6%; 4th year a fixed rate of 4.75%; 5th a fixed rate of 4.9%)	39 550
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2021-2.SERIE	28/06/2013	29/06/2021	Fixed Annual Rate of 4.9% (2nd year a fixed rate of 4.9%, 3rd year a fixed rate of 5.1%, 4th year a fixed rate of 5.1%; 5th year a fixed rate of 5.65%; 6th year to 8th year rate of Max(5.95%;Min(CPI+2%;8.15%))	1 645
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-7.SERIE	31/07/2013	01/08/2018	Fixed Annual Rate of 3.85% (2nd year a fixed rate of 4.15%, 3rd year a fixed rate of 4.35%, 4th year a fixed rate of 4.55%; 5th year a fixed rate of 4.9%)	43 800
OBRIGACOES CAIXA-MONTEPIO PARTICULAR AGO/13 29082015	29/08/2013	29/08/2015	Interests are paid on a semiannual base with a fixed rate of 2.8% (2nd year a fixed rate of 2.8%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-8.SERIE	30/08/2013	31/08/2018	Fixed Annual Rate of 3.65% (2nd year a fixed rate of 4.15%; 3rd year a fixed rate of 4.35%, 4th year a fixed rate of 4.55%; 5th year a fixed rate of 4.90%)	41 000
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-9.SERIE	30/09/2013	01/10/2018	Fixed Annual Rate of 3.65% (2nd year a fixed rate of 3.75%, 3rd year a fixed rate of 4%; 4th year a fixed rate of 4.2%; 5th year a fixed rate of 4.4%)	47 300
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-10.SERIE	31/10/2013	01/11/2018	Fixed Annual Rate of 3.75% (2nd year a fixed rate of 3.75%; 3rd year a fixed rate of 4%; 4th year a fixed rate of 4.1%; 5th year a fixed rate of 4.4%)	41 100
CEMG CAP CERTO 2013/2018 11 SERIE	29/11/2013	30/11/2018	Fixed Annual Rate of 3.65% (2nd year a fixed rate of 3.65%; 3rd year a fixed rate of 3.7%; 4th year a fixed rate of 3.75%; 5th year a fixed rate of 4%)	35 750
MONTEPIO CAP CERTO 2013/2018 12ª SERIE	30/12/2013	31/12/2018	Fixed Annual Rate of 3.65% (2nd year a fixed rate of 3.65%; 3rd year a fixed rate of 3.7%; 4th year a fixed rate of 3.75%; 5th year a fixed rate of 4%)	27 500
MONTEPIO CAPITAL CERTO 2014/2019 1S	31/01/2014	01/02/2019	Fixed Annual Rate of 3.4% (2nd year a fixed rate of 3.4%; 3rd year a fixed rate of 3.45%; 4th year a fixed rate of 3.5%; 5th year a fixed rate of 3.75%)	36 550
MONTEPIO CAPITAL CERTO 2014/2019 2S	28/02/2014	01/03/2019	Fixed Annual Rate of 3.4% (2nd year a fixed rate of 3.4%; 3rd year a fixed rate of 3.45%; 4th year a fixed rate of 3.5%; 5th year a fixed rate of 3.75%)	44 100
CEMG CX PART 2014/06.03.2017	06/03/2014	06/03/2017	Fixed Rate of 2.675%	400
CEMG CX PART 2014/17.03.2016	17/03/2014	17/03/2016	Fixed Rate of 2.5%	253
CEMG CAP CERTO 2014/2019 3 SERIE	28/03/2014	29/03/2019	Fixed Annual Rate of 3.4% (2nd year a fixed rate of 3.4%; 3rd year a fixed rate of 3.45%; 4th year a fixed rate of 3.5%; 5th year a fixed rate of 3.75%)	44 550
CEMG CAP CERTO 2014/2019 4 SERIE	30/04/2014	01/05/2019	Fixed Annual Rate of 3.4% (2nd year a fixed rate of 3.4%; 3rd year a fixed rate of 3.45%; 4th year a fixed rate of 3.5%; 5th year a fixed rate of 3.75%)	47 300
CEMG CAP CERTO 2014/2019 5 SERIE	30/05/2014	31/05/2019	Fixed Annual Rate of 3.4% (2nd year a fixed rate of 3.4%; 3rd year a fixed rate of 3.45%; 4th year a fixed rate of 3.5%; 5th year a fixed rate of 3.75%)	44 150
MONTEPIO PART 2014/23.06.2016	23/06/2014	23/06/2016	Fixed Rate of 2%	300
CEMG CAP CERTO 2014/2019 6 SERIE	30/06/2014	01/07/2019	Fixed Annual Rate of 3.4% (2nd year a fixed rate of 3.4%; 3rd year a fixed rate of 3.45%; 4th year a fixed rate of 3.5%; 5th year a fixed rate of 3.75%)	41 950

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest Rate	Book Value
CEMG CAP CERTO 2014/2019 7 SERIE	31/07/2014	01/08/2019	Fixed Annual Rate of 3.15% (2nd year a fixed rate of 3.15%; 3rd year a fixed rate of 3.20%; 4th year a fixed rate of 3.25%; 5th year a fixed rate of 3.50%)	67 500
CEMG CAP CERTO 2014/2019 8 SERIE	29/08/2014	30/08/2019	Fixed Annual Rate of 3.15% (2nd year a fixed rate of 3.15%; 3rd year a fixed rate of 3.20%; 4th year a fixed rate of 3.25%; 5th year a fixed rate of 3.50%)	46 600
CEMG CAP CERTO 2014/2019 9S	30/09/2014	01/10/2019	Fixed Annual Rate of 2.75% (2nd year a fixed rate of 2.80%; 3rd year a fixed rate of 3.00%; 4th year a fixed rate of 3.10%; 5th year a fixed rate of 3.35%)	27 600
CEMG CAP CERTO 2014/2019 10 SERIE	31/10/2014	01/11/2019	Fixed Annual Rate of 2.90% (2nd year a fixed rate of 2.95%; 3rd year a fixed rate of 2.95%; 4th year a fixed rate of 2.95%; 5th year a fixed rate of 3.25%)	38 600
CEMG CAP CERTO 2014/2019 11 SERIE	28/11/2014	29/11/2019	Fixed Annual Rate of 2.90% (2nd year a fixed rate of 2.95%; 3rd year a fixed rate of 2.95%; 4th year a fixed rate of 2.95%; 5th year a fixed rate of 3.25%)	41 000
OBRIGACOES CAIXA-MONTEPIO PARTIC-USD-FEV/13	13/02/2013	13/02/2018	Fixed Rate of 3.90%	222
			Debt securities issued	2 101 871
			Adjustments arising from hedging operations	(2 799)
			Accruals, deferred costs and income	47 453
				2 146 525

As at 31 December 2014, bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 1.06% and 12.16% (2013: 0.5% and 16.76%).

39 Financial liabilities relating to transferred assets

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Pelican Mortgages No. 3	163 650	194 287
Others	-	762
	163 650	195 049

40 Provisions

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Provisions for other liabilities and charges	20 329	8 014

The movements of the provisions for other liabilities and charges are analysed as follows:

(Thousands of Euro)

	2014	2013
Balance on 1 January	8 014	14 292
Charge for the year	17 061	3 444
Write-back for the year	(3 836)	(248)
Transfers	(910)	(9 474)
Balance on 31 December	20 329	8 014

These provisions are accounted in accordance with the probability of occurrence of certain contingencies related with the CEMG's activity, and are revised in each reporting date in order to reflect the best estimate of the amount and probability of payment.

41 Other subordinated debt

As at 31 December, 2014 and 2013 this balance accounts fixed-term bonds with a residual maturity above five years.

As at 31 December 2014, the main characteristics of Other subordinated debt, are analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Issue amount	Interest rate	Book Value
CEMG/06	Apr. 2006	Apr. 2016	50 000	Euribor 3 months+0.95%	26 154
CEMG/08 1.ª série	Feb.2008	Feb.2018	150 000	Euribor 6 months+1.5%	121 330
CEMG/08 2.ª série	Jun.2008	Jun.2018	28 000	Euribor 12 months+1.5%	18 179
CEMG/08 3.ª série	Jul.2008	Jul.2018	150 000	Euribor 6 months+1.5%	121 031
FNB 08/18 1ª/2ª Série	Dec2008	Dec2018	10 363	Euribor 6 months+0.15% (iv)	9 681
FNB Grandes empresas 07/16 2ª/3ª série	Jun.2011	Jun.2016	22 602	Max.(0;6.0%*(1-n/5)) (i)	19 397
FNB Grandes empresas 07/16_ 1ª série	May2007	May2016	1 745	Max.(0;6.0%*(1-n/5)) (i)	4 863
FNB Indices estratégicos 07/17 1ª série	May2007	Jun.2015	13 207	6.25%*NV Min.(quote) (ii)	10 257
FNB Indices estratégicos 07/17 2ª/3ª série	Jun.2011	Jun.2015	26 629	6.25%*NV Min.(quote) (ii)	31 107
FNB Rendimento Seguro 05/15	Jun.2005	Jun.2015	238	6.25%*NV Min.(quote) (iii)	236
Ob. Cx Subordinadas Finicrédito	Nov.2007	Nov.2017	16 550	Base rate+0.90% (barrier level)	16 190
					378 425
				Adjustments arising from hedging operations	(5 146)
					373 279

As at 31 December, 2013 the main characteristics of Other subordinated debt are presented as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Issue amount	Interest rate	Book Value
CEMG/06	Apr.2006	Apr.2016	50 000	Euribor 3 months+0.95%	26 139
CEMG/08	Feb.2008	Feb.2018	150 000	Euribor 6 months+1.5%	121 368
CEMG/08	Jun.2008	Jun.2018	28 000	Euribor 12 months+1.5%	18 179
CEMG/08	Jul.2008	Jul.2018	150 000	Euribor 6 months+1.5%	121 053
FNB 08/18 1ª/2ª Série	Dec.2008	Dec.2018	10 363	Euribor 6 months+0.15% (iv)	10 375
FNB Rendimento Seguro 05/15	Jun.2005	Jun.2015	238	6.25%*VN Min.(quote) (iii)	238
FNB Grandes empresas 07/16_ 1ª série	May2007	May2016	1 745	Max.(0;6.0%*(1-n/5)) (i)	1 780
FNB Grandes empresas 07/16 2ª/3ª série	Jun.2011	Jun.2016	22 602	Max.(0;6.0%*(1-n/5)) (i)	22 740
FNB Indices estratégicos 07/17 1ª série	May2007	Jun.2015	13 207	6.25%*VN Min.(quote) (ii)	13 207
FNB Indices estratégicos 07/17 2ª/3ª série	Jun.2011	Jun.2015	26 629	6.25%*VN Min.(quote) (ii)	26 629
Ob. Cx Subordinadas Finicrédito	Nov.2007	Nov.2017	16 550	Base rate+0,90% (*barrier level*)	16 530
					378 238
				Adjustments arising from hedging operations	(8 160)
					370 078

References:

(i) - The following coupons will be paid, on the end of each year (May 9, to the 1st series and June 20, to the 2nd and 3rd series):

Coupon	Interest rate/range
1º Coupon	5.5%
2º Coupon	5.5%
3º Coupon	Max [0; 6.0% * (1-n/3)]
4º Coupon	Max [0; 6.0% * (1-n/4)]
5º Coupon	Max [0; 6.0% * (1-n/5)]
6º Coupon	Max [0; 6.0% * (1-n/6)]
7º Coupon	Max [0; 6.0% * (1-n/7)]
8º Coupon	Max [0; 6.0% * (1-n/8)]
9º Coupon	Max [0; 6.0% * (1-n/9)]

Notes:

where, n is the accumulated number of reference entities in which a credit event has occurred

If a merge between two or more reference entities had occur and if a credit event occurs in the merged entity, it will be accounted many credit events as the number of merged companies.

(ii) - The payment will be annually and it will be equal to:

Coupon	Interest rate/ range
1st year	5.5% * notional
2nd year	5.5% * notional
3rd and the following	6.25% * notional if Min (SDk/SD0-SXk/SX0; HSk/HS0- SXk/SX0) > Barrier k ***

*** if not = 0%, where:

Barrier 3 = Barrier to be applied on 3rd cupon = 0%;
Barrier 4 = Barrier to be applied on 4rd cupon = 1%;
Barrier 5 = Barrier to be applied on 5th cupon = 2%;
Barrier 6 = Barrier to be applied on 6th cupon = 3%;
Barrier 7 = Barrier to be applied on 7th cupon = 4%;
Barrier 8 = Barrier to be applied on 8th cupon = 5%;
Barrier k = Barrier to be applied on k*cupon
SDk – Closing of Eurostoxx Select Dividend (Bloomberg: SD3E) on observation date K (K=1 to 6)
SD0 – Closing of Eurostoxx Select Dividend (Bloomberg: SD3E) at beginning date
SXk – Closing of Eurostoxx50 Total Return (Bloomberg: SX5T) on observation date K (K=1 a 6)
SX0 – Closing of Eurostoxx50 Total Return (Bloomberg: SX5T) at beginning date
HSk – Closing of HS60 Europe (Bloomberg: HS60EU) on observation date K (K=1 a 6)
HS0 – Closing of HS60 Europe (Bloomberg: HS60EU) at beginning date

(iii) - The payment will be semiannual, with a minimum of 1% and a maximum of 5%, and it will be calculated according with the following formula (annual rate):
n/N * 5% +m/N * 1%

where:
n is the number of working days of the respective period in which Euribor 6 months will be in the fixed range;
m is the number of working days of the respective period in which Euribor 6 months will be outside the fixed range;
N is the number of working days of the respective period.

Note:
Range is defined on the following table for each coupon:

Period	Coupon date	Range
1st semester	09-Dec-05	[1.60; 2.75%]
2nd semester	09-Jun-06	[1.60; 3.00%]
3rd semester	09-Dec-06	[1.60; 3.25%]
4th semester	09-Jun-07	[1.60; 3.50%]
5th semester	09-Dec-07	[1.60; 3.50%]
6th semester	09-Jun-08	[1.70; 3.75%]
7th semester	09-Dec-08	[1.70; 3.75%]
8th semester	09-Jun-09	[1.70; 4.00%]
9th semester	09-Dec-09	[1.80; 4.00%]
10th semester	09-Jun-10	[1.80; 4.25%]
11th semester	09-Dec-10	[1.80; 4.25%]
12th semester	09-Jun-11	[1.80; 4.50%]
13th semester	09-Dec-11	[1.90; 4.50%]
14th semester	09-Jun-12	[1.90; 4.50%]
15th semester	09-Dec-12	[1.90; 4.50%]
16th semester	09-Jun-13	[1.90; 4.50%]
17th semester	09-Dec-13	[2.00; 4.50%]
18th semester	09-Jun-14	[2.00; 4.50%]
19th semester	09-Dec-14	[2.00; 4.50%]
20th semester	09-Jun-15	[2.00; 4.50%]

(iv) - The payment will be semiannual and the first coupon will be fixed:

Coupon	Interest rate/ Range
1st coupon	6.50% (annual rate)
between 2nd and 10th	Euribor 6M + 1.50% (annual rate)
11th and following	Euribor 6M + 1.75% (annual rate)

The balance Other subordinated debt includes debt securities valued at fair-value in accordance with internal valuation techniques considering, mainly, observable market data. According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d). As at 31 December 2014 the negative amount of Euro 3,014 thousands (2013: negative amount of Euro 3,784 thousands) was recognised, regarding the fair-value variations resulting from the Group's credit risk, as referred in notes 6 and 23.

As at 31 December 2014, this balance accounts the amount of Euro 69,631 thousands (2013: 107,351 thousands) of other subordinated debt at the balance sheet at fair-value through profit or loss.

As at 31 December 2014 and 2013, the effective interest rate range of the subordinated debt bears postponed interest every three and six months and are set between 0.8% and 2.03% (2013: 0.86% and 2.084%).

The fair-value of the debts securities issued is presented in note 52.

42 Other liabilities

This balance is analysed as follows:

	2014	2013
Creditors		
Suppliers	23 481	16 065
Other creditors	81 419	150 369
Administrative public sector	20 907	23 586
Holiday pay and subsidies	36 541	37 270
Other administrative costs payable	2 876	732
Deferred income	5 025	70 971
Other sundry liabilities	199 469	90 193
	369 718	389 186

As at 31 December 2014, the balance Other sundry liabilities includes the amount of Euro 89,053 thousands, related with net liabilities recognised in the balance sheet, which represent the difference between the costs with pensions, health benefits and death subsidy and the assets, as referred in note 53. This amount includes the contribution to the pension fund referring to the year 2014, pending settlement, in the amount of Euro 64,739 thousands.

As at 31 December 2013, the balance Other sundry liabilities includes the amount of Euro 68,208 thousands engaged to balances of banking and financial transactions pending settlement.

43 Institutional capital

CEMG's institutional capital, which is fully paid, amounts to Euro 1,500,000 thousands, fully belonging to Montepio Geral – Associação Mutualista.

On 6 November 2013, following the General Assembly deliberation, CEMG increased the share capital of Caixa Económica Montepio Geral in the amount of Euro 105,000 thousands, by cash transfer.

On 26 September 2013, following the General Assembly deliberation, CEMG increased the share capital of Caixa Económica Montepio Geral in the amount of Euro 100,000 thousands, by cash transfer.

On 20 December 2012, following the General Assembly deliberation, CEMG increased the share capital of Caixa Económica Montepio Geral in the amount of Euro 50,000 thousands, by cash transfer.

44 Participation Fund

Following the decision of the General Shareholders Meeting, held in 28 October 2013, it was issued in 17 December 2013 share instruments representative of Fundo de Participação da Caixa Económica Montepio Geral, with a total notional of Euro 200.000 thousands, in cash.

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

Caixa Económica Montepio Geral issued 200.000.000 investment fund units with the notional value of Euro 1, which will be issued nominative form.

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

These securities are eligible for solvency purposes as Core Tier 1. Under IAS 32 – Financial Instruments: Presentation, for accounting purposes, these securities are classified as share capital, considering its specific characteristics, namely the non obligation of payment of the nominal amount and interests.

So, the classification as Share capital results from the fact that the investor, as owner of the issued security, is exposed to the risk of share instruments of CEMG, as he may not receive an equal amount to the acquisition amount.

45 Other equity instruments

This caption includes the issuance of Euro 15.000 thousands occurred in the first quarter of 2010 Perpetual Subordinated Securities Interest conditioners made by Montepio Investimento, S.A. (previously designated as Finibanco, S.A.), and in connection with the acquisition of Montepio Holding, S.G.P.S., S.A. (previously designated as Finibanco Holding, S.G.P.S., S.A.), and its subsidiaries, was integrated in CEMG responsibilities, as described in note 1 a).

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

During 2013, the Group repurchased perpetual subordinated instruments in the amount of Euro 6,727 thousands. After this operation, the balance Other equity instruments amounts to Euro 8,273 thousands.

Payment

Subject to the payment of interest limitations described below, the payment will be paid semi-annually on 2 February and 2 August of each year, beginning on 2 August, 2010 and will be equal to:

1st to 4th coupon: 7.00%;

5th coupon and following: Euribor 6M + 2.75%, with a minimum of 5%.

Payment interest limitations

The Issuer will be prevented from making interest payment:

- And even the extent of competition in which the sum of the amount payable by the interest this issue with the amount of dividends paid or deliberate and guaranteed payments relating to any preference shares that are likely to be issued, exceed Distributable Funds of the Issuer; or

- Is in compliance with the Regulatory capital requirements regulation or the extent and up to competition in its payment implies that is in default with that regulation.

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

The impediment to proceed to the Interest Payment may be total or partial.

Interest non-payment on any date excludes the issuer of the interest payment related to this date in a future time.

It is considered distributable funds in a determined year the algebraic sum, with reference to the previous year, the retained earnings with any other amount which may be distributable and profit or loss, net of reserve requirements, statutory and legal, but before the deduction of the amount of any dividends on ordinary shares or other securities subject to these, for that exercise.

In 2014, the amount of interest to pay exceeds the "Distributable Funds of the Issuer", so CEMG did not pay interest for this issue.

Reimbursement

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

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

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

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

46 Treasury stock

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

At 31 December 2014, these entities owned 3,280,322 units, with an average unit cost of Euro 0.895.

47 General and special reserves

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

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

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

The variation of the general and special reserves balance is analysed in note 48.

48 Fair-value reserves, other reserves and retained earnings

This balance is analysed as follows:

(Thousand of Euro)

	2014	2013
Fair value reserves		
Available-for-sale financial assets		
Gross amount	69 609	11 352
Taxes	(22 307)	(8 066)
Others	(28 786)	(14 819)
	18 516	(11 533)
Reserves and retained earnings		
General reserve	187 532	187 532
Special reserve	68 273	68 273
Deferred tax reserve	42 178	49 324
Retained earnings	(446 455)	(66 935)
	(148 472)	238 194

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

The movements of this balance during the year ended 31 December 2014 are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Reavaluation	Acquisitions	Sales	Impairment recognized in the year	Balance on 31 December
Fixed income securities						
Bonds issued by public Portuguese entities	33 404	15 242	10 816	(2 850)	-	56 612
Bonds issued by public foreign entities	294	3 176	645	3	(419)	3 699
Bonds issued by other entities						
Portuguese	(20 396)	20 372	4 920	2 503	(19 690)	(12 291)
Foreign	(1 377)	15 813	5 303	(114)	(6 419)	13 206
Commercial paper	-	409	-	-	-	409
	11 925	55 012	21 684	(458)	(26 528)	61 635
Variable income securities						
Shares						
Portuguese	243	98	57	7	(313)	92
Foreign	1 947	(400)	(370)	(67)	222	1 332
Investments fund units	(2 763)	(2 198)	495	894	10 122	6 550
	(573)	(2 500)	182	834	10 031	7 974
	11 352	52 512	21 866	376	(16 497)	69 609

The movements of this balance during the year ended 31 December 2013 are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Reavaluation	Acquisitions	Sales	Impairment recognized in the year	Balance on 31 December
Fixed income securities						
Bonds issued by Portuguese entities	9 018	676	33 903	(10 193)	-	33 404
Bonds issued by foreign entities	113	(2 519)	37	(179)	2 842	294
Bonds issued by other entities						
Portuguese	(6 043)	1 821	(19 467)	3 293	-	(20 396)
Foreign	(20 221)	10 834	1 670	7 150	(810)	(1 377)
Commercial paper	-	(226)	-	-	226	-
	(17 133)	10 586	16 143	71	2 258	11 925
Variable income securities						
Shares						
Portuguese	66	98	104	-	(25)	243
Foreign	1 006	1 519	333	(256)	(655)	1 947
Investments fund units	(6 022)	15 076	(5 133)	6 514	(13 198)	(2 763)
	(4 950)	16 693	(4 696)	6 258	(13 878)	(573)
	(22 083)	27 279	11 447	6 329	(11 620)	11 352

The fair-value reserves can be analysed as follows:

(Thousands of Euro)

	2014	2013
Amortised cost of available-for-sale financial assets	3 575 865	4 573 730
Accumulated impairment recognised	(55 763)	(39 266)
Amortised cost of available-for-sale financial assets, net of impairment	3 520 102	4 534 464
Market value of available-for-sale financial assets	3 589 711	4 545 816
Net/ unrealised gains/(losses) recognised in the fair value reserve	69 609	11 352

49 Distribution of profit

In 2014, CEMG has not distributed profits.

On 23 April 2013, following the General Assembly, CEMG distributed to Montepio Geral – Associação Mutualista dividends in the amount of Euro 1,692 thousands.

50 Non – controlling interests

This balance is analysed as follows:

(Thousands of Euro)

	Statement of Financial Position		Income Statement	
	2014	2013	2014	2013
Finibanco Angola S.A.	13 610	11 035	2 351	2 153
Banco Terra, S.A.	12 830	-	(775)	-
	26 440	11 035	1 576	2 153

The movements of this balance are analysed as follows:

(Thousands of Euro)

	2014	2013
Initial balance	11 035	6 957
Exchange differences	862	561
Dividends	(2 469)	(434)
Other	15 436	1 798
	24 864	8 882
Net income attributable to non-controlling interests	1 576	2 153
Final balance	26 440	11 035

51 Obligations and future commitments

Obligations and future commitments are analysed as follows:

(Thousands of Euro)

	2014	2013
Guarantees granted	534 775	483 544
Guarantees received	31 702 268	31 521 321
Commitments to third parties	1 256 209	1 949 361
Commitments from third parties	94 206	82 802
Assets transferred in securitised operations	191 970	214 474
Securities and other items held for safekeeping on behalf of customers	8 456 178	7 919 199
	42 235 606	42 170 701

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

(Thousands of Euro)

	2014	2013
Guarantees granted		
Guarantees	487 896	471 714
Open documentary credits	46 451	6 962
Guarantees and indemnities (counter)	428	4 868
	534 775	483 544
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	653 777	391 689
Securities subscription	-	801 801
Annual contribution to the Guarantee Deposits Fund	25 314	25 314
Potential obligation with the Investors' Indemnity System	3 217	3 508
Revocable commitments		
Revocable credit lines	573 901	727 049
	1 256 209	1 949 361

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

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

Revocable and irrevocable commitments represent contractual agreements to extend credit to the Group's customers (for example unused credit lines). These agreements are generally, contracted for fixed periods of time or with other expiring requirements, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Notwithstanding the particular characteristics of these contingent liabilities and commitments, the analysis of these operations follows the same basic principles of any commercial operation, namely the solvency of the underlying client and business, being that the Group requires these operations to be adequately covered by collaterals when needed. Considering that is expected that the majority of these contingent liabilities and commitments expire without having being used, the indicated amounts do not represent necessarily future cash-flow needs.

As at 31 December 2014 and 2013, the balance Annual contribution to the obligations of Guarantee Deposits Fund is related with the irrevocable commitment assumed by the Group and required by law, to deliver the unrealised amounts of annual contributions required by the Fund.

As at 31 December 2014 and 2013, the balance Potential obligation with the Investors' Indemnity System refers to the irrevocable obligation that the Group assumed, under the applicable law, to deliver to that system, in case needed, the required amount to pay its share of the indemnities to be paid to investors.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in note 1 c). The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Group in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

52 Fair-value

Fair-value is based on market prices, whenever these are available. If market prices are not available, as it happens regarding many products sold to clients, fair-value is estimated through internal models based on cash-flow discounting techniques. Cash flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the interest rate curve and the current conditions of the pricing policy in the Group.

Therefore, the fair-value obtained is influenced by the parameters used in the evaluation model that, necessarily have some degree of judgement and reflect exclusively the value attributed to different financial instruments. However, it does not consider prospective factors, like the future business evolution.

Under these conditions, the values presented cannot be understood as an estimate of the economic value of the Group.

The main methods and assumptions used in estimating the fair-value for the assets and liabilities of the Group are presented as follows:

- *Cash and deposits at central banks, Loans and advances to credit institutions repayable on demand and Deposits from other credit institutions*

  Considering the short maturity of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair-value.

- *Other loans and advances to credit institutions, Amounts owed to other credit institutions from Inter-bank Money Market transactions and Assets with repurchase agreements*

  The fair-value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates.

  For Deposits from Central Banks it was considered that the book value is a reasonable estimate of its fair-value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank was 0.32% (2013: 0.25%).

- Regarding loans and advances to credit institutions and deposits from credit institutions, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year).

- *Financial assets held for trading (except derivatives), Financial liabilities held for trading (except derivatives), Available-for-sale financial assets and other Financial Assets at the fair value through profit and loss*

  These financial instruments are accounted at fair-value. Fair-value is based on market prices, whenever these are available. If market prices are not available, fair-value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

  Interest rates are determined based on information disseminated by the suppliers of content financial - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

  When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) considering the volatility areas applicable are used. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, it is applied specific quotations supplied by an external entity, typically a counterparty of the business.

- *Financial assets held to maturity*

  These financial instruments are accounted at amortized cost net of impairment. Fair-value is based on market prices, whenever these are available. If market prices are not available, fair-value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

- *Hedging and trading derivatives*

  All derivatives are recorded at fair-value.

  In the case of those who are quoted in organized markets their market price are used. As for derivatives traded "over the counter", apply the numerical methods based on techniques of discounted cash flow valuation models and considering options including changing market interest rates applicable to the instruments concerned, and where necessary, their volatility.

  Interest rates are determined based on information disseminated by the suppliers of content financial - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

- *Loans and advances to customers with defined maturity date*

The fair-value of these instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments for each of the homogeneous classes of this type of instrument and with similar maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year) and the spread used at the date of the report, which was calculated from the average production of the last three months of 2014. The average discount rate was 3.88% (2013: 5.45%), assuming the projection of variable rates according to the evolution of the forward rates implicit in the interest rate curves. The calculations also include the credit risk spread.

- *Loans and advances to customers without defined maturity date*

Considering the short maturity of these financial instruments, the conditions of the existing portfolio are similar to current conditions used by the Group. Therefore, the amount in the balance sheet is a reasonable estimate of its fair-value.

- *Deposits from customers*

The fair-value of these financial instruments is calculated by discounting the expected principal and interest future cash flows, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in identical instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the year) and the spread of the Group at the date of the report, which was calculated from the average production of the last three months of the year 2014. The average discount rate was of 1.37% (2013: 1.91%)

- *Debt securities issued and Subordinated debt*

For these financial instruments, fair-value was calculated for the components that are not yet reflected on the Group's balance sheet. For the fixed interest rate instruments for which the Group applies a hedge-note, the fair-value regarding the interest rate risk is already accounted for.

In fair-value calculation, the other risk components were also considered, apart from the interest rate risk. Fair-value is based on market prices, whenever these are available. If market prices are not available, fair-value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted by associated factors, predominantly the credit risk and trading margin, the latter only in the case of issues placed for non-institutional customers of the Group.

As original reference, the Group applies the curves resulting from the interest rate swaps markets for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

As at 31 December 2014, the following table presents the values of the interest rates used in the clearance of the curves interest rate of major currencies, including Euro, United States Dollar, Sterling Pound, Swiss Franc and Japanese Yen used to determine the fair-value of the financial assets and liabilities of the Group:

	Currencies				
	Euro	**United States Dollar**	**Sterling Pound**	**Swiss Franc**	**Japanese Yen**
1 day	-0.0150%	0.1700%	0.5300%	-0.0500%	-0.0200%
7 days	-0.0150%	0.1980%	0.5300%	-0.0500%	-0.0200%
1 month	0.0180%	0.3100%	0.5250%	-0.2000%	-0.0200%
2 months	0.0440%	0.3750%	0.5600%	-0.2200%	-0.0200%
3 months	0.0780%	0.1900%	0.6000%	-0.2400%	0.0450%
6 months	0.1710%	0.5000%	0.6750%	-0.0200%	0.0650%
9 months	0.2450%	0.6000%	0.8700%	-0.0200%	0.1100%
1 year	0.3250%	0.8200%	0.9250%	-0.0300%	0.1450%
2 years	0.1770%	0.8930%	0.9280%	-0.0960%	0.1449%
3 years	0.2240%	1.2930%	1.1340%	-0.0590%	0.1449%
5 years	0.3600%	1.7880%	1.4410%	0.0720%	0.1449%
7 years	0.5320%	2.0640%	1.6390%	0.2470%	0.1449%
10 years	0.8195%	2.3060%	1.8360%	0.5140%	0.1449%
15 years	1.1528%	2.5280%	2.0630%	0.7720%	0.1449%
20 years	1.3268%	2.6070%	2.0630%	0.7720%	0.1449%
30 years	1.4718%	2.6830%	2.0630%	0.7720%	0.1449%

As at 31 December 2013, the following table presents the values of the interest rates used in the clearance of the curves interest rate of major currencies, including Euro, United States Dollar, Sterling Pound, Swiss Franc and Japanese Yen used to determine the fair-value of the financial assets and liabilities of the Group:

	Currencies				
	Euro	**United States Dollar**	**Sterling Pound**	**Swiss Franc**	**Japanese Yen**
1 day	0.223%	0.080%	0.410%	-0.050%	0.078%
7 days	0.188%	0.129%	0.410%	-0.095%	0.089%
1 month	0.216%	0.160%	0.410%	-0.075%	0.100%
2 months	0.255%	0.210%	0.470%	-0.050%	0.040%
3 months	0.287%	0.330%	0.520%	-0.040%	0.060%
6 months	0.389%	0.410%	0.735%	0.040%	0.140%
9 months	0.480%	0.450%	0.810%	0.110%	0.230%
1 year	0.556%	0.580%	0.950%	0.180%	0.280%
2 years	0.544%	0.487%	1.031%	0.156%	0.209%
3 years	0.772%	0.868%	1.444%	0.294%	0.242%
5 years	1.260%	1.775%	2.148%	0.751%	0.385%
7 years	1.682%	2.468%	2.592%	1.182%	0.594%
10 years	2.155%	3.086%	3.006%	1.635%	0.910%
15 years	2.588%	3.580%	3.332%	2.015%	1.359%
20 years	2.714%	3.756%	3.332%	2.015%	1.359%
30 years	2.731%	3.886%	3.332%	2.015%	1.359%

Exchange rates and volatility

We present below the exchange rates (European Central bank) at the balance sheet date and the implied volatilities (at the money) for the main currencies used on the derivatives valuation:

			Volatility (%)				
Exchange rates	**2014**	**2013**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1.2141	1.3791	9.650	9.450	9.175	9.025	9.012
EUR/GBP	0.7789	0.8337	7.825	7.850	8.450	8.325	8.250
EUR/CHF	1.2024	1.2276	3.250	3.700	4.050	4.200	4.425
EUR/JPY	145.23	144.72	10.825	10.775	11.050	11.125	11.125

Concerning the exchange rates, the Group uses in the valuation models the spot rate observed in the market at the time of the valuation.

The fair-value for each group of assets and liabilities at 31 December 2014 and 31 December 2013 is presented as follows:

(Thousands of Euro)

	2014					
	Designated at fair value	Amortised cost	Available-for-sale	Others	Book value	Fair value
Financial assets						
Cash and deposits at central banks	-	284 813	-	-	284 813	284 813
Loans and advances to credit institutions	-	217 043	-	-	217 043	217 043
Loans and advances to credit institutions	-	546 162	-	-	546 162	546 162
Loans and advances to customers	44 110	15 182 113	-	-	15 226 223	14 528 632
Financial assets held for trading	86 581	-	-	-	86 581	86 581
Available-for-sale financial assets	-	-	3 589 673	-	3 589 673	3 589 673
Hedging derivatives	60	-	-	-	60	60
Held-to-maturity investments	-	120 101	-	-	120 101	120 549
Investments in associated companies and others	-	-	-	24 636	24 636	24 636
	130 751	16 350 232	3 589 673	24 636	20 095 292	19 398 149
Financial liabilities						
Deposits from central banks	-	2 496 886	-	-	2 496 886	2 496 886
Deposits from other credit institutions	89 301	980 855	-	-	1 070 156	1 070 156
Deposits from customers	95 657	14 219 002	-	-	14 314 659	14 426 952
Debt securities issued	196 809	1 949 716	-	-	2 146 525	2 238 129
Financial liabilities relating to transferred assets	-	-	-	163 650	163 650	163 650
Financial liabilities held for trading	-	-	-	-	-	-
Hedging derivatives	1 494	-	-	-	1 494	1 494
Other subordinated debt	69 632	303 647	-	-	373 279	319 138
	452 893	19 950 106	-	163 650	20 566 649	20 716 405

(Thousands of Euro)

	2013					
	Designated at fair value	Amortised cost	Available-for-sale	Others	Book value	Fair value
Financial assets						
Cash and deposits at central banks	-	314 259	-	-	314 259	314 259
Loans and advances to credit institutions	-	233 785	-	-	233 785	233 785
Loans and advances to credit institutions	-	330 063	-	-	330 063	330 063
Loans and advances to customers	26 788	15 528 353	-	-	15 555 141	14 573 888
Financial assets held for trading	64 106	-	-	-	64 106	64 106
Other financial assets at fair value through profit or loss	3 450	-	-	-	3 450	3 450
Available-for-sale financial assets	-	-	4 545 816	-	4 545 816	4 545 816
Hedging derivatives	503	-	-	-	503	503
Held-to-maturity investments	-	34 631	-	-	34 631	35 340
Investments in associated companies and others	-	-	-	42 399	42 399	42 399
	94 847	16 441 091	4 545 816	42 399	21 124 153	20 143 609
Financial liabilities						
Deposits from central banks	-	3 427 354	-	-	3 427 354	3 427 354
Deposits from other credit institutions	71 019	403 478	-	-	474 497	474 497
Deposits from customers	374 226	13 768 602	-	-	14 142 828	14 174 337
Debt securities issued	273 233	2 046 195	-	-	2 319 428	2 319 428
Financial liabilities relating to transferred assets	-	-	-	195 049	195 049	195 049
Financial liabilities held for trading	-	-	-	-	-	-
Hedging derivatives	1 849	-	-	-	1 849	1 849
Other subordinated debt	92 442	277 636	-	-	370 078	310 018
	812 769	19 923 265	-	195 049	20 931 083	20 902 532

The following table shows, by valuation levels, the fair-value of CEMG's financial assets and liabilities, as at 31 December 2014:

(Thousands of Euro)

	2014				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Book value**
Financial assets					
Cash and deposits at central banks	284 813	-	-	-	284 813
Loans and advances to credit institutions repayable on	217 043	-	-	-	217 043
Loans and advances to credit institutions	545 162	-	-	-	545 162
Loans and advances to customers	-	-	15 226 275	-	15 226 275
Financial assets held for trading	6 763	74 509	5 309	-	86 581
Available-for-sale financial assets	2 776 774	700 112	7 329	105 496	3 589 711
Hedging derivatives	-	60	-	-	60
Held-to-maturity investments	120 101	-	-	-	120 101
Investments in associated companies and others	-	-	-	24 598	24 598
	3 950 656	774 681	15 238 913	130 094	20 094 344
Financial liabilities					
Deposits from central banks	2 496 886	-	-	-	2 496 886
Deposits from other credit institutions	1 009 147	61 009	-	-	1 070 156
Deposits from customers	-	-	14 314 659	-	14 314 659
Debt securities issued	-	-	2 146 525	-	2 146 525
Financial liabilities relating to transferred assets	-	-	163 650	-	163 650
Financial liabilities held for trading	561	84 731	-	-	85 292
Hedging derivatives	-	1 494	-	-	1 494
Other subordinated debt	-	383 576	-	-	383 576
	3 506 594	530 810	16 624 834	-	20 662 238

The following table shows, by valuation levels, the fair-value of CEMG's financial assets and liabilities, as at 31 December 2013:

(Thousands of Euro)

	2013				
	Level 1	Level 2	Level 3	Financial instruments at cost	Book value
Financial assets					
Cash and deposits at central banks	314 259	-	-	-	314 259
Loans and advances to credit institutions repayable on	233 785	-	-	-	233 785
Loans and advances to credit institutions	330 063	-	-	-	330 063
Loans and advances to customers	-	-	15 555 141	-	15 555 141
Financial assets held for trading	8 393	48 142	7 571	-	64 106
Other financial assets at fair value throught profit or loss	3 450	-	-	-	3 450
Available-for-sale financial assets	3 096 792	527 465	911 282	10 277	4 545 816
Hedging derivatives		503	-	-	503
Held-to-maturity investments	34 631	-	-	-	34 631
Investments in associated companies and others	-	-	-	42 399	42 399
	4 021 373	576 110	16 473 994	52 676	21 124 153
Financial liabilities					
Deposits from central banks	3 427 354	-	-	-	3 427 354
Deposits from other credit institutions	413 474	61 023	-	-	474 497
Deposits from customers	-	-	14 142 828	-	14 142 828
Debt securities issued	-	-	2 319 428	-	2 319 428
Financial liabilities relating to transferred assets	-	-	195 049	-	195 049
Financial liabilities held for trading	1 389	60 835	-	-	62 224
Hedging derivatives	1 849	-	-	-	1 849
Other subordinated debt	-	370 078	-	-	370 078
	3 844 066	491 936	16 657 305	-	20 993 307

The Group uses the following hierarchy for fair-value with 3 levels in the evaluation of financial instruments (assets and liabilities), which reflects the level of judgment, the observability of the data used and the importance of the parameters used in determining the fair-value measurement of the instrument, as referred in IRFS 13:

- Level 1: Fair-value is determined based on unadjusted quoted prices, captured in transactions in active markets involving identical instruments to the ones being valued. If there is more than one active market for the same financial instrument, the relevant price is what prevails in the main market of the instrument, or most advantageous market for which there is access.

- Level 2: Fair-value is determined based on evaluation techniques supported by observable inputs in active markets, being direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and evaluation assumptions similar to what an unrelated party would use in estimating the fair-value of that financial instrument.

- Level 3: Fair-value is determined based on unobservable inputs in active markets, using techniques and assumptions that market participants would use do evaluate the same instruments, including assumptions about the inherent risks, the evaluation technique used and inputs used and review processes to test the accuracy of the values obtained.

The Group considers an active market for particular financial instruments at the measurement date, depending on business volumes and liquidity of the transactions made, the relative volatility of the prices quoted and the readiness and availability of information, the following minimum conditions should verify:

- Existence of frequent daily prices trading in the last year;

- The above quotations are exchanged regularly;

- There are executable quotes from more than one entity.

A parameter used in an evaluation technique is considered observable in the market, if the following conditions are met:

- If its value is determined in an active market;

- Or, if there is an OTC market and it is reasonable to assume that the conditions of an active market are met, with the exception of the condition of trading volumes;

- Or, the parameter value can be obtained by the inverse calculation of prices of financial instruments or derivatives where the remaining parameters required for initial assessment are observable in a liquid market or an OTC market that comply with the preceding paragraphs.

53 Employee benefit

The Group assumed the responsibility to pay to their employees, seniority retirement and disability pensions and other responsibilities, in accordance with the accounting policy described in note 1 v).

The key actuarial assumptions used to calculate pension liabilities are as follows:

	Assumptions		**Checked**	
	2014	**2013**	**2014**	**2013**
Financial assumptions				
Salaries increase rate	0.75%	1.50%	1.40%	1.50%
Pensions increase rate	0.05%	0.50%	0.07%	0.05%
Projected rate of return of Fund assets	2.50%	4.00%	7.90%	4.45%
Discount rate	2.50%	4.00%	-	-
Demographic assumptions and valuation methods				
Mortality table				
Men	TV 88/90	TV 88/90		
Women	TV 88/90	TV 88/90		
Actuarial method	UCP	UCP		

The number of persons covered by the plan is as follows:

	2014	2013
Actives	3 870	3 919
Retirees and survivors	1 033	1 012
	4 903	4 931

Based on the changes performed to the accounting policy described in note 1 v) during the year ended at 31 December 2014, the application of IAS 19 – Employees benefits, responsibilities and coverage levels reportable to 31 December 2014 and 2013 is presented as follows:

(Thousands of Euro)

	2014	2013
Assets/(Liabilities) recognised in the balance sheet		
Responsabilities with retirement benefits		
Pensioners	(136 214)	(117 850)
Employees	(479 591)	(382 067)
	(615 805)	(499 917)
Responsabilities with healthcare benefits		
Pensioners	(19 880)	(18 069)
Employees	(35 474)	(26 688)
	(55 354)	(44 757)
Responsabilities with death subsidy		
Pensioners	(697)	(583)
Employees	(867)	(578)
	(1 564)	(1 161)
Total	(672 723)	(545 835)
Coverages		
Value of the fund	583 670	547 407
Net assets in the balance sheet (see note 42)	(89 053)	1 572
Accumulated actuarial differences recognized in other comprehensive income	153 105	71 051

In accordance with the accounting policy described in note 1 v), the Group's liability with post-employment benefits, death subsidy and actuarial gains/losses is calculated annually.

In accordance with the accounting policy described in note 1 v) and following the requirements of IAS 19 – Employee benefits, the Group assesses at each balance sheet date and for each plan separately, the recoverability of the recognised assets in relation to the defined benefit pension plans based on the expectation of reductions in future contributions to the funds.

As at 1 January 2013, the assets and liabilities of MGAM's Board of Directors of the CEMG were transferred to MGAM, totaling Euro 6,847 thousands each, being fully funded.

The evolution of responsibilities with retirement pensions and health care benefits can be analysed as follows:

(Thousands of Euro)

	2014				2013			
	Retirement pensions	**Healthcare benefits**	**Death Subsidy**	**Total**	**Retirement pensions**	**Healthcare benefits**	**Death Subsidy**	**Total**
Responsabilities in the beginning of the year	499 917	44 757	1 161	545 835	423 171	39 865	2 051	465 087
Transfer of responsibilities	-	-	-	-	(6 422)	(418)	(7)	(6 847)
Current service cost	9 073	1 320	30	10 423	8 870	1 150	51	10 071
Interest cost	19 997	1 790	46	21 833	18 754	1 775	92	20 621
Actuarial gains and losses								
- Changes in the assumptions and the conditions of the plans	96 329	8 797	352	105 478	59 017	3 737	127	62 881
- Not related to changes assumptions	(606)	(1 310)	(25)	(1 941)	3 179	(36)	(1 132)	2 011
Pensions paid by the fund	(9 981)	-	-	(9 981)	(7 342)	(1 316)	(21)	(8 679)
Early retirement	1 076	-	-	1 076	690	-	-	690
Responsabilities in the end of the year	615 805	55 354	1 564	672 723	499 917	44 757	1 161	545 835

The pension funds are managed by "Futuro Sociedade Gestora de Fundos de Pensões, S.A.".

The evolution on the pensions fund value, in the years ended 31 December 2013 and 2014, is analysed as follows:

(Thousands of Euro)

	2014	**2013**
Balance of the funds in the beginning of the year	547 407	522 754
Return on plan assets	43 377	22 978
Group contributions	-	14 817
Participant contributions	2 867	2 384
Pensions paid by the fund	(9 981)	(8 679)
Transfer of responsibilities	-	(6 847)
Balance of the funds at the end of the year	583 670	547 407
Group contributions not settled	64 739	-
Balance of the funds at the end of the year after settlement	648 409	547 407

The Group contribution to be settled by the Group is accounted on the balance Other liabilities, as referred in note 42.

The elements of Pensions Funds' assets are analysed as follows:

(Thousands of Euro)

	2014	2013
Bonds	403 113	336 578
Other variable income securities	67 977	46 604
Investments in banks and other	59 437	119 078
Shares	45 121	36 268
Direct Real Estate	8 022	8 879
	583 670	547 407

The assets of pension funds used by the Group or representative of securities issued by other Group entities are analysed as follows:

(Thousands of Euro)

	2014	2013
Investments in banks and other	30 881	100 621
Direct Real Estate	8 022	8 998
Bonds	3 409	2 748
Other	2 648	-
	44 960	112 367

The movements in the accumulated actuarial gains and losses are analysed as follows:

(Thousands of Euro)

	2014	2013
Actuarial changes in the beginning of the year	71 051	4 824
Actuarial (Gains) and losses in the year		
- Changes in actuarial assumptions	105 478	62 881
- Experience adjustments	(23 424)	3 346
Actuarial changes recognised in other comprehensive income	153 105	71 051

The costs with reform pensions, health-care benefits and death subsidies are analysed as follows:

(Thousands of Euro)

	2014	2013
Current service cost	10 423	10 071
Interest cost	21 833	20 621
Expected return on plan assets	(21 896)	(23 216)
Early retirements cost	1 076	690
Participant contributions	(2 867)	(2 384)
Changes in death benefit	-	(1 097)
Staff costs	8 569	4 685

As at 31 December 2014 and 2013, the balance Changes in death benefit refers to the positive effect from the reduction of the liabilities related with death subsidies, following the referred publication of Decree-Law 133/2012 on 27 June.

The evolution of net (assets)/ liabilities in the balance sheet in the years ended 31 December 2014 and 2013, is analysed as follows:

(Thousands of Euro)

	2014	2013
At beginning of the year	1 572	57 667
Actual return on plan assets	43 377	22 978
CEMG contribution	-	14 817
Participants contribution	2 867	2 384
Current service cost	(10 423)	(10 071)
Interest cost	(21 833)	(20 621)
Actuarial gains / (losses)	(103 537)	(64 892)
Early retirements	(1 076)	(690)
At the end of the year	(89 053)	1 572

The evolution of the defined benefit obligations, fair value of plan assets and of the experience adjustments gains/ (losses) in the past 5 years, is presented as follows:

(Thousands of Euro)

	2014	2013	2012	2011	2010
Liabilities	(672 723)	(545 835)	(465 087)	(426 836)	(597 140)
Balance of funds	583 670	547 407	522 754	447 825	545 097
Responsabilities (sub)/over funded	(24 314)	1 572	57 667	20 989	(52 043)
(Gains) and losses arising from experience adjustments arising from liabilities	103 537	64 892	9 562	(6 499)	(4 243)
(Gains) and losses arising from experience adjustments arising from assets	(21 482)	238	(47 516)	57 680	17 957

The actuarial assumptions have a significant impact in the pension liabilities. Considering, this impact, the Group proceeded to a sensitivity analysis to a positive and negative change of 50 basis points in the value of pension liabilities, whose impact is analysed as follows:

(Thousands of Euro)

	Liabilities	
	Increase	Decrease
Discount rate (0.25% change)	(34 030)	34 958
Wage growth rate (0.25% change)	21 628	(19 931)
Pension growth rate (0.25% change)	21 198	(20 100)
SAMS contribution (0.25% change)	3 001	(2 968)
Future death (1% change)	(1 716)	1 712
	10 081	(6 329)

54 Assets under management

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

As at 31 December 2014 and 2013, the amount of the investment funds managed by Group companies is analysed as follows:

(thousands of Euros)

	2014	2013
Investment funds	351 832	337 061
Real estate investment funds	342 743	341 049
Pension fund	197 283	187 860
Bank assurance	117 932	142 169
	1 009 790	1 008 139

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

55 Related parties transactions

The entities considered to be the Group related parties together with the subsidiaries referred in note 28, as defined by IAS 24, are as follows:

Executive Board of Directors:
António Tomás Correia
João Carlos Martins da Cunha Neves
Jorge Humberto da Cruz Barros de Jesus Luís
Fernando Paulo Pereira Magalhães
Pedro Miguel de Almeida Alves Ribeiro

Institutional capital owner:
Montepio Geral Associação Mutualista

Other related parties:
Bem Comum, Sociedade Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
Clínica CUF Belém, SA
Clínica de Serviços Médicos Computorizados de Belém, S.A.
Empresa Gestora de Imóveis da Rua do Prior, S.A.
Finibanco Vida - Companhia de Seguros de Vida, S.A.
Fundação Montepio Geral
Fundo de Pensões Montepio
Fundo de Pensões Viva
Futuro - Sociedade Gestora de Fundos de Pensões, S.A.
Germont - Empreendimentos Imobiliários, S.A.
HTA - Hóteis, Turismo e Animação dos Açores, S.A.
Iberpartners Cafés - S.G.P.S., S.A.
Leacock, Lda
Lestinvest, S.G.P.S., S.A.
Lusitânia Vida, Companhia de Seguros, S.A.
Lusitânia, Companhia de Seguros, S.A.
Lykeion - Centro de Conhecimento Unipessoal, Lda
MG Investimentos Imobiliários, S.A.
Moçambique Companhia de Seguros, SARL
Montepio Gestão de Activos - S.G.F.I., S.A.
Montepio Gestão de Activos Imobiliários, ACE
Montepio Imóveis - Sociedade Imobiliária de Serviços Auxiliares, S.A.
Montepio Investimento, S.A.
Montepio Mediação - Sociedade Mediadora de Seguros, S.A.
Montepio Seguros, S.G.P.S., S.A.
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.
N Seguros, S.A.
Naviser - Transportes Maritimos Internacionais, S.A.
NEBRA, Energias Renovables, S.L.
Nova Câmbios, S.A.
OBOL Invest
Pinto & Bulhosa, S.A.
Residências Montepio, Serviços de Saúde, S.A.
Sagies, S.A.
SIBS - SGPS, S.A.
Silvip, S.A.
Sociedade Portuguesa de Administrações, S.A.
Unicre - Instituição Financeira de Crédito, S.A.

As at 31 December 2014, the Group's liabilities with subsidiaries, represented or not by securities, included in the balances Deposits from customers, Other subordinated debt and Loans and advances to customers, are analysed as follows:

(Thousand of Euro)

	2014		
Companies	**Deposits from customers**	**Other subordinated debt**	**Loans and advances to customers**
Bolsimo – Gestão de Activos, S.A.	3 265	-	-
Conselho de Administração Executivo	519	-	242
Finibanco Vida – Companhia de Seguros de Vida, S.A.	2 881	1 000	-
Fundação Montepio Geral	1 092	18	-
Fundo de Pensões Montepio	43 478	6 448	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	3 087	-	-
Germont – Empreendimentos Imobiliários, S.A.	642	-	20 689
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	10	-	1 152
Iberpartners Cafés S.G.P.S., S.A.	-	-	1 622
Lestinvest, S.G.P.S., S.A.	21	-	53 977
Lusitania Vida, Companhia de Seguros, S.A.	62 564	48 050	1
Lusitania, Companhia de Seguros, S.A.	23 328	13 749	-
Montepio Geral Investimentos Imobiliários, S.A.	8	-	-
Montepio Geral – Associação Mutualista	635 396	1 493 403	3
Montepio Gestão de Activos – S.G.F.I., S.A.	1 788	-	-
Montepio Gestão de Activos Imobiliários, ACE	1 730	-	-
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	393	-	13 591
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	509	-	-
Montepio Seguros, S.G.P.S., S.A.	4 919	-	-
N Seguros, S.A.	336	4 720	-
Nebra, Energias Renovables, SL	-	-	1 756
Nova Câmbios, S.A.	1 074	302	2 077
Residências Montepio, Serviços de Saúde, S.A.	202	-	752
SIBS - S.G.P.S., S.A.	2 804	-	-
Silvip, S.A.	2 006	-	-
	792 052	1 567 690	95 862

As at 31 December 2013, the Group's liabilities with subsidiaries, represented or not by securities, included in the balances Deposits from customers, Other subordinated debt and Loans and advances to customers, are analysed as follows:

(Thousands of Euros)

Companies	2013		
	Deposits from customers	Other subordinated debt	Loans and advances to customers
Bolsimo – Gestão de Activos, S.A.	5 819	-	-
Conselho de Administração Executivo	329	-	1 092
Finibanco Vida – Companhia de Seguros de Vida, S.A.	2155	-	-
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	-	-	47 469
Fundação Montepio Geral	1 043	-	-
Fundo de Pensões CEMG	105 322	4 717	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1 666	-	-
Germont – Empreendimentos Imobiliários, S.A.	126	-	10 000
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	98	-	-
Iberpartners Cafés S.G.P.S., S.A.	-	-	1 550
Lestinvest, S.G.P.S., S.A.	200	-	50 850
Lusitania Vida, Companhia de Seguros, S.A.	35 336	30 050	-
Lusitania, Companhia de Seguros, S.A.	12 109	13 408	9 866
MG Investimentos Imobiliários, S.A.	8	-	-
Montepio Geral – Associação Mutualista	503 250	1 030 928	1 661
Montepio Gestão de Activos – S.G.F.I., S.A.	1 412	-	-
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	1 036	-	-
N Seguros, S.A.	643	4 550	-
Nebra, Energias Renovables, SL	-	-	1 700
Nova Câmbios, S.A.	138	135	400
Residências Montepio, Serviços de Saúde, S.A.	43	-	2 970
Silvip, S.A.	2 028	-	195
	672 761	1 083 788	127 753

As at 31 December 2014, the Group's income and expenses with subsidiaries, included in the balances Interest and similar expense, Interest and similar income and Fee and commission income, are analysed as follows:

(Thousands of Euro)

Companies	2014 Interest and similar expense	Interest and similar income	Fee and comission income
Conselho de Administração Executivo	8	2	1
Finibanco Vida – Companhia de Seguros de Vida, S.A.	-	4	41
Fundação Montepio Geral	-	1	-
Fundo de Pensões Montepio	-	609	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	22	12
Germont – Empreendimentos Imobiliários, S.A.	166	-	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	17	51	-
Iberpartners Cafés S.G.P.S., S.A.	55	32	12
Lestinvest, S.G.P.S., S.A.	1 558	294	-
Lusitania Vida, Companhia de Seguros, S.A.	-	492	20
Lusitania, Companhia de Seguros, S.A.	53	294	116
Montepio Geral - Associação Mutualista	3	32 126	4
Montepio Gestão de Activos – S.G.F.I., S.A.	1	6	7
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A	1 551	494	1
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	-	4	-
N Seguros, S.A.	1	1	27
NEBRA, Energias Renovables, S.L.	15	1 317	-
Nova Câmbios, S.A.	182	147	43
Residências Montepio, Serviços de Saúde, S.A.	66	1	5
SIBS - Sociedade Interbancária de Serviços, S.A.	-	2	1
Silvip, S.A.	-	24	-
	3 676	35 923	290

As at 31 December 2013, the Group's income and expenses with subsidiaries, included in the balances Interest and similar expense, Interest and similar income and Fee and commission income, are analysed as follows:

(thousands of Euros)

Companies	2013 Interest and similar expense	2013 Interest and similar income	2013 Fee and comission income
Conselho de Administração Executivo	2	3	1
Finibanco Vida – Companhia de Seguros de Vida, S.A.	107	2	45
Finimóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	2	3 517	-
Fundação Montepio Geral	3	-	-
Fundo de Pensões CEMG	2 827	35	2
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	50	-	4
Germont – Empreendimentos Imobiliários, S.A.	-	102	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	2	-	-
Iberpartners Cafés S.G.P.S., S.A.	-	62	3
Lestinvest, S.G.P.S., S.A.	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	703	16	67
Lusitania, Companhia de Seguros, S.A.	282	338	406
MG Investimentos Imobiliários, S.A.	-	-	1
Montepio Geral - Associação Mutualista	18 109	385	18
Montepio Gestão de Activos – S.G.F.I., S.A.	20	-	2
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	12	-	-
N Seguros, S.A.	58	1	21
NEBRA, Energias Renovables, S.L.	-	56	17
Nova Câmbios, S.A.	-	68	10
Nutre S.G.P.S., S.A.	-	230	-
Prio Energy S.G.P.S., S.A.	1	284	580
Residências Montepio, Serviços de Saúde, S.A.	1	62	82
Silvip, S.A.	43	1	1
	22 222	5 162	1 260

The costs with salaries and other benefits attributed to the Group key management personnel, as well as its transactions, are presented in note 11.

According to the principle of fair-value, every transaction concerning related parties is at market prices.

During 2014 and 2013, there were no transactions with pension's fund of the Group.

56 Securitisation transactions

As at 31 December 2014, there are eight securitisation transactions, seven of which originated in the Group and one in Montepio Investimento, S.A., currently integrated into the Group following the success of General and Voluntary Initial Public Offering on the equity representative shares of Montepio Holding, S.G.P.S., S.A (previously named Finibanco – Holding, SGPS, S.A.) and transmission of almost all assets and liabilities for the Group, as described in note 1 a).

The following paragraphs present some additional details of these securitisation transactions.

As at 19 December, 2002, Caixa Económica Montepio Geral had settled a securitisation operation with a Special Purpose Vehicle («SPV») – Pelican Mortgages no. 1 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 35 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 650,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.016% of the referred nominal value.

As at 29 September, 2003, Caixa Económica Montepio Geral had settled a securitisation operation with a Special Purpose Vehicle («SPV») – Pelican Mortgages no. 2 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 33 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 700,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0286% of the referred nominal value.

As at 30 March, 2007, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 3. The referred agreement consists in a mortgage credit transfer for a period of 47 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 750,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0165% of the referred nominal value.

As at 20 May, 2008, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 4. The referred agreement consists in a mortgage credit transfer for a period of 48 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,000,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.083% of the referred nominal value.

As at 9 December, 2008, Montepio Investimento S.A. had settled a mortgage credit portfolio to «Tagus – Sociedade de Titularização de Créditos, S.A.» in the amount of Euro 233,000 thousands (Aqua Mortgage No. 1). The total period of this operation is 55 years, with a revolving period of 2 years.

As at 25 March, 2009, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 5. The referred agreement consists in a mortgage credit transfer for a period of 52 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,000,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0564% of the referred nominal value.

As at 5 March, 2012, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage No. 6. The referred agreement consists in a mortgage credit transfer for a period of 51 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,040,200 thousands. The sale was made at par with the cost of initial sale process represented 0.1083% of Assets Backed Note.

As at 7 May, 2014, “Caixa Económica Montepio Geral” and “Montepio Crédito” settled with “Tagus – Sociedade de Titularização de Créditos, S.A.” a contract for consumer credit transfer originated by itself for an operation of credit securitization (Pelican Finance No. 1). The total period of this operation is 14 years, with an 18 months resolving period and an Aggregate Principal Amount Outstanding (APAO) of Euro 294,000 thousands. The sale was made at pair, and the cost for the initial selling process represented 0.1871% of the Asset Backed Notes.

The entity that guarantees the debt service (servicer) of this operations is «Caixa Económica Montepio Geral» assuming the collection and distribution of credits assigned amounts received by deposits, to Sociedades Gestoras de Fundos de Titularização de Créditos (Pelican Mortgages No. 1 PLC, Pelican Mortgages No. 2 PLC) and to Sociedades de Titularização de Créditos (Pelican Mortgages No. 3, Pelican Mortgages No. 4, Pelican Mortgages No. 5, Pelican Mortgages No. 6 and Aqua Mortgages No. 1 and Pelican Finance No. 1).

Until 31 December, 2004, in accordance with accounting principles, as established by the Bank of Portugal, the assets, loans and securities transfered under the previously referred transactions were derecognised. The acquired securities under these transactions were classified as financial assets held-to-maturity and provided in accordance with Regulation no. 27/2000 of the Bank of Portugal.

In accordance with IFRS 1, the derecognition criteria followed in the consolidated financial statements of the Group did not changed for all transactions occurred until 1 January 2004. For all transactions after this date, the Group follows the guidance of IAS 39 derecognition criteria, which refers that derecognition have to occur either when risks and rewards have substantially been transferred or has not retained control of the assets.

As at 31 December 2014, the securitisation operations performed by the Group are presented as follows:

(Thousands of Euros)

Issue	**Settlement date**	**Currency**	**Asset transferred**	**Initial amount**
Pelican Mortgages No. 1	December 2002	Euro	Mortgage credit	653 250
Pelican Mortgages No. 2	September 2003	Euro	Mortgage credit	705 600
Pelican Mortgages No. 3	March 2007	Euro	Mortgage credit	762 375
Pelican Mortgages No. 4	May 2008	Euro	Mortgage credit	1 028 600
Aqua Mortgage No. 1	December 2008	Euro	Mortgage credit	236 500
Pelican Mortgages No. 5	March 2009	Euro	Mortgage credit	1 027 500
Pelican Mortgages No. 6	February 2012	Euro	Mortgage credit	1 107 000
Pelican Finance No. 1	May 2014	Euro	Consumer credit	308 700
				5 829 525

As at 31 December 2014, the notes issued by the special purpose vehicles, are analysed as follows:

Issue	Bond issued	Issue amount Euros	Current amount Euros	CEMG's interest retention Euros	Maturity date	*Rating* (initial) Fitch	Moodys	S&P	DBRS	*Rating* (Current) Fitch	Moodys	S&P	DBRS
Pelican Mortgages No 1	Class A	611 000 000	16 972 075	6 035 882	2037	AAA	Aaa	n.a.	n.a.	A+	A3	n.a.	n.a.
	Class B	16 250 000	16 250 000	-	2037	AAA	A2	n.a.	n.a.	A+	A3	n.a.	n.a.
	Class C	22 750 000	22 750 000	-	2037	BBB+	Baa2	n.a.	n.a.	A	n.a.	n.a.	n.a.
	Class D	3 250 000	3 250 000	3 250 000	2037	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 2	Class A	659 750 000	88 740 933	36 348 893	2036	AAA	Aaa	AAA	n.a.	A+	A3	A-	n.a.
	Class B	17 500 000	17 500 000	10 060 000	2036	AA+	A1	AA-	n.a.	A+	Baa1	A-	n.a.
	Class C	22 750 000	22 750 000	8 600 000	2036	A-	Baa2	BBB	n.a.	BBB+	Ba3	n.a.	n.a.
	Class D	5 600 000	5 600 000	5 600 000	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 3	Class A	717 375 000	283 066 699	119 481 669	2054	AAA	Aaa	AAA	n.a.	BBB+	Baa3	A-	n.a.
	Class B	14 250 000	7 308 381	7 026 303	2054	AA-	Aa2	AA-	n.a.	BBB-	B2	BBB	n.a.
	Class C	12 000 000	6 154 426	5 932 880	2054	A	A3	A	n.a.	BB	Caa1	BBB-	n.a.
	Class D	6 375 000	3 269 539	3 269 539	2054	BBB	Baa3	BBB	n.a.	B	Caa3	BB	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	590 816 823	590 816 823	2056	AAA	n.a.	n.a.	AAA	A	n.a.	n.a.	A
	Class B	55 500 000	52 301 318	52 301 318	2056	AA	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	60 000 000	56 541 965	56 541 965	2056	A-	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class D	25 000 000	23 559 152	23 559 152	2056	BBB	n.a.	n.a.	n.a.	B+	n.a.	n.a.	n.a.
	Class E	27 500 000	25 915 067	25 915 067	2056	BB	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	124 323 827	124 323 827	2063	n.a.	n.a.	AAA	n.a.	n.a.	n.a.	A-	AAH
	Class B	29 824 000	28 980 484	28 980 484	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 5	Class A	750 000 000	524 322 216	524 322 216	2061	AAA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	AAH
	Class B	195 000 000	183 637 119	183 637 119	2061	BBB-	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Class C	27 500 000	25 897 542	25 897 542	2061	B	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class D	27 500 000	25 897 542	25 897 542	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4 500 000	377 349	377 349	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	23 000 000	23 000 000	23 000 000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 6	Class A	750 000 000	666 406 845	666 406 845	2063	A	n.a.	A-	AA	A+	n.a.	A-	AA
	Class B	250 000 000	250 000 000	250 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	1 800 000	-	-	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class D	65 000 000	65 000 000	65 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class S	40 200 000	40 200 000	40 200 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Finance No 1	Class A	202 900 000	202 900 000	121 800 000	2028	A	n.a.	n.a.	A	A	n.a.	n.a.	A
	Class B	91 100 000	91 100 000	54 700 000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	14 700 000	14 700 000	8 800 000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

57 Segmental reporting

During 2013, the Group adopted IFRS 8 – Operating Segments, for the disclosure of the financial information by operating segments, using new criteria in the preparation of this information.

The Group's consolidated activity is essentially developed in the financial sector, aiming for companies, institutions and private clients. Has its core decision centre in Portugal, which gives its privileged target market.

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

The Group has a network of 436 branches in Portugal and with one branch in Cabo Verde, one financial institution in Angola with 18 branches, one financial institution in Mozambique with 9 branches and 6 representation offices.

When evaluating the performance by business area, the Group considers the following operating segments:

1) Retail Bank, which includes the sub segments of Private, Individual Managers, Micro business and Social Charity Private Institutions;

2) Corporate and Institutional, which includes big sized companies, medium and small companies, Financial Institutions and The Public Sector; and

3) Other Segments, which includes all the entities that are not included in the other segments, namely the operations and management referring to Securities' own Portfolio and Applications in Credit Institutions. Each segment comprises the Group's structures that are directly or indirectly dedicated, as well as autonomous units of the Group which activity is connected to one of the above segments.

Despite the fact that the Group has its activity in Portugal, geographically it has some international role, developed by: (i) Finibanco Angola, S.A. and (ii) Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, SA (IFI), which by geographical criteria, results can be distinguished in Portugal (Domestic Area) from Cabo Verde, Angola and Mozambique (International Area).

Segments description

In a consolidated basis, each of the segments includes income and costs related to the following activities, products, clients and structures of the Group:

Retail Bank

This segment corresponds to all activity developed by the Group in Portugal with private customers and small businesses, fundamentally originated by the branches network, agent network and electronic channels. The financial information of the segment relates to, among other products and services, mortgage loans, consumer credit, financing the clients' activity, deposits repayable on demand and term deposits, retirement plans and other insurance products to private customers, commissions over account management and electronic payments, the investment funds cross-selling and brokerage and custodian services.

Corporate and Institutional

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

Other segments

This segment includes all the activity developed supporting the main activities that are the core business of the two segments mentioned above, highlighting the Group's global financial management activity, the investments in instruments of capital markets (stocks and bonds), be them integrated in the negotiation portfolio, of fair-value through profit and loss, available for sale or held to maturity. In this segment it is also included the impacts of the strategic decisions, the investments in minority strategic participations, the activity related to interest and exchange rate risk management, management of short and long positions of financial investments which favourites the changes in market prices, and the public or private preparation and availability of the issue of stocks, bonds and other debt instruments.

Allocation criteria of the activity and results to the operating segments

The consolidated financial information presented for each segment was prepared in accordance with the criteria followed for the preparation of internal information analysed by the decision makers of the Group, as required by IFRS 8 – Operating Segments.

The accounting policies applied in the preparation of the financial information related with the operating segments are consistent with the ones used in the preparation of these consolidated financial statements, which are described in note 1. The following principles were also adopted:

Measurement of profit or loss from operating segments

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

Autonomous Operating Segments

As mentioned above, each operating unit (branches MG Cabo Verde and associated entities) is evaluated separately, as these units are considered investment centers. Additionally, considering the characteristics of the business developed by these units, they are fully included in one of the operating segments, assets, liabilities, equity, income and expenses.

Group structures dedicated to the segment

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

For the purpose of allocating the financial information, the following principles are used:

(i) The origin of the operation, i.e., the operation is allocated to the same segment as the commercial structure that originated it, even though, in a subsequent phase, the Group makes a strategic decision in order to securitize some of these originated assets;

(ii) The allocation of a commercial margin to mass-products, established in a high level when the products are launched;

(iii) The allocation of a margin directly negotiated by the commercial structures with the clients for non-mass-products;

(iv) The allocation of direct costs from commercial and central structures dedicated to the segment;

(v) The allocation of indirect cost (central support and IT services) determined in accordance with specific drivers and with the Cost Based Approach (CBA) model;

(vi) The allocation of credit risk determined in accordance with the Regulation no. 3/95 of the Bank of Portugal and with the impairment model.

The transactions between the independent and autonomous units of the Group are made at market prices; the price of the services between the structures of each unit, namely the price established for funding between units, is determined by the margins process referred above (which vary in accordance with the strategic relevance of the product and the balance between funding and lending); the remaining internal transactions are allocated to the segments in accordance with CBA without any margin from the supplier.

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

Interest and similar income/expense

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

Consolidated Investments under the Equity Method

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

Non-current assets

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

Post Employment Benefits

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

Domestic and International Areas

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

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

Retrospective information

After 2009, including, the Group adopted the rules of IFRS 8 - Segmental Reporting, which differ from the ones used until then in the financial statements. Consequently, the information from the year of 2008 has been reorganized and prepared for presentation, to make it consistent and comparable with the demands of IFRS 8.

The report by operating segments as at 31 December 2014, is as follows:

(Thousands of Euros)

Income statement	Retail	Corporate and Institutional	Operations between segments	Total
Interest and similar income	489 495	347 995	76 220	913 710
Interest and similar expense	324 653	94 258	158 293	577 204
Net interest income	164 842	253 737	(82 073)	336 506
Dividends from equity instruments	-	-	610	610
Fees and comissions income	100 459	27 624	7 625	135 708
Fees and comissions expense	(18 654)	(1 762)	(5 726)	(26 142)
Net gains/(losses) arising from assets and liabilities at fair value through profit ans losses	-	-	4 204	4 204
Net gains/(losses) arising from available-for-sale financial assets	-	-	374 386	374 386
Net gains arising from foreign exchange differences	17 016	-	-	17 016
Net gains from sale of other financial assets	-	-	(41 974)	(41 974)
Other operating income	4 717	524	(21 056)	(15 815)
Total operating income	268 380	280 123	235 996	784 499
Staff costs	152 765	30 313	11 075	194 153
General and administrative expenses	100 792	18 813	889	120 494
Depreciation and amortisation	19 747	5 927	1 403	27 077
Total operating costs	273 304	55 053	13 367	341 724
Total of Provisions and Impairment	76 033	446 486	123 224	645 743
Operating profit	(80 957)	(221 416)	99 405	(202 968)
Equity accounted earnings	-	-	(5 223)	(5 223)
Income before taxes and non-controlling interests	(80 957)	(221 416)	94 182	(208 191)
Current taxes	-	-	(18 190)	(18 190)
Deferred taxes	-	-	41 004	41 004
Non-controlling interests	-	-	(1 576)	(1 576)
Consolidated profit for the period related to the institutional capital and the participation fund	(80 957)	(221 416)	115 420	(186 953)
Net Assets	12 778 848	4 905 423	4 789 203	22 473 474
Liabilities	13 501 047	2 954 776	4 603 127	21 058 950
Investments in Associates	-	-	24 650	24 650

The report by operating segments as at 31 December 2013, is as follows:

(thousands of Euros)

Income statement	**Retail**	**Corporate and Institutional**	**Operations between segments**	**Total**
Interest and similar income	421 842	272 821	121 367	816 030
Interest and similar expense	225 384	77 474	287 925	590 783
Net interest income	196 458	195 347	(166 558)	225 247
Dividends from equity instruments	-	-	535	535
Fees and commissions income	96 557	42 163	4 966	143 686
Fees and commissions expense	(15 748)	(1 889)	(11 415)	(29 052)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	-	-	(27 986)	(27 986)
Net gains/(losses) arising from available-for-sale financial assets	-	-	44 025	44 025
Net gains arising from foreign exchange differences	-	-	20 223	20 223
Net gains from sale of other financial assets	-	-	35 479	35 479
Other operating income	8 172	2 874	(45 526)	(34 480)
Total operating income	285 439	238 495	(146 257)	377 677
Staff costs	136 652	35 747	24 435	196 834
General and administrative expenses	75 466	19 536	14 925	109 927
Depreciation and amortisation	22 897	5 927	4 528	33 352
Total operating costs	235 015	61 210	43 888	340 113
Total of Provisions and Impairment	75 130	229 216	92 988	397 334
Operating profit	(24 706)	(51 931)	(283 133)	(359 770)
Share of profit of associates under the equity method	-	-	(12 682)	(12 682)
Income before taxes and non-controlling interests	(24 706)	(51 931)	(295 815)	(372 452)
Current taxes	-	-	(9 469)	(9 469)
Deferred taxes	-	-	85 448	85 448
Non-controlling interests	-	-	(2 153)	(2 153)
Consolidated profit for the period related to the institutional capital and the participation fund	(24 706)	(51 931)	(221 989)	(298 626)
Net Assets	12 954 747	3 949 382	6 135 074	23 039 203
Liabilities	13 745 828	3 111 396	4 534 636	21 391 860
Investments in Associates and others	-	-	42 399	42 399

The Group develops bank activities as well as financial services in Portugal, Angola and in Cabo Verde.

International Area

The Group operates with special emphasis in markets such as Portugal, Angola, Cabo Verde and Mozambique. Considering this, the geographical segments information includes Portugal, Cabo Verde and Mozambique, being that the segment Portugal reflects, essentially, the activities carried out by Caixa Económica Montepio Geral. The segment Cabo Verde includes the operations developed by Finibanco Angola, S.A., by Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI) and Banco Terra, S.A..

As at 31 December 2014, the net contribution of the main geographical areas is as follows:

(Thousands of Euros)

Income statement	Domestic	International	Adjustments	Consolidated
Interest and similar income	868 431	70 388	(25 109)	913 710
Interest and similar expense	560 328	41 985	(25 109)	577 204
Net interest income	308 103	28 403	-	336 506
Dividends from equity instruments	610	-	-	610
Fees and commissions income	127 756	8 698	(746)	135 708
Fees and commissions expense	(25 848)	(1 040)	746	(26 142)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	5 208	(1 004)	-	4 204
Net gains/(losses) arising from available-for-sale financial assets	374 386	-	-	374 386
Net gains arising from foreign exchange differences	2 600	14 416	-	17 016
Net gains from sale of other financial assets	(41 976)	2	-	(41 974)
Other operating income	(13 584)	(1 446)	(785)	(15 815)
Total operational income	737 255	48 029	(785)	784 499
Staff costs	186 807	7 346	-	194 153
General and administrative expenses	111 736	9 543	(785)	120 494
Depreciation and amortisation	25 561	1 516	-	27 077
Total operating costs	324 104	18 405	(785)	341 724
Loans impairment	508 717	15 862	-	524 579
Other assets impairment	45 941	350	-	46 291
Other financial assets impairment	61 648	-	-	61 648
Other provisions	13 078	147	-	13 225
Operating profit	(216 233)	13 265	-	(202 968)
Share of profit of associates under the equity method	(5 223)	-	-	(5 223)
Income before taxes and non-controlling interests	(221 456)	13 265	-	(208 191)
Current taxes	(16 500)	(1 690)	-	(18 190)
Deferred taxes	41 004	-	-	41 004
Non-controlling interests	-	1 576	-	(1 576)
Consolidated profit for the period related to the institutional capital and the participation fund	(196 952)	13 151	-	(186 953)

(Thousands of Euros)

Statement of Financial Position	Domestic	International	Adjustments	Consolidated
Cash and deposits at central banks	203 339	81 474	-	284 813
Loans and advances to credit institutions repayable on demand	213 493	12 996	(9 446)	217 043
Other loans and advances to credit institutions	509 231	636 827	(599 896)	546 162
Loans and advances to customers	14 910 081	316 142	-	15 226 223
Financial assets held for trading	86 581	-	-	86 581
Financial assets available-for-sale	3 573 610	16 101	-	3 589 711
Hedging derivatives	60	-	-	60
Held-to-maturity investments	17 333	102 768	-	120 101
Investments in associated companies and others	77 709	-	(53 059)	24 650
Non- current assets held for sale	799 416	323	-	799 739
Investment properties	715 737	-	-	715 737
Other tangible assets	56 494	42 437	-	98 931
Intangible assets	59 031	3 743	3 280	66 054
Current tax assets	2 327	337	-	2 664
Deferred tax assets	355 881	-	-	355 881
Other assets	328 154	10 970	-	339 124
Total Assets	21 908 477	1 224 118	(659 121)	22 473 474
Deposits from central banks	2 496 886	-	-	2 496 886
Deposits from other credit institutions	1 631 391	19 219	(580 454)	1 070 156
Deposits from customers	13 265 134	1 049 669	(144)	14 314 659
Debt securities issued	2 146 525	-	-	2 146 525
Financial liabilities associated to transferred assets	163 650	-	-	163 650
Financial liabilities held for trading	85 292	-	-	85 292
Hedging derivatives	656	838	-	1 494
Provisions	19 220	1 109	-	20 329
Current tax liabilities	3 007	97	-	3 104
Other subordinated debt	373 450	24 873	(25 044)	373 279
Other liabilities	365 688	17 888	-	383 576
Total Liabilities	20 550 899	1 113 693	(605 642)	21 058 950
Intitutional capital	1 468 908	40 089	(8 997)	1 500 000
Share instruments	200 000	-	-	200 000
Other equity instruments	8 273	-	-	8 273
Own Securities	(3 280)	-	-	(3 280)
Fair value reserves	19 391	(875)	-	18 516
Other reserves and retained earnings	(138 762)	31 620	(41 330)	(148 472)
Profit for the period	(196 952)	13 151	(3 152)	(186 953)
Consolidated profit for the period related to the institutional capital and the participation fund	1 357 578	83 985	(53 479)	1 388 084
Non-controlling interests	-	26 440	-	26 440
Total Equity	1 357 578	110 425	(53 479)	1 414 524
Total Liabilities and Equity	21 908 477	1 224 118	(659 121)	22 473 474

As at 31 December 2013, the net contribution of the main geographical areas is as follows:

(Thousands of Euros)

Income statement	Domestic	International	Adjustments	Consolidated
Interest and similar income	795 918	44 225	(24 113)	816 030
Interest expense and similar charges	584 803	30 093	(24 113)	590 783
Net interest income	211 115	14 132	-	225 247
Dividends from equity instruments	939	-	(404)	535
Fees and commissions income	134 218	9 468	-	143 686
Fees and commissions expense	(27 961)	(1 091)	-	(29 052)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	(27 986)	-	-	(27 986)
Net gains/(losses) arising from available-for-sale financial assets	44 025	-	-	44 025
Net gains arising from foreign exchange differences	4 366	15 857	-	20 223
Net gains from sale of other financial assets	35 471	8	-	35 479
Other operating income	(35 490)	1 609	(599)	(34 480)
Total operating income	338 697	39 983	(1 003)	377 677
Staff costs	191 198	5 636	-	196 834
General and administrative expenses	104 478	6 048	(599)	109 927
Depreciation and amortisation	32 107	1 245	-	33 352
Total operating costs	327 783	12 929	(599)	340 113
Loans impairment	290 901	8 060	(127)	298 834
Other financial assets impairment	60 982	300	-	61 282
Other assets impairment	33 865	157	-	34 022
Other provisions	3 020	176	-	3 196
Operating profit	(377 854)	18 361	(277)	(359 770)
Share of profit of associates under the equity method	(12 682)	-	-	(12 682)
Consolidated profit for the period	(390 536)	18 361	(277)	(372 452)
Current taxes	(3 702)	(5 767)	-	(9 469)
Deferred taxes	85 448	-	-	85 448
Non-controlling interests	(2 153)	-	-	(2 153)
Consolidated profit for the period related to the institutional capital and the participation fund	(310 943)	12 594	(277)	(298 626)

(Thousands of Euros)

Statement of Financial Position

	Domestic	International	Adjustments	Consolidated
Cash and deposits at central banks	242 373	71 886	-	314 259
Loans and advances to credit institutions repayable on demand	262 606	22 706	(51 527)	233 785
Other loans and advances to credit institutions	330 063	-	-	330 063
Loans and advances to customers	15 554 965	176	-	15 555 141
Financial assets held for trading	(18 813)	689 977	(607 058)	64 106
Other financial assets at fair value through profit or loss	(158 170)	161 393	227	3 450
Financial assets available-for-sale	4 545 816	-	-	4 545 816
Hedging derivatives	(16 901)	17 404	-	503
Held-to-maturity investments	34 631	-	-	34 631
Investments in associated companies and others	42 399	-	-	42 399
Non- current assets held for sale	690 385	-	(8 997)	681 388
Investment properties	541 795	1 739	-	543 534
Other tangible assets	120 492	-	-	120 492
Intangible assets	59 130	149	-	59 279
Current tax assets	(33 185)	35 017	-	1 832
Deferred tax assets	335 444	820	-	336 264
Other assets	169 960	2 498	(197)	172 261
Total Assets	22 702 990	1 003 765	(667 552)	23 039 203
Deposits from central banks	3 427 354	-	-	3 427 354
Deposits from other credit institutions	(413 054)	921 682	(34 131)	474 497
Deposits from customers	14 142 828	-	-	14 142 828
Debt securities issued	2 319 428	-	-	2 319 428
Financial liabilities associated to transferred assets	195 049	-	-	195 049
Financial liabilities held for trading	682 563	415	(620 754)	62 224
Hedging derivatives	1 845	4	-	1 849
Provisions	7 607	407	-	8 014
Current tax liabilities	1 353	-	-	1 353
Other subordinated debt	370 077	3 701	(3 700)	370 078
Other liabilities	382 045	7 338	(197)	389 186
Total Liabilities	21 117 095	933 547	(658 782)	21 391 860
Intitutional capital	1 468 908	40 089	(8 997)	1 500 000
Share instruments	200 000	-	-	200 000
Other equity instruments	8 273	-	-	8 273
Fair value reserves	16	(561)	(10 988)	(11 533)
Other reserves and retained earnings	208 606	18 096	11 492	238 194
Profit for the period	(310 943)	12 594	(277)	(298 626)
Consolidated profit for the period related to the institutional capital and the participation fund	1 574 860	70 218	(8 770)	1 636 308
Non-controlling interests	11 035	-	-	11 035
Total Equity	1 585 895	70 218	(8 770)	1 647 343
Total Liabilities and Equity	22 702 990	1 003 765	(667 552)	23 039 203

Risk management

The Group is subject to several risks during the course of its business.

The Group's risk management policy is designed to ensure adequate relationship at all times between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line.

In this connection, monitoring and control of the main types of financial risk – credit, market, liquidity and operational – to which the Group's business is subject are of particular importance.

"Direcção de Risco" ("DRI") supports the Executive Board of Directors in taking decisions associated to the management of different risk types inherent to the activity, in the Group. DRI includes three departments and a nucleus:

- Modeling Risks Department: responsible for development and integration in decision-making of internal models of credit risk analysis and internal reports on credit risk;
- Global Risks Department: ensure the examination and supervisory reporting of liquidity risks, market, interest rate and solvency, as well as their integration into decision-making processes;
- Business Risks Department: responsible for the politics definition of analysis and credit concession and for the operationalization of management system and operational risk measurement, and business continuity management cycle; and
- Companies rating core: responsible for the financial statements integration in Institution's software, for client's risk rating of the companies' segments and businesses, and for developing and applying methods of assigning exposure limits to companies.

This Direction assures the analysis and management of Market Risks, Liquidity, Interest Rate, Credit and Operational, providing counselling to Executive Board of Directors, through the proposal of normative and models for management of different risks, the management reports elaboration which are used to decision making of the Risk Committee and Internal Control Committee.

Also in context of risk management, DRI:

- Defines and proposes the adoption of normative and other support instruments to credit decision, namely, proposes the adjustment of Credit Concession Standards, having in count the activity evolution, market conditions and competition practices;
- Creates, develops and monitorizes the performance of internal rating and scoring models, in credit origination, such as the systems of credit risk follow up;
- Proposes guiding principles and intervention measures by credit portfolio, client segment, activity sector and credit line, as well as the pricing adjustment of operations for credit to risk, according to strategic guide lines pre-defined;
- Provides opinions on standards procedures, new credit products, financial lines and existing revision;
- Develops monitoring systems of credit, namely, behavioral scoring for particulars and watchlist for companies, and performs the monitoring;
- Develops risk rating systems for particulars and business's (reacting and behavioral scoring) and companies (internal ratings);
- Includes the internal systems of operational risk evaluation, adapted to the supervision requirements;
- Provides information to help in decision-making about the definition and implementation of strategies to risk management and definition of the "Room" regulation, according to the taken decisions in the context of Assets and Liabilities

Management and the evolution estimative of the assets markets relevant to the activity of Group's entities, and offers technical support, when required;
- Provides information about CEMG's risk analysis, as well as the evolution on the assets market where the main risks are concentrated, for presentation to Rating agencies, to institutional investors, external auditors, supervision authorities and inclusion in the Financial Statements;
- Produces statistical analysis about credit risk of portfolios to be included in securitization operations, particularly addressing over frequencies related to default or loss severity.

Additionally, for credit risk management, "Direcção de Análise de Crédito", ensures the assessment of credit proposals from companies and individuals, as well as the assignment of internal ratings in the corporate segment and retail segment.

DRI ensures the accomplishment of several prudential reports to the supervision authority, namely the domain of their own funds requirements, major risk control and related parties funding, liquidity risk, interest rate risk, country risk, counterparty risk, self-evaluation of Own Funds, Market Discipline, Recovery Plan and Resolution Plan.

On the regulatory and Basel II, were developed reports referred in Pillar II - Capital adequacy, and Pillar III - Market Discipline. Under Pillar II were reported to Bank of Portugal reports Process Self-Evaluation of the Capital Market ("ICAAP"), Stress Testing and Risk Concentration as Instruction no. 5/2011, from 15 March, of the Bank of Portugal. The results of the reports point to the soundness of capital levels commensurate with the risks with greater materiality and the potential adverse developments in key macroeconomic indicators. At the level of risk concentration there is a positive development in the main types of concentration - Sectorial, Geographic and Individual with relevance to the progressive reduction in the construction sector. Under Pillar III, was made public the report of Market Discipline, detailing the types and levels of risk incurred in the activity, as well as the processes, structure and organization of risk management.

The Group has been following and implementing the recommendations of Basel Committee concerning the new prudential legislation, usually designated by Basel III, referencing the implementation of the Regulation no. 575/2013 of European Parliament, namely the one who refers to liquidity levels, own funds evaluation and calculation of capital requirements. CEMG participates regularly on Quantitative Impact Studies (QIS) of Basel III, as well in CRR/CRD IV impact studies developed by Bank of Portugal according to the guidance of the European Bank Association (EBA), what made possible to anticipate the impacts derived by the adoption of the new regulatory standards, whether on the liquidity level or prudential capital level. The referred documents relate to the new regulatory standards of Basel III were already partially transposed to the national legislation, being the first official report made with reference at March 2014, in accordance with the new rules, and after in the following trimesters.

Main types of risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and the respective volatility.

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Property – Property risk results from possible negative impacts on profit and loss, or at the CEMG's capital level, due to market prices fluctuation on real property.

Operational – Operational risk is the potential loss resulting from failures or inadequacies in internal procedures, persons or systems, and also the potential losses resulting from external events.

Internal organization

The Executive Board of Directors is responsible for risk management strategy and policies, and it is advised by the Risk Analysis and Management Division in these fields, that undertake the analysis and the risk management from the standpoint of the Group, including the coordination of the Risk Committee and Internal Control and reporting the level of the Asset and Liability Committee («ALCO») and the Committee on Internal Control.

The Internal Auditing function is ensured by Direcção de Auditoria Interna e Inspecção and integrates the internal control monitorization process, through the execution of complementary independent evaluations over the performance of controls, identifying deficiencies and recommendations and submitting its conclusions to the Executive Board of Directors.

Direcção de Auditoria Interna e Inspecção is also responsible for performing audits to the Risk Management processes, according with the guidance provided by the supervision entities, including the independent review of risk assessment internal models (Independent Review Function) and to calculate the equity minimum requirements for risk hedging. Based in the results obtained from the audits, measures are recommended and their implementation is followed in order to ensure that necessary measures are taken and managed properly.

The compliance function is performed by the Compliance Office that reports directly to the Executive Board of Directors, and has the main goal of managing the compliance risk which is the risk of incurring in legal or regulatory sanctions, financial or reputation loss as a consequence of non-compliance with laws, regulations, conduct code and good banking practices.

The compliance risk is mitigated by encouraging a culture of compliance, fostering the respect of group's entities and their employees by the framework applicable through an independent intervention together, with all organic units.

It is part of compliance's functions to define the procedures and mechanisms of compliance control, and their monitoring, reporting immediately to the Executive Board of Directors information about any possible violation of statutory obligations, rules of conduct and client relationship or other duties that can lead the institution or the employees in penalties.

Depending on the nature and severity of the risk, plans, programs or actions shall be drawn up, supported by information systems, and procedures shall be devised that provide a high degree or reliably as to the risk management measures defined whenever necessary.

Risk evaluation

Credit Risk - Retail

Credit risk models play a significant role in credit decision process. Indeed, the decision process concerning the credit portfolio depends on a group of policies based on scoring models developed to individual and business clients and the rating for the corporate sector.

Credit decisions are dependent upon risk ratings and compliance with various rules governing financial capacity and applicants' behaviour. In order to support commercial strategies reactive scoring models are also used, namely in the main individual credit portfolios, such as mortgage and individual loans, distinguishing between customers and non-customers (or new customers). In the case of credit cards, the correspondent reactive scoring model is being reviewed. Additionally, in the individual credit portfolios, commercial performance and credit risk analysis are complementary supported by behaviour scorings.

In corporate credit internal rating models are used to medium and large companies, distinguishing construction sector and third sector from the other activity sectors, while for customers «Empresários em nome individual» and micro business is applied the scoring model business.

The Group's credit risk exposure can be analysed as follows:

(Thousands Euros)

	2014	**2013**
Deposits with Other credit institutions	217 043	233 785
Deposits with banks	546 162	330 063
Loans and advances to customers	15 226 223	15 555 141
Financial assets held for trading	80 466	56 297
Other financial assets at fair value through profit or loss	-	3 450
Available-for-sale financial assets	3 136 057	4 001 982
Hedging derivatives	60	503
Held-to-maturity investments	120 101	34 631
Investments in associated companies and others	24 650	42 399
Other assets	257 343	182 422
Guarantees granted	487 896	471 714
Documentary credits	46 451	6 962
Irrevocable commitments	653 777	391 689
Credit default swaps (notionals)	-	9 000
	20 796 229	21 320 038

The analysis of the risk exposure by sector of activity, as at 31 December 2014, can be analysed as follows:

(Thousands of Euros)

Activity sector	2014							
	Loans and advances to costumers		Financial assets held for trading	Other financial assets at fair value trough profit or loss	Available-for-sale financial assets		Held-to-maturity investments	Guarantees granted
	Gross Amount	Impairment	Book Value	Book Value	Gross Amount	Impairment	Book Value	Book Value
Agriculture	160 171	(5 894)	-	-	-	-	-	3 187
Mining	40 079	(3 434)	-	-	8 215	-	-	1 750
Food, beverage and tobacco	232 596	(17 005)	-	-	13 014	-	-	3 601
Textiles	92 998	(13 006)	-	-	-	-	-	1 782
Shoes	38 882	(3 509)	-	-	-	-	-	485
Wood and cork	51 292	(13 127)	-	-	-	-	-	1 176
Printing and publishing	95 361	(9 839)	-	-	-	-	-	521
Petroleum refining	92	(23)	-	-	72 937	-	-	-
Chemicals and rubber	131 828	(10 784)	-	-	389	-	-	4 286
Non-metallic minerals	62 867	(3 589)	-	-	-	-	-	2 584
Basis metallurgic industries and metallic products	165 372	(18 351)	-	-	63 886	-	-	11 194
Production of machinery	46 586	(2 833)	-	-	-	-	-	3 206
Production of transport material	36 156	(1 912)	-	-	2 212	-	-	677
Other transforming material	51 652	(5 188)	-	-	92 563	-	-	2 777
Electricity, gas and water	138 180	(3 300)	-	-	328 486	(998)	-	1 080
Construction	1 679 003	(375 890)	-	-	21 274	-	-	220 026
Wholesale and retail	1 299 483	(160 170)	115	-	5 311	-	-	80 934
Tourism	420 241	(23 942)	-	-	543	-	-	37 274
Transports	491 180	(87 676)	-	-	59 391	-	-	15 386
Communications and information activities	71 842	(7 022)	-	-	65 210	(8 778)	-	2 078
Financial activities	1 178 627	(137 943)	-	-	310 576	-	-	70 840
Real estates activities	776 869	(159 717)	74 509	-	541	-	-	19 293
Services provided to companies	640 119	(76 732)	-	-	-	(8 834)	-	11 557
Public services	142 506	(2 701)	533	-	1 950 893	-	120 101	23
Other activities of collective services	524 399	(21 596)	-	-	-	(19 190)	-	13 806
Mortgage loans	7 763 579	(219 102)	-	-	42 953	-	-	-
Others	280 135	(1 587)	-	-	135 464	-	-	24 824
Total	16 612 095	(1 385 872)	75 157	-	3 173 858	(37 800)	120 101	534 347

The analysis of the risk exposure by sector of activity, as at 31 December 2013, can be analysed as follows:

(Thousands of Euro)

	2013							
Activity sector	**Loans and advances to costumers**		**Financial assets held for trading**	**Other financial assets at fair value trough profit or loss**	**Available-for-sale financial assets**		**Held-to-maturity investments**	**Guarantees granted**
	Gross Amount	**Impairment**	**Book Value**	**Book Value**	**Gross Amount**	**Impairment**	**Book Value**	**Book Value**
Agriculture	98 425	(4 802)	-	-	-	-	-	9 517
Mining	25 393	(4 366)	-	-	1 969	-	-	2 605
Food, beverage and tobacco	185 162	(13 614)	-	-	14 576	-	-	4 162
Textiles	69 158	(23 871)	-	-	-	-	-	448
Shoes	22 968	(4 935)	-	-	-	-	-	421
Wood and cork	41 700	(12 156)	-	-	-	-	-	2 607
Printing and publishing	83 399	(3 803)	-	-	-	-	-	361
Petroleum refining	86	(209)	-	-	7 594	-	-	-
Chemicals and rubber	123 131	(8 244)	-	-	400	-	-	2 028
Non-metallic minerals	52 000	(3 633)	-	-	-	-	-	2 974
Basis metallurgic industries and metallic produc	148 452	(11 795)	-	-	74 227	-	-	10 290
Production of machinery	38 099	(2 849)	-	-	-	-	-	1 655
Production of transport material	29 976	(1 275)	-	-	-	-	-	198
Other transforming material	37 591	(4 975)	-	-	91 895	-	-	7 178
Electricity, gas and water	130 692	(650)	-	-	202 563	-	-	2 595
Construction	1 763 786	(321 369)	102	-	21 289	(998)	-	178 848
Wholesale and retail	962 834	(138 207)	-	-	5 074	-	-	74 544
Tourism	323 244	(19 415)	-	-	-	-	-	10 918
Transports	358 906	(22 448)	-	-	22 282	-	-	15 608
Communications and information activities	44 804	(6 056)	-	-	36 774	-	-	896
Financial activities	1 212 406	(33 298)	48 143	3 450	263 821	(1 859)	-	79 214
Real estates activities	841 922	(111 251)	-	-	-	-	-	25 732
Services provided to companies	398 785	(24 545)	481	-	1 224	-	-	15 874
Public services	115 608	(8 035)	-	-	3 089 700	(8 415)	34 631	6 285
Other activities of collective services	388 529	(13 685)	-	-	-	-	-	13 560
Mortgage loans	8 409 859	(133 017)	-	-	43 960	-	-	-
Others	699 752	(119 023)	-	-	135 906	-	-	10 158
Total	16 606 667	(1 051 526)	48 726	3 450	4 013 254	(11 272)	34 631	478 676

With regard to credit risk, the financial assets portfolio predominantly maintains its position in bonds of sovereign issuers, mainly from Portuguese Republic.

During 2014, credit default swaps in portfolio were settled, by the maturity of several deals, with the buying and selling of credit protection to be settled at Euro 9,000 thousands.

In terms of credit quality, there was a raise in the average level of counterparties associated to the improvement of Portuguese public debt rating.

Overall Risks and Financial Assets

Efficient balance sheet management also involves the Assets and Liabilities Committee («ALCO»), which examines interest rate, liquidity and exchange rate risks, namely as regards compliance with the limits set for the static and dynamic gaps calculated.

Normally the static interest rate and liquidity gaps are positive and moderate in size, with exception of those months when payments are made relating to bond issue debt service. As for exchange rate risk, the resources obtained in different currencies are hedged as assets in the respective monetary market and for periods not exceeding those of the resources, which means that any exchange rate gaps result mainly from possible unadjustments between the hedge and resource deadlines.

Concerning risk information and analysis, regular reports are provided on the credit and market risks on the company's financial assets and those of the other members of the Group. For the company's own portfolio, the various risk limits are defined using the Value-at-Risk («VaR») method. There are different exposure limits such as global «VaR» limits, by issuer, by asset type/class and rating. There are also limits of Stop Loss. Investment portfolio is mainly concentrated in bonds which as at the end of 2014 represented 87.40% (2013: 89.14%) of the total's portfolio.

The Group continuously calculates its own portfolios «VaR», given a 10-day horizon and a 99% confidence interval, by the method of historical simulation

The following table presents the main indicators of these measures, as at 31 December 2014 and 2013:

(Thousands of Euro)

	2014				2013			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Interest rate Gap	(1713 766)	(1443 074)	(1172 382)	(1713 766)	(638 569)	(593 000)	(547 431)	(638 569)

Following the recommendations of Basel II (Pillar II) and Instruction no. 19/2005, from 15 June of the Bank of Portugal, the Group calculates its exposure to interest rate risk based on the methodology of the Bank of International Settlements («BIS») which requires the classification of non-trading balances and off balance positions by repricing intervals.

(Thousands of Euro)

	Within 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years
31 December 2014					
Assets	11 045 039	4 347 071	351 745	1 698 022	1 212 165
Off balance sheet	8 715 156	118 047	68 916	152 487	-
Total	19 760 195	4 465 118	420 661	1 850 509	1 212 165
Liabilities	7 201 236	2 211 721	2 732 466	8 105 408	116 975
Off balance sheet	8 530 961	196 895	220 000	106 750	-
Total	15 732 197	2 408 616	2 952 466	8 212 158	116 975
Gap (Assets - Liabilities)	4 027 998	2 056 502	(2 531 805)	(6 361 649)	1 095 190
31 December 2013					
Assets	10 640 454	4 329 060	444 732	1 872 064	2 320 753
Off balance sheet	9 173 090	135 747	844 643	99 448	-
Total	19 813 544	4 464 807	1 289 375	1 971 512	2 320 753
Liabilities	7 863 788	1 760 422	2 437 859	8 321 441	127 040
Off balance sheet	9 016 635	182 510	535 820	253 045	-
Total	16 880 423	1 942 932	2 973 679	8 574 486	127 040
Gap (Assets - Liabilities)	2 933 121	2 521 875	(1 684 304)	(6 602 974)	2 193 713

Sensibility analysis

As at December, 2014, based on the interest rate gaps observed, an instantaneous positive variation in the interest rates by 100 bp would cause an increase in the income statement in Euro 40,398 thousands (2013: Euro 32,893 thousands).

The following table presents the average interests, in relation to the Group major assets and liabilities categories for the years ended 31 December 2014 and 2013, as well as the average balances and income and expense for the year:

(Thousands of Euro)

	2014			2013		
Products	**Average balance for the year**	**Average interest rate (%)**	**Income / Expense**	**Average balance for the year**	**Average interest rate (%)**	**Income / Expense**
Assets						
Loans and advances to customers	16 652 739	3.66	610 016	16 385 139	3.31	542 696
Deposits	186 215	0.09	167	124 482	1.46	1 818
Securities portfolio	3 725 183	5.13	191 248	3 281 675	4.78	156 907
Inter-bank loans and advances	426 469	1.02	4 336	225 380	0.12	277
Swaps	0		104 337	-		110 526
Total Assets	20 990 606		910 104	20 016 676		812 224
Liabilities						
Deposits from customers	14 019 468	2.26	316 299	13 154 293	2.57	337 444
Securities deposits	3 006 915	4.69	141 162	3 496 462	3.37	117 738
Interbank deposits	3 353 283	0.30	10 030	2 742 338	0.87	23 758
Other liabilities	731	0.55	4	156	0.64	1
Swaps	-		106 103	-		108 036
Total liabilities	20 380 397		573 598	19 393 249		586 977

In relation to foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 31 December 2014 is analysed as follows:

	Euro	United States Dollar	Sterling Pound	Canandian Dollar	Suisse Franc	Japanese Yen	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits at central banks	265 532	13 073	1 154	669	2 151	-	2 234	284 813
Loans and advances to credit institutions repayable on demand	129 226	29 694	329	351	630	56 435	378	217 043
Loans and advances to credit institutions	229 814	192 023	7 414	35 905	367	80 639	-	546 162
Loans and advances to customers	14 835 024	138 059	-	-	824	252 316	-	15 226 223
Financial assets held for trading	52 848	33 733	-	-	-	-	-	86 581
Available-for-sale financial assets	3 585 672	3 175	34	10	782	-	38	3 589 711
Hedging derivatives	60	-	-	-	-	-	-	60
Held-to-maturity investments	16 090	104 011	-	-	-	-	-	120 101
Investments in associated companies and others	24 650	-	-	-	-	-	-	24 650
Non- current assets held for sale	799 739	-	-	-	-	-	-	799 739
Investment properties	715 737	-	-	-	-	-	-	715 737
Other tangible assets	52 575	-	-	-	-	46 356	-	98 931
Intangible assets	66 054	-	-	-	-	-	-	66 054
Current tax assets	2 664	-	-	-	-	-	-	2 664
Deferred tax assets	355 881	-	-	-	-	-	-	355 881
Other assets	267 411	4 366	15 070	42 354	-	4 285	5 638	339 124
Total Assets	21 398 977	518 134	24 001	79 289	4 754	440 031	8 288	22 473 474
Liabilities by currency								
Deposits from central banks	2 496 886	-	-	-	-	-	-	2 496 886
Deposits from other credit institutions	931 258	94 574	7 708	36 133	477	-	6	1 070 156
Deposits from customers	13 634 609	250 361	16 087	43 031	2 370	362 486	5 715	14 314 659
Debt securities issued	2 097 928	48 597	-	-	-	-	-	2 146 525
Financial liabilities associated to transferred assets	163 650	-	-	-	-	-	-	163 650
Financial liabilities held for trading	54 477	30 815	-	-	-	-	-	85 292
Hedging derivatives	1 494	-	-	-	-	-	-	1 494
Provisions	19 558	-	-	-	-	771	-	20 329
Current tax liabilities	3 104	-	-	-	-	-	-	3 104
Other subordinated debt	348 094	25 185	-	-	-	-	-	373 279
Other liabilities	287 638	85 545	36	20	2 314	8 004	19	383 576
Total Liabilities	20 038 696	535 077	23 831	79 184	5 161	371 261	5 740	21 058 950
Net asset / liability by currency	1 360 281	(16 943)	170	105	(407)	68 770	2 548	1 414 524

In relation to foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 31 December 2013 is analysed as follows:

	Euro	United States Dollar	Sterling Pound	Canandian Dollar	Suisse Franc	Japanese Yen	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits at central banks	231 547	31 977	1 114	284	1 960	180	47 197	314 259
Loans and advances to credit institutions repayable on demand	213 463	18 751	179	197	340	28	827	233 785
Loans and advances to credit institutions	225 532	17 940	-	-	-	-	86 591	330 063
Loans and advances to customers	15 398 167	57 650	-	-	795	-	98 529	15 555 141
Financial assets held for trading	61 577	2 529	-	-	-	-	-	64 106
Other financial assets at fair value trough profit or loss	3 450	-	-	-	-	-	-	3 450
Available-for-sale financial assets	4 541 588	2 949	31	19	793	-	436	4 545 816
Hedging derivatives	503	-	-	-	-	-	-	503
Held-to-maturity investments	17 283	-	-	-	-	-	17 348	34 631
Investments in associated companies and others	42 399	-	-	-	-	-	-	42 399
Non- current assets held for sale	681 239	-	-	-	-	-	149	681 388
Investment properties	543 534	-	-	-	-	-	-	543 534
Other tangible assets	85 620	-	-	-	-	-	34 872	120 492
Intangible assets	56 336	-	-	-	-	-	2 943	59 279
Current tax assets	94	-	-	-	-	-	1 738	1 832
Deferred tax assets	336 264	-	-	-	-	-	-	336 264
Other assets	(211 429)	218 704	11 899	37 150	857	-	115 080	172 261
Total Assets	22 227 167	350 500	13 223	37 650	4 745	208	405 710	23 039 203
Liabilities by currency								
Deposits from central banks	3 427 354	-	-	-	-	-	-	3 427 354
Deposits from other credit institutions	446 972	27 048	364	95	12	-	6	474 497
Deposits from customers	13 652 845	234 055	11 417	37 258	3 034	10	204 209	14 142 828
Debt securities issued	2 297 298	22 130	-	-	-	-	-	2 319 428
Financial liabilities associated to transferred assets	195 049	-	-	-	-	-	-	195 049
Financial liabilities held for trading	61 655	569	-	-	-	-	-	62 224
Hedging derivatives	1 849	-	-	-	-	-	-	1 849
Provisions	7 607	-	-	-	-	-	407	8 014
Current tax liabilities	1 353	-	-	-	-	-	-	1 353
Deferred tax liabilities	-	-	-	-	-	-	-	-
Other subordinated debt	370 078	-	-	-	-	-	-	370 078
Other liabilities	180 120	66 551	1 441	297	1 542	198	139 037	389 186
Total Liabilities	20 642 180	350 353	13 222	37 650	4 588	208	343 659	21 391 860
Net asset / liability by currency	1 584 987	147	1	-	157	-	62 051	1 647 343

Liquidity risk

The purpose of liquidity management is to maintain adequate liquidity levels to meet short, medium and long term funding needs. Liquidity risk is monitored carefully, and prepared several reports for the purpose of prudential regulation and monitoring in place of ALCO Committee.

In addition, it is also carried out a follow-up of liquidity positions of a prudential point of view, calculated in the manner required by the Bank of Portugal (Instruction no. 13/2009 of 15 September).

As at 31 December 2014 the total collateral value available in the European Central Bank amounts to Euro 4,202,365 thousands (2013: Euro 5,783,695 thousands) with an usage of Euro 2,475,990 thousands (2013: Euro 3,395,000 thousands).

Operational risk

The Group has implanted an Integrated Continuing Business Plan, which allows to ensure the continuity of the operations in a case of a rupture in the activity. DRI has the corporate function of operational risk management which is supported by the existence of responsible employees in the different organic units that ensure the proper implementation of Group's operational risk management.

Capital management and Solvency Ratio

In prudential matters, the Group is subject to Bank of Portugal supervision that, under the capital adequacy Directive from the CE (2013/36/UE), establishes the rules to be attended by the institutions under its supervision. These rules determine minimum solvency ratios of Own Funds Core of level 1, own fund of level 1 and the total own funds related with the risk-weighted assets that institutions have to fulfil. Since 2014, prudential rules are based in the new Basel III according to the Instruction no. 575/2013 of the European Parliament.

According to prudential rule of Basel III, Group's Own Funds are divided by own funds core of Level 1 or Commom Equity Tier 1 (CET1), Own Funds of Level 1 or Tier 1 (T1) and Own Funds of Level 2 or Tier 2 (T2), with the following composition:

- **Own Funds Core of Level 1 or Common Equity Tier 1 (CET1):** this category includes the realized statuary capital, eligible reserves (including fair-value reserves), accumulated results, results retained from the period when positives and certified or by its fullness if negatives. It is deducted the balance value of the amounts relative to goodwill, other intangible assets, unrealised gains in financial liabilities evaluated by its fair-value through the results that represent own credit risk, negative actuarial deviations derived from responsibilities with post-employment benefits to employees (already included in accumulated results), as well the gap, if positive, between the asset and the pension fund responsibilities. Financial investments on financial sector entities and deferred tax assets have a different treatment, comparing to Basel II, on the new Basel III regulations. The values in these accounts are deducted when, individually, overcome 10% of CET1, or posteriorly 17.65% of CET1 when considered as aggregated (only on the non-deducted part on the first barrier of 10% and considering only significant participations). Non-deducted values will be subject to weight of 250% for the fullness of risk-weighted assets. Regarding investments in financial institutions, the eventual deduction is proportionally realized on the respective held capital levels. Between the implementation of this new prudential regulation in 2014 and 2018, a transitory period will be in force that will allow to gradually acknowledge the majors impacts of this new regulation. Emphasis for the transitory plan applied to deferred tax assets and negative actuarial deviations of the pensions fund that allow to acknowledge 20% per year of the eventual negative effects caused by the new standards. Fair-value reserves will also be subjects to a transitory plan of 20%/year, being however excluded from this plan the fair-value reserves related to risk positions over Central Administrations. This exclusion will end after the adoption, by the European Committee, of a regulation based on Regulation (CE) no. 1606/2002 that approves the International Financial Report Standard, that will replace IAS 39.

- **Own Funds of Level 1 or Tier 1 (T1)**: includes capital equivalent instruments, whose conditions are in accordance with the article 52º from Regulation no.575/2013 and approved by the Bank of Portugal. The eventual detentions of capital T1 from financial institutions subjected to deduction are deducted from this capital.

- **Own Funds of Level 2 or Tier 2 (T2)**: includes capital equivalents instruments, whose conditions are in accordance with the article 63º from Regulation no.575/2013 and approved by the Bank of Portugal. The eventual detentions of capital T2 from financial institutions subjected to deduction are deducted from this capital.

The Totals Own Funds or Total Capital are constituted by the sum of the three levels previous referred.

As previously referred, until 2018 the effects of Basel III's new regulation will gradually be introduced. This process is usually named as Phasing-in. The full assumption of the new regulation, without considering transitory plans, is named as Full Implementation. Phasing-in is actually in process, being verified in this base if determined entity have the amount of own funds superior to the minimum requirement, and properly certifying its capital adequation. This relation is reflected on the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (formerly designated by solvability ratio, represented by the percentage of capital level correspondent to the amount of 12.5 times the own funds requirements). For these ratios, the regulatory minimums indicated by the Bank of Portugal for 2014 are 7% for CET1 and 8% for Total Capital.

The resume of the calculation for the Group's capital requirements at 31 December 2014 and 31 December 2013, is presented as follows:

(Thousands of Euro)

	2014	2013
Basic own funds Core Tier 1 (Capital Common Equity Tier 1)		
Paid-up capital	1 700 000	1 700 000
Net profit, General reserves, Special reserves and Retained earnings	(392 666)	(60 431)
Other regulatory adjustments	(22 104)	(77 334)
	1 285 230	1 562 235
Basic own funds (Capital Tier 1)		
Other equity instruments	6 618	8 273
Deduction to basic own funds	(6 618)	(11 087)
	1 285 230	1 559 421
Complementary own funds (Capital Tier 2)		
Subordinated Loans	32 826	303 638
Regulatory adjustments	(8 941)	(13 783)
	23 885	289 855
Total owned funds	1 309 115	1 849 276
Own funds requirements		
Credit risk	1 105 807	1 067 147
Market risk	6 438	3 664
Operational risk	65 666	64 281
Other requirements	29 619	-
	1 207 530	1 135 092
Prudential Ratio		
Ratio Common Equity Tier 1	8,51%	11,01%
Ratio Tier 1	8,51%	10,99%
Total Capital Ratio	8,67%	13,03%

The amounts referred to 31 December 2013, were calculated according to the prudential rules in force as at 31 December 2013.

In order to reinforce the prudential situation, by adapting the prudential ratios to the requirements of the Group's strategic plan, the Executive Board of Directors has deliberated, on 25 March 2015, to set in motion the previous procedures towards a capital increase up to Euro 200 million, according with subparagraph 1) of Article no. 16 of Caixa Económica Montepio Geral Articles.

58 Accounting standards recently issued

Recently Issued pronouncements already adopted by the Group in the preparation of the financial Statements are the following:

IAS 27 (Revised) – Separate Financial Statements

The IASB issued on 12th May 2011, amendments to "IAS 27 – Separate Financial Statements", effective (with prospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation 1254/2012, 11th December.

Taking in consideration that IFRS 10 addresses the principles of control and the requirements relating to the preparation of consolidated financial statements, IAS 27 was amended to cover exclusively separate financial statements.

The amendments aimed, on one hand, to clarify the disclosures required by an entity preparing separate financial statements so that the entity would be required to disclose the principal place of business (and country of incorporation, if different) of significant investments in subsidiaries, joint ventures and associates and, if applicable, of the parent.

The previous version only required the disclosure of the country of incorporation or residence of such entities.

On the other hand, it was aligned the effective dates for all consolidated standards (IFRS10, IFRS11, IFRS12, IFRS13 and amendments to IAS 28).

The Group did not have any impact from the adoption of these changes in the financial statements.

IFRS 10 Consolidated Financial Statements

The IASB issued on 12th May 2011, "IFRS 10 Consolidated Financial Statements", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, from 11th December, which allowed the mandatory application of these amendments after 1st January 2014.

IFRS 10, revokes partially IAS 27 and SIC 12, and introduces a single control model to determine whether an investee should be consolidated.

The new concept of control involves the assessment of power, exposure to variability in returns and a linkage between both. An investor controls an investee when it is exposed (or has rights) to variability of returns from its involvement with the investee and is able to affect those returns through its power over the investee (presumed control).

The investor considers whether it controls the relevant activities of the investee, taking into consideration the new concept. The assessment should be done at each reporting period because the relation between power and exposure to the variability of returns may change over the time.

Control is usually assessed over a legal entity, but also can be assessed over only specified assets and liabilities of an investee (referred to as *silo*).

The new standard also introduces other changes such as: i) accounting requirements for subsidiaries in consolidation financial statements that are carried forward from IAS 27 to this new standards and ii) enhanced disclosures requirements, including specific disclosures for consolidated and unconsolidated structured entities.

The Group did not have any impact from the adoption of these changes in the financial statements.

IFRS 11 – Joint Arrangements

The IASB, issued on 12th May 2011, "IFRS 11-Joint arrangements", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, from 11th December which allowed the mandatory application of these amendments after 1st January 2014.

IFRS 11 revoked IAS 31 and SIC 13, defines "joint control" by incorporating the same control model as defined in IFRS 10 and requires an entity that is part of a "join arrangement" to determine the nature of the joint arrangement ("joint operations" or "joint ventures") by assessing its rights and obligations.

IFRS 11 removes the option to account for joint ventures using the proportionate consolidation. Instead, joint arrangements that meet the definition of "joint venture" must be accounted for using the equity method (IAS 28).

The Group did not have any impact from the adoption of these changes in the financial statements.

IAS 28 (Revised) – Investments in Associates and Joint Ventures

The IASB, issued on 12th May 2011, "IAS 28 – Investments in associates and Joint Venture", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, from 11th December which allowed the mandatory application of these amendments after 1st January 2014.

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed as IAS 28 Investments in Associates and Joint ventures, and describes the application of the equity method to investments in joint ventures and associates.

The Group did not have any impact from the adoption of these changes in the financial statements.

IFRS 12 – Disclosures of Interest in Other Entities

The IASB, issued on 12th May 2011, "IFRS 12 Disclosures of Interests in Other Entities", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, from 11th December which allowed the mandatory application of these amendments after 1st January 2014.

The objective of this new standard is requiring the disclose of information by an entity to enable users of its financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special vehicles and other off balance sheet vehicles.

The Group assessed the impact of the full application of IFRS 12, in line with IFRS 10 and IFRS11adoptions and did not have any impact from the adoption of these changes in the financial statements.

Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (issued by IASB on 31st October 2012)

The amendments apply to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments were effective from 1 January 2014, with an early adoption permitted. This option allows investment entities to apply these new amendments along with the adoption of IFRS 10. These amendments were endorsed by EU Commission Regulation 1174/2013, from 20 November.

The Group did not have any impact from these changes in the financial statements.

IAS 36 (Revised) – Recoverable Amount Disclosures for Non-Financial Assets

The IASB, issued on 29th May 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. These amendments were endorsed by EU Commission Regulation 1374/2013, from 19th December.

The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets.

The Group did not have any impact from these changes in the financial statements.

IAS 39 (Revised) – Novation of Derivatives and Continuation of Hedge Accounting

The IASB, issued on 27th June 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. These amendments were endorsed by EU Commission Regulation 1375/2013, from 19th December.

The objective of these amendments was to provide relief in situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty as a consequence of laws or regulation. Such a relief means that hedge accounting can continue irrespective of the novation which, without the amendment, would not be permitted.

The Group did not have any impact from these changes in the financial statements.

IAS 32 (Amended) - Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The IASB, issued on 16th December 2011, amendments to "IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities", effective (with retrospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation 1256/2012, 11th December.

The amendments add application guidance to address the inconsistent application of the standard in practice. The application guidance clarifies that the phrase 'currently has a legal enforceable right of set-off' means that the right of set-off must not be contingent on a future event and must be legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy, of the entity and all of the counterparties.

The application guidance also specifies the characteristics of gross settlement systems in order to be considered equivalent to net settlement.

The Group had no impact from the adoption of these changes in the financial statements considering that the accounting policy adopted in the Group is aligned with the issued clarification.

IFRIC 21 Levies

The IASB, issued on 20th May 2013, this interpretation, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. This interpretation was endorsed by EU Commission Regulation 634/2014, from13th June (defining entry into force from the date of the first financial year beginning in or after 17th July, 2014).

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

The Group did not have any impact from these changes in the financial statements.

<u>The Group decided to opt for not having an early application of the following standards endorsed by EU but not yet mandatory effective:</u>

IAS 19 (Revised) – Defined Benefit Plans: Employee Contributions

The IASB, issued on 21th November 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st July 2014.

The amendment clarifies the guidance on attributing employee or third party contributions linked to service and requires entities to attribute the contributions linked to service in accordance with paragraph 70 of IAS 19 (2011). Therefore, such contributions are attributed using plan's contribution formula or on a straight line basis.

The amendment addresses the complexity by introducing a practical expedient that allows an entity to recognise employee or third party contributions linked to service that are independent of the number of years of service (for example a fixed percentage of salary), as a reduction in the service cost in the period in which the related service is rendered.

Improvements to IFRS (2010-2012)

The annual improvements cycle 2010-2012, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS16, IAS24 and IAS38. These amendments were endorsed by EU Commission Regulation 28/2015, 17th December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1st February 2015).

IFRS 2 – Definition of vesting condition

The amendment clarifies the definition of 'vesting conditions' in Appendix A of IFRS 2 Share-based Payment separating the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clear.

IFRS 3 – Accounting for contingent consideration in a business combination

The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination, namely the classification of contingent consideration in a business combination, taking into account if such contingent consideration is a financial instrument or a non-financial asset or liability.

IFRS 8 – Aggregation of operation segments and reconciliation of the total of the reportable segments' assets to entity's assets

The amendment clarifies the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. To achieve consistency, reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker.

IFRS 13 – Short-term receivables and payables

IASB amended the basis of conclusion, in order to clarify that, by deleting IAS 39AG79 did not intend to change the measurement requirements for short-term receivables and payables with no interest, that should be discounted even if such discount is immaterial. It should be noticed that the paragraph 8 of IAS 8 already permits entities to not apply accounting policies set out in accordance with IFRS when the effect of applying them is immaterial.

IAS 16 & IAS 38 – Revaluation method – proportionate restatement accumulated depreciation or amortisation

In order to clarify the calculation of the accumulated depreciation or amortisation at the date of the revaluation, IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38 to clarify that:(i) the determination of the accumulated depreciation (or amortisation) does not depend on the selection of the valuation technique; and (ii) the accumulated depreciation (or amortisation) is calculated as the difference between the gross and the net carrying amounts.

IAS 24 – Related Party Transactions – Key management personal services

In order to address the concerns about the identification of key management personal (KMP) costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that, the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17.

Improvements to IFRS (2011-2013)

The annual improvements cycle 2011-2013, issued by IASB on 12th December 2013, introduced amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40. These amendments were endorsed by EU Commission Regulation 1361/2014, from 18th December (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1st January 2015).

IFRS 1 – Meaning of "effective IFRS"

IASB clarifies that if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity's first IFRS financial statements.

IFRS 3 – Scope exceptions for joint ventures

The amendment excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3. The scope exception only applies to the financial statements of the joint venture or the joint operation itself.

IFRS 13 – Scope of paragraph 52 – portfolio exception

Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment was to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.

IAS 40 – Interrelationship with IFRS 3 when classify property as investment property or owner-occupied property

The objective of this amendment is to clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

Recently Issued pronouncements that are not yet effective for the Group.

IFRS 9 – Financial instruments (issued in 2009 and revised in 2010, 2013 and 2014)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces the hedging requirements. IFRS 9 (2014) introduces limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets.

The IFRS 9 requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains three measurement categories for financial assets: amortised, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL). A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding. If the debt instrument that are SPPI are held under a business model whose objective achieved both by collecting contractual cash flows and by selling, the measurement would be at fair value through other comprehensive income (FVOCI), keeping the revenue form interest presenting in profit or loss.

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI (FVOCI). Those amounts recognised in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment.

All other financial assets, either the financial assets held under a business model of trading, either other financial instruments that do not comply with SPPI criteria, would be measured at fair value through profit and loss.

This situation includes investments in equity instruments, in respect of which an entity does not elect to present fair value changes in OCI that would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety, confirming that exist embedded derivatives, it should be measured at fair value through profit and loss.

The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

IFRS 9 (2014) establishes a new impairment model base on "expected losses" that replaces the current "incurred losses" in IAS 39.

Therefore, the loss event will no longer need to be verified before an impairment allowance is recognised. This new model will accelerate recognition of losses from impairment on debt instruments held that are measured at amortized cost or FVOCI.

If the credit risk of financial asset has not increased significantly since its initial recognition, the financial asset will attract a loss allowance equal to 12-month expected credit losses.

If its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses thereby increasing the amount of impairment recognised.

As soon as the loss event occurs (what is current defined as "objective evidence of impairment"), the impairment allowance would be allocated directly to the financial asset affected, which provides the same accounting treatment, from that point, similar to the current IAS 39, including the treatment of interest revenue.

The mandatory effective date of IFRS 9 is for annual periods beginning on or after 1st January 2018.

The Group has started the process of evaluating the potential effect of this standard. Considering the nature of the Group´s operation, this standard is expected to have a material impact on the Group´s financial statements.

IFRS 15 – Revenue from Contracts with Customers

The IASB, issued on May 2014, IFRS 15 - Revenue from Contracts with Costumers, effective for annual periods beginning on or after 1st January 2017. The early adoption is allowed. This standard revokes IAS 11- Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue- Barter Transactions Involving Advertising Services.

IFRS 15 provides a model based on 5 steps of analysis in order to determine when revenue should be recognised and the amount. The model specifies that the revenue should be recognised when an entity transfers goods or services to the customer, measured by the amount that the entity expects to be entitled to receive. Depending on the fulfilment of certain criteria, revenue is recognised:

At the time when the control of the goods or services is transferred to the customer; or

Over the period, to the extent that represents the performance of the entity.

The Group did not have any impact from these changes in the financial statements.

Improvements to IFRS (2012-2014)

The annual improvements of the 2012-2014 cycle, issued by the IASB on September 25, 2014 made changes, with an effective date of application for periods beginning on or after July 1, 2016 to IFRS 5, IFRS 7, IAS 19, IAS 34.

The Group did not have any impact from these changes in the financial statements.

IAS 27: Equity Method in Separate Financial Statements

IASB issued on August 12, 2014, amendments to IAS 27, with an effective date of application for periods beginning on or after January 1, 2016, introducing an option for the measurement of subsidiaries, associates or joint ventures the equity method in the separate financial statements.

The Group has not taken any decision regarding the adoption of this option in its separate financial statements.

59 Sovereign debt of European Union countries subject to bailout

As at 31 December 2014, the exposure of the CEMG to sovereign debt of European Union countries subject to bailout is as follows:

(Thousands of Euro)

Issuer/portfolio	2014 Book value	Fair value	Fair value reserves	Impairment	Average maturity rate (%)	Average maturity (years)	Fair value measurement level
Portugal							
Financial assets available for sale	1 645 832	1 645 832	48 946	-	4.83	3.64	1
Held to maturity financial assets	6 209	6 359	-	-	3.35	0.79	n.a.
	1 652 041	1 652 191	48 946	-			
Grécia (*)							
Financial assets available for sale	9 525	9 525	-	(8 834)	1.26	23.16	1
	1 661 566	1 661 716	48 946	(8 834)			

The securities value includes the respective accrued interests.

At May 2014, the validity period of the Adjustment Program accorded in 2011 between the Portuguese Government and Troika (European Central Bank, International Monetary Fund and European Commission) has ended, and Portugal left since that date the bailout situation.

As at 31 December 2013, the exposure of the CEMG to sovereign debt of European Union countries subject to bailout is as follows:

(Thousands of Euro)

Issuer/portfolio	2013 Book value	Fair value	Fair value reserves	Impairment	Average maturity rate (%)	Average maturity (years)	Fair value measurement level
Portugal							
Financial assets available for sale	3 053 183	3 053 183	33 404	-	4,67	5,48	1
Held to maturity financial assets	6 149	6 298	-	-	3,35	1,79	n.a.
	3 059 332	3 059 481	33 404	-			
Greece (*)							
Financial assets available for sale	10 066	10 066	123	(8 415)	1,26	24,16	1
	3 069 398	3 069 547	33 527	(8 415)			

60 Transfers of assets

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The financial assets sold under these transactions are derecognised from the balance sheet of the Group, since the transactions result in the transfer to the Funds of a substantial portion of the risks and benefits associated with the assets as well as the control on the assets

The specialized funds that acquire the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its investment throughout the useful life of the Fund.

These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks holds more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the banks and that is selected on the date of establishment of the Fund.

The management structure of the Fund has as main responsibilities:

- determine the objective of the Fund;
- manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund.

The management structure is remunerated through management commissions charged to the Funds.

These funds, in the majority of the transactions (in which the Group holds minority positions) establish companies under the Portuguese law in order to acquire the loans to the banks, which are financed through the issuance of senior and junior bonds.

The value of the senior bonds fully subscribed by the funds that hold the share capital of the companies match the fair-value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company that holds the assets. The value of the junior bonds is equivalent to the difference between the fair-value based on the valuation of the senior bonds and the sale value.

These junior bonds, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior bonds plus it related interest.

However, considering that these junior bonds reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the junior bonds are fully provided.

Therefore, following the transactions that occurred, the Group subscribed:

- Participation units of the Funds, for which the cash-flows that allow the recovery arise mainly from a set of assets transferred from the participant banks (where the Group has clearly a minority interest). These securities are booked in the available for sale portfolio and are accounted for at fair-value based on the market value, as disclosed by the Funds and audited at year end.

- Junior bonds (with higher subordination degree) issued by the companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, the Group performed the derecognition of the assets transferred under the scope of IAS 39.20 c (i) and the recognition of the assets received as follows:

(Thousands of Euro)

	Dec 2014			**Dec 2013**		
	Values associated with the transfer of assets			**Values associated with the transfer of assets**		
	Net assets transferred	**Amount received**	**Result obtained with the transfer**	**Net assets transferred**	**Amount received**	**Result obtained with the transfer**
Vallis Construction Sector Fund	18 794	20 889	2 095	18 794	20 889	2 095
Fundo de Reestruturação Empresarial, FCR	25 655	25 777	122	25 655	25 777	122
Discovery Portugal Real Estate Fund	13 698	15 415	1 717	9 995	11 681	1 686
Fundo Aquarius, FCR	13 060	13 485	425	-	-	-
	71 207	75 566	4 359	54 444	58 347	3 903

(Thousands of Euro)

	2014				
	Senior Securities	**Junior Securities**	**Total**	**Junior Impairment**	**Net Value**
Vallis Construction Sector Fund	16 441	6 153	22 594	(6 153)	16 441
Fundo de Reestruturação Empresarial, FCR	46 260	-	46 260	(219)	46 041
Discovery Portugal Real Estate Fund	12 157	-	12 157	-	12 157
Fundo Aquarius, FCR	13 517	-	13 517	-	13 517
	88 375	6 153	94 528	(6 372)	88 156

(Thousands of Euro)

	2013				
	Senior Securities	**Junior Securities**	**Total**	**Junior Impairment**	**Net Value**
Vallis Construction Sector Fund	15 619	6 153	21 772	(6 153)	15 619
Fundo de Reestruturação Empresarial, FCR	48 002	-	48 002	-	48 002
Discovery Portugal Real Estate Fund	11 724	-	11 724	-	11 724
	75 345	6 153	81 498	(6 153)	75 345

The net assets transferred amounts to Euro 71,207 thousands (2013: Euro 54,444 thousands).

The junior securities correspond to supplementary capital in the amount of Euro 6,153 thousands (2013: Euro 6,153 thousands), as referred in note 25.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for, in accordance with note 15.

Although the junior bonds are fully provided, the Group still holds an indirect exposure to the financial assets transferred, under the minority investment that holds in the pool of assets transferred by all financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior bonds).

61 Subsidiary companies

As at 31 December 2014, the companies under full consolidation method in the Group are presented as follows:

Subsidiary Company	Head of office	Share Capital	Activity	% Held
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI)	Praia	Euro 8 996 000	Banking	100,00%
Montepio Holding, S.G.P.S., S.A.	Porto	Euro 175 000 000	Holding company	100,00%
Montepio Investimento, S.A.	Porto	Euro 180 000 000	Banking	100,00%
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Porto	Euro 30 000 000	Finance lease	100,00%
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.	Porto	Euro 1 550 000	Investment fund management	100,00%
Montepio Recuperação de Crédito, ACE	Lisboa	-	Services	93,00%
Finibanco Angola, S.A.	Luanda	AOA 4 182 000 000	Banking	81,57%
Banco Terra, S.A.	Maputo	MZN 2 086 458 998	Banking	44,54%
Montepio Capital de Risco, S.C.R., S.A.	Lisboa	Euro 250 000	Venture capital fund management	100,00%

As at 31 December 2014, the companies accounted under the equity method are as follows:

Subsidiary Company	Head of office	Share Capital	Activity	% Held
Montepio Seguros, S.G.P.S., S.A.	Lisboa	Euro 137 750 000	Insurance	33,65%
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	Ilha de São Miguel	Euro 10 000 000	Tourism	20,00%
Iberpartners Cafés, S.G.P.S., S.A.	Lisboa	Euro 3 400 000	Holding company	29,41%
Montepio Gestão de Activos Imobiliários, ACE	Lisboa	Euro 2 449 707	Real estates holding company	28,50%

The presented percentage reflects the economic interest of the Group.

In addition, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidiary Company	Establishment year	Acquisition year	Head of office	% of controlling interest	Consolidation method
Pelican Mortgages No. 1 PLC	2002	2002	Dublin	100%	Full
Pelican Mortgages No. 2 PLC	2003	2003	Dublin	100%	Full
Finipredial - Fundo de Investimento Imobiliário Aberto	1997	2012	Lisboa	76,10%	Full
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2011	2011	Lisboa	100%	Full
Montepio Arrendamento II – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional II (FIIAH)	2013	2013	Lisboa	100%	Full
Montepio Arrendamento III – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2013	2013	Lisboa	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisboa	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisboa	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisboa	100%	Full

62 Subsidiaries acquisition

As at December 2014, the Group acquired 44.54% share's capital of Banco Terra, S.A. by Euro 14,210 thousands. The voting rights are also 44.54%.

The acquisition cost by the Group was fully paid in cash.Although Banco Terra is a commercial bank, specifically focused to the development of rural areas, the Bank has a diversified offer and is segmented as follows: (i) agricultural – business, (ii) Small and Medium Companies, (iii) Retail, and Microfinancial institutions.

The Group recognised goodwill in the amount of Euro 3,280 thousands with the acquisition of Banco Terra, S.A., as referred in note 32. Aditionally, the Group considered that the acquisition cost corresponds to the fair-value assets and liabilities acquired. This goodwill results mainly from the expected synergies arising from the Group's internationalization strategy.

Considering IFRS 10 principles, and the competences which were allocated to CEMG in the activity of Banco Terra, which configure the ability to manage the relevant activities, as well as the responsibilities of the Chief Executive Officer, which will be nominated by the Group, to influence the remaining areas, this investment was consolidated under the full consolidation method.

63 Subsequent events

After the balance sheet date and before the financial statements were authorized for issue, there were no relevant transactions and/or events that deserve relevance disclosure.

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CONSOLIDATED AUDITORS' REPORT

(This Report is a free translation to English from the Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report, on the consolidated financial information included in the Annual Report of the Executive Board of Directors and in the accompanying consolidated financial statements as at and for the year ended 31 December, 2014 of **Caixa Económica Montepio Geral Group** which comprise the consolidated balance sheet as at 31 December, 2014 (showing total assets of 22,473,474 thousand Euros and total equity attributable to the equity holders and participation fund of 1,388,084 thousand Euros, including a net loss attributable to the equity holders and participation fund of 186,953 thousand Euros), the consolidated statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended and the corresponding notes.

Responsibilities

2 The Executive Board of Directors is responsible for:

a) the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union that present fairly, the financial position of the group companies included in the consolidation, the consolidated results of its operations, the consolidated comprehensive income, the consolidated changes in equity and the consolidated cash flows;

b) the historical financial information, prepared in accordance with IFRS that is complete, true, current, clear, objective and lawful as required by the Portuguese Securities Market Code;

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant fact that may have influenced the activity of the companies included in the consolidation, their financial position or results.

3 Our responsibility is to verify the consolidated financial information included in the documents referred to above, namely as to whether it is complete, true, current, clear, objective and lawful as required by the Portuguese Securities Market Code, in order to issue a professional and independent report based on our audit.

Scope

4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Accordingly, our audit included:

- verification that the financial statements of the companies included in the consolidation have been properly audited and, in those significant cases in which they were not, verification, on a sample basis, of the information underlying the figures and disclosures contained therein, and an assessment of the estimates, based on judgments and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;

- verification of the consolidation procedures and of the application of the equity method;

- evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;

- assessment of the applicability of the going concern principle;

- assessment of the appropriateness of the overall presentation of the consolidated financial statements; and

- assessment of whether the consolidated financial information is complete, true, current, clear, objective and lawful.

5 Our audit also included the verification that the consolidated financial information included in the Executive Board of Directors report is consistent with the consolidated financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of article 451, of the Portuguese Companies Code ("Código das Sociedades Comerciais").

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Caixa Económica Montepio Geral Group**, as at 31 December, 2014, the consolidated results of its operations, the consolidated comprehensive income, the consolidated cash flows and the consolidated changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and the information contained therein is complete, true, current, clear, objective and lawful.

Report on Other Legal Requirements

8 It is also our opinion that the consolidated financial information included in the Executive Board of Directors report is consistent with the consolidated financial statements and that the Report on Corporate Governance includes the information required by article 245.º-A of the Portuguese Securities Market Code.

Lisbon, 13 April 2015

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n. 189)
represented by
Jean-éric Gaign (ROC n. 1013)

INDIVIDUAL BALANCE SHEET AS AT 31 DECEMBER 2014 AND 2013 (thousand euros)

	2014			2013
	Gross	**Impairment**	**Net**	**Net**
ASSETS				
Cash and deposits at central banks	203 338		203 338	242,372
Deposits at other credit institutions	54 868		54 868	84,578
Financial assets held for trading	83 553		83 553	62,531
Other financial assets at fair value through profit or loss	-		-	3,450
Financial assets available for sale	7 482 654	91 158	7 391 496	8,942,287
Loans and advances to credit institutions	781 233	245	780 988	291,644
Credit to customers	15 993 584	1 337 746	14 655 838	15,139,96
Investments held to maturity	17 333		17 333	17,227
Hedging derivatives	60		60	503
Non-current assets held for sale	909 549	130 045	779 504	663,231
Other tangible assets	191 503	154 579	36 924	44,316
Intangible assets	158 632	41 335	117 297	112,240
Investments in subsidiaries, associates and joint ventures	419 183		419 183	418,547
Current tax assets	-		-	10
Deferred tax assets	342 393		342 393	313,702
Other assets	238 174	3 086	235 088	130,329
TOTAL ASSETS	**26,876,057**	**1,758,194**	**25,117,863**	**26,466,93**
LIABILITIES				
Resources from central banks			2,496,886	3,427,354
Financial liabilities held for trading			85,300	62,242
Resources from other credit institutions			1,638,075	1,100,965
Resources from customers and other resources			13,609,144	13,620,18
Debt securities issued			1,936,472	2,166,018
Financial liabilities associated with transferred assets			3,075,080	3,444,852
Hedging derivatives			1,494	1,849
Provisions			129,446	115,911
Current tax liabilities			0	1,353
Other subordinated liabilities			388,118	386,378
Other liabilities			291,486	439,821
TOTAL LIABILITIES			**23,651,501**	**24,766,93**
EQUITY				
Institutional Capital			1,500,000	1,500,000
Participation Fund			200,000	200,000
Other equity instruments			8,273	8,273
Revaluation reserves			47,636	33,279
Other reserves and retained earnings			-132,241	220,967
Net income for the year			-157,306	-262,513
TOTAL EQUITY			**1,466,362**	**1,700,006**
TOTAL LIABILITIES AND EQUITY			**25,117,863**	**26,466,93**

THE CHARTERED ACCOUNTANT

Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

António Tomás Correia – Chairman

Jorge Humberto Cruz Barros Jesus Luís

Pedro Miguel de Almeida Alves Ribeiro

Fernando Paulo Pereira Magalhães

João Carlos Martins da Cunha Neves

INDIVIDUAL INCOME STATEMENT AS AT 31 DECEMBER 2014 AND 2013

(thousand euros)

	2014	2013
Interest and similar income	843,056	849,457
Interest and similar costs	548,784	643,346
NET INTEREST INCOME	**294,272**	**206,111**
Income from equity instruments	1,428	1,883
Income from services, fees and commissions	129,585	129,154
Expenses from services, fees and commissions	20,445	18,986
Gains arising from assets and liabilities at fair value through profit or loss	-1,364	-27,749
Gains arising from financial assets available for sale	349,418	47,871
Gains arising from currency revaluation	6,070	3,750
Gains arising from sale of other assets	84,056	35,437
Other operating income	12,030	-6,563
NET OPERATING REVENUES	**855,050**	**370,908**
Personnel Expenses	180,038	183,674
General administrative overheads	108,222	98,708
Amortization and Depreciation for the year	24,137	26,974
Provisions net of reversals and annulments	13,534	5,712
Adjustments for customer credit and receivables from other debtors (net of reversals and annulments)	620,073	308,077
Impairment of other financial assets net of reversals and recoveries	59,317	31,818
Impairment of other assets net of reversals and recoveries	41,629	62,407
PROFIT/(LOSS) BEFORE TAX	**-191,900**	**-346,462**
Taxes	**34,594**	**83,949**
PROFIT/(LOSS) AFTER TAX	**-157,306**	**-262,513**

THE CHARTERED ACCOUNTANT

Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

António Tomás Correia – Chairman

Jorge Humberto Cruz Barros Jesus Luís

Pedro Miguel de Almeida Alves Ribeiro

Fernando Paulo Pereira Magalhães

João Carlos Martins da Cunha Neves

Caixa Económica Montepio Geral

Individual Financial Statements

31 December 2014 and 2013

April 2015
This report contains 141 pages

FINANCIAL STATEMENTS

- NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

Caixa Económica Montepio Geral

Income Statement
for the years ended at 31 December, 2014 and 2013

(Thousands of Euro)

	Notes	2014	2013
Interest and similar income	3	843 056	849 457
Interest and similar expense	3	548 784	643 346
Net interest income		294 272	206 111
Dividends from equity instruments	4	1 428	1 883
Fee and comission income	5	129 585	129 154
Fee and comission expense	5	(20 445)	(18 986)
Net gains / (losses) arising from financial assets at fair value through profit or loss	6	(1 364)	(27 749)
Net gains/(losses) arising from available-for-sale financial assets	7	349 418	47 871
Net gains/ (losses) arising from foreign exchange differences	8	6 070	3 750
Net gains/ (losses) arising from sale of other financial assets	9	84 056	35 437
Other operating income	10	12 030	(6 563)
Total operating income		855 050	370 908
Staff costs	11	180 038	183 674
General and administrative expenses	12	108 222	98 708
Depreciation and amortisation	13	24 137	26 974
Total operating costs		312 397	309 356
Loans impairment	14	620 073	308 077
Other financial assets impairment	15	59 317	31 818
Other assets impairment	16	41 629	62 407
Other provisions	17	13 534	5 712
Operating profit / (loss)		(191 900)	(346 462)
Tax			
Current	31	11 433	1 353
Deferred	31	(46 027)	(85 302)
Profit / (loss) for the year		(157 306)	(262 513)

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Statement of Financial Position as at 31 December, 2014 and 2013

(Thousands of Euro)

	Notes	2014	2013
Assets			
Cash and deposits at central banks	18	203 338	242 372
Loans and advances to credit institutions repayable on demand	19	54 868	84 578
Other loans and advances to credit institutions	20	780 988	291 644
Loans and advances to customers	21	14 655 838	15 139 969
Financial assets held for trading	22	83 553	62 531
Other financial assets at fair value through profit and loss	23	-	3 450
Financial assets available for sale	24	7 391 496	8 942 287
Hedging derivatives	25	60	503
Held-to-maturity investments	26	17 333	17 227
Investments in associated companies and others	27	419 183	418 547
Non-current assets held for sale	28	779 504	663 231
Property and equipment	29	36 924	44 316
Intangible assets	30	117 297	112 240
Current tax assets		-	10
Deferred tax assets	31	342 393	313 702
Other assets	32	235 088	130 329
Total Assets		25 117 863	26 466 936
Liabilities			
Deposits from central banks	33	2 496 886	3 427 354
Deposits from other financial institutions	34	1 638 075	1 100 965
Deposits from customers	35	13 609 144	13 620 187
Debt securities issued	36	1 936 472	2 166 018
Financial liabilities relating to transferred assets	37	3 075 080	3 444 852
Financial liabilities held for trading	22	85 300	62 242
Hedging derivatives	25	1 494	1 849
Provisions	38	129 446	115 911
Current tax liabilities		12 026	1 353
Other subordinated debt	39	388 118	386 378
Other liabilities	40	279 460	439 821
Total Liabilities		23 651 501	24 766 930
Equity			
Institutional capital	41	1 500 000	1 500 000
Participation fund	42	200 000	200 000
Other equity instruments	43	8 273	8 273
Fair value reserves	45	47 636	33 279
Other reserves and retained earnings	44 and 45	(132 241)	220 967
Profit / (loss) for the year		(157 306)	(262 513)
Total Equity		1 466 362	1 700 006
		25 117 863	26 466 936

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Statement of Cash Flow
for the years ended at 31 December, 2014 and 2013

(Thousands of Euro)

	2014	2013
Cash flows arising from operating activities		
Interest income received	831 260	870 769
Commissions income received	133 511	127 868
Interest expense paid	(590 201)	(660 185)
Commissions expense paid	(19 667)	(18 149)
Payments to employees and suppliers	(258 547)	(299 611)
Recoveries on loans previously written off	8 857	5 492
Other payments and receivables	272 669	155 089
	377 882	181 273
(Increase) / decrease in operating assets		
Loans and advances to credit institutions and customers	(652 817)	(770 299)
Other assets	(609 841)	(63 686)
	(1 262 658)	(833 985)
(Increase) / decrease in operating liabilities		
Deposits from customers	9 321	991 012
Deposits from credit institutions	(2 858 028)	(1 783 980)
Deposits from central banks	2 475 990	3 395 000
	(372 717)	2 602 032
	(1 257 493)	1 949 320
Cash flows arising from investing activities		
Dividends received	1 428	1 883
(Acquisition) / sale of financial assets held for trading	(23 399)	57 515
(Acquisition) / sale of other financial assets at fair value through profit or loss	3 450	8 850
(Acquisition) / sale of available for sale financial assets	1 485 073	(2 272 457)
(Acquisition) / sale of hedging derivatives	160	(633)
(Acquisition) / sale of investments held to maturity	(106)	(6)
(Acquisition) / sale of shares in associated companies	(637)	(27 999)
Deposits owned with the purpose of monetary control	19 833	21 122
Proceeds from sale of fixed assets	-	230
Acquisition of fixed assets	-	(20 388)
	1 485 802	(2 231 883)
Cash flows arising from financing activities		
Dividends paid	-	(1 692)
Capital increase	-	405 000
Other instruments and capital	-	(6 727)
Proceeds from issuance of bonds and subordinated debt	480 853	1 633 550
Reimbursement of bonds and subordinated debt	(745 231)	(1 699 603)
Increase / (decrease) in other sundry liabilities	23 705	(4 850)
	(240 673)	325 678
Net changes in cash and equivalents	(12 364)	43 115
Cash and equivalents balance at the beginning of the year	239 491	196 376
Net changes in cash and equivalents	(12 364)	43 115
Cash and equivalents balance at the end of the year	227 127	239 491
Cash and equivalents balance at the end of the year includes:		
Cash (note 18)	172 259	154 913
Loans and advances to credit institutions repayable on demand (note 19)	54 868	84 578
Total	227 127	239 491

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Statement of Changes in Equity
for the years ended at 31 December, 2014 and 2013

(Thousand of Euro)

	Total Equity	Institutional Capital	Share Instruments	Other equity instruments	General and special reserves	Other reserves	Fair value reserves	Retained earnings
Balance on 1 January, 2013	**1 608 472**	**1 295 000**	**-**	**15 000**	**253 709**	**8 404**	**(4 783)**	**41 142**
Amortisation of the transition adjustment to pensions net of deferred taxes (Regulation no.12/01) (note 49)	(3 488)	-	-	-	-	-	-	(3 488)
Actuarial losses in the year (note 49)	(65 424)	-	-	-	-	-	-	(65 424)
Deferred taxes related to balance sheet changes accounted for reserves (note 31)	(2 519)	-	-	-	-	-	-	(2 519)
Changes in fair value (note 45)	42 042	-	-	-	-	-	42 042	-
Deferred taxes related to fair value changes (note 31)	(12 384)	-	-	-	-	-	(12 384)	-
Profit / (loss) for the year	(262 513)	-	-	-	-	-	-	(262 513)
Dividends paid	(1 692)	-	-	-	-	-	-	(1 692)
Increase in institutional capital (note 41)	205 000	205 000	-	-	-	-	-	-
Increases in capital by subscription of participation fund (note 42)	200 000	-	200 000	-	-	-	-	-
Costs related to the issue of perpetual subordinated instruments	(761)	-	-	-	-	-	-	(761)
Repurchase of perpetual subordinated instruments	(6 727)	-	-	(6 727)	-	-	-	-
Transfers of reserves:								
General Reserve	-	-	-	-	451	-	-	(451)
Special Reserve	-	-	-	-	113	-	-	(113)
Balance on 31 December, 2013	**1 700 006**	**1 500 000**	**200 000**	**8 273**	**254 273**	**8 404**	**24 875**	**(295 819)**
Amortisation of the transition adjustment to pensions net of deferred taxes (Regulation no.12/01) (note 49)	(1 900)	-	-	-	-	-	-	(1 900)
Actuarial losses for the year (note 49)	(81 648)	-	-	-	-	-	-	(81 648)
Deferred taxes related to balance sheet changes accounted for reserves (note 31)	(7 147)	-	-	-	-	-	-	(7 147)
Changes in fair value (note 45)	24 545	-	-	-	-	-	24 545	-
Deferred taxes related to fair value changes (note 31)	(10 188)	-	-	-	-	-	(10 188)	-
Profit / (loss) for the year	(157 306)	-	-	-	-	-	-	(157 306)
Balance on 31 December, 2014	**1 466 362**	**1 500 000**	**200 000**	**8 273**	**254 273**	**8 404**	**39 232**	**(543 820)**

Caixa Económica Montepio Geral

Statement of Comprehensive income
for the years ended at 31 December, 2014 and 2013

(Thousands of Euro)

	Notes	2014	2013
Items that may be reclassified into the Income Statement			
Fair value reserves			
Available-for-sale financial assets	45	24 545	42 042
Taxes	31 and 45	(10 188)	(12 384)
		14 357	29 658
Items that won't be reclassified into the Income Statement			
Actuarial losses for the year	49	(81 648)	(65 424)
Amortisation of the transition adjustment to pensions net of deferred assets (Regulation no. 12/01)	49	(1 900)	(3 488)
Deferred taxes	31	(7 147)	(2 519)
Costs related to the issue of perpetual subordinated instruments		-	(761)
		(90 695)	(72 192)
Profit / (loss) for the year		(157 306)	(262 513)
Total comprehensive income/(loss) for the year		(233 644)	(305 047)

Caixa Económica Montepio Geral

Notes to the Individual Financial Statements

31 ecember, 2014

1. Accounting policies

a) Basis of presentation

Caixa Económica Montepio Geral ("CEMG") is a credit institution held by Montepio Geral – Associação Mutualista, established on 24 March, 1844, and authorised to operate in accordance with Decree-Laws no. 298/92 of 31 December, and no. 136/79 of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. However, CEMG is authorised to carry out banking operations in addition to those mentioned in its by-laws, if previously authorised by Bank of Portugal. This fact conducts to the practice of banking operations in general.

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

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

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

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Counsel, of 19 July, 2002 and Regulation no. 1/2005 from the Bank of Portugal, CEMG's financial statements are required to be prepared in accordance with Adjusted Accounting Standards ("NCA's"), as established by Bank of Portugal. NCA's are composed by all the standards included in the International Financial Reporting Standards ("IFRS") as adopted for use in the European Union, with the exception of issues regulated in the Regulation no. 4/2005 of the Bank of Portugal. NCA's comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body with the exception of issues regulated in the Regulations no. 1/2005 and 4/2005of Bank of Portugal: i) valuation and provisioning of loans, for which the current system will be kept, ii) benefits to employees through the establishment of a deferral period for the accounting impact resulting from the transition to the criteria of IAS 19 and iii) restriction to the application of same options in the IAS / IFRS.

The financial statements presented herein were approved by the Executive Board of Directors of CEMG on 25 March, 2015. The financial statements are presented in Euro rounded to the nearest thousand.

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

CEMG financial statements for the year ended 31 December 2014 have been prepared accordance with the NCA's, established by the Bank of Portugal and in use in the period.

CEMG has adopted IFRS and interpretations mandatory for accounting periods beginning on, or after, 1 January 2014, as referred in note 53.

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

The financial statements are prepared under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss (trading and fair value option) and available for sale assets, except those for which a reliable measure of fair value is not available. Financial assets and financial liabilities that are hedged under hedge accounting are stated at fair value in respect of the risk that is being hedged, if applicable. Other financial assets and financial liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the defined benefit obligation net of the value of the fund.

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

As at 30 October, 2013, the CEMG's Executive Board of Directors was informed by the Bank of Portugal, about the decision to promote a special audit, to be performed by an external entity, in order to assess the practices implemented by CEMG regarding credit risk's management, namely the credit recovery/restructuring practices, arising from situations regarding the use of overdrafts, and suitability of the collaterals valuation processes.

Following this communication, in July 2014, the Bank of Portugal informed the CEMG's Executive Board of Directors that the audit referred above was going to start, with an estimate duration from 10 to 12 weeks. Additionally, CEMG was informed that the analysis for the scope of the work described above would comprise the period from January 2009 to December 2012.

At the date of the approval of the financial statements by the CEMG's Executive Board of Directors, all guidance, recommendations and determinations transmitted by the Bank of Portugal were properly reflected and included on the preparation of the financial statements for the year ended at 31 December, 2014.

b) Loans and advances to customers

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

The derecognition of these assets occurs in the following situations: (i) the contractual rights of CEMG have expired; or (ii) CEMG transferred substantially all the associated risks and rewards.

Loans and advances to customers are initially recognised at fair value plus any directly attributable transaction costs and fees and are subsequently measured at amortised cost using the effective interest method, less impairment losses.

Impairment

As referred in the accounting policy described in note 1 a), CEMG has prepared its financial statements in accordance with NCA's therefore, in accordance with no. 2 and 3 of Regulation no. 1/2005 from the Bank of Portugal, CEMG adopted the same requirements for measurement and provision of loans and advances to customers used in the previous years, described as follows:

Specific provision for loan losses

The specific provision for loan losses is based on the appraisal of overdue loans including the related non overdue amounts and loans subject to restructuring, to cover specific credit risks. This provision is shown as a deduction against loans and advances to customers. The adequacy of this provision is reviewed regularly by CEMG, taking into consideration the existence of asset-backed guarantees, the overdue period and the current financial situation of the client.

The provision calculated under these terms, complies with the requirements established by Bank of Portugal, in accordance with Regulations no. 3/95, of 30 June, no. 7/00, of 27 October and no. 8/03, of 30 January.

General provision for loan losses

This provision is established to cover bad and doubtful debts which are present in any loan portfolio, including guarantees or signature credits, but which have not been specifically identified as such. This provision is recorded under provision for liabilities and charges.

The general provision for loan losses is in accordance with Regulation no. 3/95, of 30 June, Regulation no. 2/99, of 15 January and Regulation no. 8/03, of 30 January of the Bank of Portugal.

Provision for country risk

The provision for country risk is in accordance with Regulation no. 3/95, of 30 June from the Bank of Portugal, and is based on the Instruction no. 94/96, of 17 June, of Bank of Portugal, including the adoption of changes made to paragraph 2.4 of the referred Instruction published in October 1998.

Write-off of loans

In accordance with "Carta-Circular" no. 15/2009 of the Bank of Portugal, loans and advances to customers are charged-off when there is no realistic expectation, from an economic perspective, of recovering the loan amount. For collateralised loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals for the part of the loans which is collateralised is effectively received and, according to Regulation no. 3/95 of the Bank of Portugal, the class of delay associated with the failure determines an allowance of 100%, by using impairment losses.

c) Financial instruments

(i) Classification, initial recognition and subsequent measurement

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

1a) Financial assets held for trading

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

The interest from debt instruments are recognised as interest margin.

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

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

CEMG has adopted the Fair Value Option for certain issued owned issuances. The CEMG's credit risk related with financial liabilities accounted under the Fair Value Option are disclosed in "Net gains / (losses) arising from trading and hedging activities".

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

- the assets and liabilities are managed, evaluated and reported internally at its fair value;

- the designation eliminates or significantly reduces the accounting mismatch of the transactions; or

- the assets and liabilities include derivatives that significantly change the cash-flows of the original contracts (host contracts).

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

2) Financial assets available for sale

Financial assets available for sale held with the purpose of being maintained by CEMG, namely bonds, treasury bills or shares, are classified as available for sale, except if they are classified in another category of financial assets. The financial assets available for sale are initially accounted at fair value, including all expenses or income associated with the transactions are subsequently measured at fair value. The changes in fair value are accounted for against fair value reserves until they are sold or an impairment loss exists. In the sale of the financial assets available for sale, the accumulated gains or losses recognised as fair value reserves are recognised under Net gains / (losses) arising from available for sale financial assets. Interest income from debt instruments is recognised in Net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends are recognised in the income statement when the right to receive the dividends is attributed.

3) Investments held-to-maturity

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

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

4) Loans and receivables - Loans represented by securities

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

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

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

5) Other financial liabilities

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

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

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

(ii) Impairment

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

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

(iii) Embedded derivatives

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

d) Derivatives hedge accounting

(i) Hedge accounting

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

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

- at the inception of the hedge there is formal documentation of the hedge;

- the hedge is expected to be highly effective;

- the effectiveness of the hedge can be reliably measured;

- the hedge is valuable in a continuous basis and highly effective throughout the reporting period; and

- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

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

(ii) Fair value hedge

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

(iii) Cash flow hedge

In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity - cash flow hedge reserves. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis.

Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

- Deferred over the residual period of the hedged instrument; or

- Recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

(iv) Hedge effectiveness

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

(v) Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in the income statement. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are included in the income statement on the disposal of the foreign operation as part of the gain or loss from the disposal.

e) Reclassifications between financial instruments categories

In October 2008, the IASB issued a change to IAS 39 – Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures). This change allowed an entity to transfer Financial assets from Financial assets at fair value through profit and loss – trading to Financial assets available for sale, to Loans and Receivables - Loans represented by securities or to Investments held-to-maturity, as long as the requirements described in the Standard are met, namely:

- if a financial asset, at the date of reclassification presents characteristics of a debt instrument for which there is no active market; or

- when there is some event that is uncommon and highly unlikely to occur again in the short term, that is, the event can be classified as a rare circumstance.

CEMG adopted this possibility for a group of financial assets.

Transfers of financial assets recognised in the category of Financial assets available-for-sale to Loans and receivables - Loans represented by securities and to Investments held-to-maturity are allowed, in determined and specific circumstances.

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

f) Derecognition

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

CEMG derecognizes financial liabilities when these are discharged, cancelled or extinguished.

g) Equity instruments

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

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

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

h) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

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

(ii) Repurchase agreements

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

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

i) Investments in subsidiaries and associates

Investments in subsidiaries and associated are accounted for in CEMG's individual financial statements at its historical cost less any impairment losses.

Impairment

The recoverable amount of the goodwill in subsidiaries is assessed annually, regardless the existence of any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associated and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period. The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

j) Non-current assets held for sale and discontinued operations

Non-current assets, groups of non-current assets held for sale (groups of assets together and related liabilities that include at least a non current asset) and discontinued operations are classified as held for sale when there is an intention to sell the referred assets and liabilities and when the referred assets are available for immediate sale and its sale is highly probable.

CEMG also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short term, are consolidated until the disposal.

CEMG also classifies as non-current assets held for sale, the investments arising from recovered loans that are measured initially by the lower of its fair value net of selling costs and the loan's carrying amount on the date that the recovery occurs or the judicial decision is formalised.

The fair value is determined based on the expected selling price estimated through periodic valuations performed by CEMG.

The subsequent accounting of these assets is determined based on the lower of the carrying amount and the corresponding fair value less costs to sell. In case of unrealised losses, these should be recognised as impairment losses against results.

k) Finance lease transactions

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

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

l) Interest income and expense

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

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

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

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

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

- Interest income for overdue loans with collaterals is accounted for as income up to the limit of the valuation of the collateral valued on a prudent basis. This income is registered against results in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and

- The interests accrued and not paid for overdue loans for more than 90 days that are not covered by collaterals are written-off and are recognised only when they are received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Results of trading and hedging operations. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities recognised in the Fair Value Option category, the interest component of the changes in their fair value is recognised under interest income or expense (Net interest income).

m) Fee and commission income

Fees and commissions are recognised according to the following criteria:

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

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

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

n) Financial results (Results arising from available for sale financial assets and from assets and liabilities at fair value through profit and loss)

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

o) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in CEMG financial statements. Fees and commissions arising from this activity are recognised in the income statement in the year to which they relate.

p) Property and equipment

Property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for CEMG. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

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

	Number of years
Premises	50
Expenditure on freehold and leasehold buildings	10
Other fixed assets	4 to 10

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount.

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

The impairment losses of the fixed tangible assets are recognised in profit and loss.

q) Intangible Assets

Software

CEMG accounts as intangible assets the costs associated to software acquired from external entities and depreciates them on a straight line basis by an estimated lifetime of three or six years. CEMG does not capitalise internal costs arising from software development.

Other intangible assets

The recoverable amount of intangible assets without finite useful life as an asset is reviewed annually, regardless of the existence of signs of impairment. Any impairment losses are recognised in certain income statement.

r) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months maturity from the balance sheet date, including cash and deposits with banks.

Cash and cash equivalents exclude restricted balances with Central Banks.

s) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when CEMG has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

t) Foreign currency transactions

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

u) Employee benefits

Pensions

Arising from the signing of the "Acordo Colectivo de Trabalho" (ACT) and subsequent amendments resulting from the 3 tripartite agreements as described in Note 49, CEMG sets up pension funds and other mechanisms to cover the liabilities with pensions on retirement and disability, widows' pension, health-care benefits and death subsidy.

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

The pension plans of CEMG are classified as defined benefit plans, since the criteria to determine the pension benefit to be received by employees on retirement are predefined and usually depend on factors such as age, years of service and level of salary.

The liability with pensions is calculated annually by CEMG, as at 31 December for each plan individually, using the projected unit credit method, and is reviewed annually by qualified independent actuaries. The discount rate used in this calculation is determined based on market rates of emissions associated with high quality corporate bonds, denominated in the currency in which benefits will be paid and with a similar maturity to the date of termination of the plan.

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

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

CEMG recognises in its income statement a net total amount that comprises (i) the current service cost, (ii) the income / cost net of interest with the pension plan, (iii) the effect of early retirement, (iv) past service costs and (v) the effects of any settlement or curtailment occurred during the period. The net income / cost with the pension plan is recognised as interest and similar income or interest expense and similar costs depending on their nature. The costs of early retirements correspond to the increase in liabilities due to the employee's retirement before reaching the age of 65.

CEMG makes payments to the fund in order to maintain its solvency and to comply with the following minimum levels: (i) the liability with pensioners shall be totally funded at the end of each year, and (ii) the liability related to past services cost with employees in service shall be funded at a minimum level of 95%.

Annually, CEMG assesses for each plan separately, the recoverability of any recognised asset in relation to the defined benefit pension plans, based on the expectation of reductions in future contributions to the funds.

Health care benefits

CEMG provides to its banking employees health care benefits through a specific Social-Medical Assistance Service. This Social-Medical Assistance Service (SAMS) is an autonomous entity which is managed by the respective Union.

SAMS provides to its beneficiaries services and/or contributions on medical assistance expenses, diagnostics, medicines, hospital confinement and surgical operations, in accordance with its financing availability and internal regulations.

The annual contribution of CEMG to SAMS amounts to 6.50% of the total annual remuneration of employees, including, among others, the holiday and Christmas subsidy.

The measurement and recognition of CEMG's liability with post-retirement healthcare benefits is similar to the measurement and recognition of the pension liability described above. These benefits are covered by the Pension Fund which at present covers all responsibilities with pensions and health care benefits.

Long-term service benefits

In accordance with the ACT "Acordo Colectivo de Trabalho" for the banking sector, CEMG has assumed the commitment to pay to current employees that achieve 15, 25 and 30 years of service within CEMG, long-term service premiums corresponding, respectively, to 1, 2 and 3 months of their effective monthly remuneration earned at the date the premiums are paid.

At the date of early retirement or disability, employees have the right to a premium proportional to what they would earn if they remained in service until the next payment date.

These long-term service benefits are accounted for by CEMG in accordance with IAS 19 as other long-term employee benefits.

The liability with long-term service benefits is calculated annually, at the balance sheet date, by CEMG using the projected unit credit method. The actuarial assumptions used are based on the expectations about future salary increases and mortality tables. The discount rate used in this calculation was determined based on the same methodology described for pensions.

In each period the increase in the liability for long-term service premiums, including actuarial gains and losses and past service costs is charged to the income statement.

Bonus to employees and to the Executive Board of Directors

In accordance with IAS 19 Employee benefits, the bonus payment to employees and to the Executive Board of Directors is recognised in the income statement in the period to which they relate.

v) Income taxes

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

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

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

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

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

w) Segmental reporting

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

Taking into consideration that the individual financial statements are present with the Group's consolidated financial statements, in accordance with the paragraph 4 of IFRS 8, CEMG is dismissed to present individual information regarding Segmental Reporting.

x) Provisions

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

The provision measurement is according with the principles defined in IAS 37 in respect of the best estimate of expected cost, the more likely result for the ongoing processes, considering the risk and uncertainties related to the process. On the cases that the discount effect is material, provisions corresponds to actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

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

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

y) Insurance and reinsurance brokerage services

CEMG is duly authorized by the Portuguese Insurance Institute (Instituto de Seguros de Portugal) to provide insurance brokerage services, in the Insurance Brokerage Services area, in accordance with the article 8, paragraph a), subparagraph i) of Decree-Law 144/2006 of July 31, operating in the life and non life insurance brokerage areas.

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

Commission received for insurance brokerage services refers to:

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

- Commission for participation in the results of insurance, which are calculated annually and paid by the insurer in the beginning of the year following that to which they refer (up to January 31).

Commission received for insurance brokerage services are recognised in an accruals basis. Fees paid in a different period from that to which it relates are recorded as a receivable in the caption "Other assets" by corresponding entry to "Revenues from Services and Commissions - for insurance brokerage services".

CEMG does not collect insurance premiums on behalf of Insurers, nor receives or pays funds relating to insurance contracts. Thus, there are no other assets, liabilities, income or expenses to be recognised relating to the insurance brokerage services rendered by CEMG, other than those already disclosed.

z) Accounting estimates and judgments in applying accounting policies

IFRS set forth a range of accounting treatments and require the Executive Board of Directors and management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects CEMG reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by management, CEMG reported results would differ if a different treatment was chosen. Management believes that the choices made are appropriate and that the financial statements present CEMG's financial position and results fairly in all material aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairment of available for-sale financial assets

CEMG determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decrease in the fair value below its acquisition cost. This determination of what is significant or prolonged requires judgment. In making this judgment, CEMG evaluates among other factors, the volatility in the prices of the financial assets. According to CEMG's policies, 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1 year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the income statement of CEMG.

Impairment losses on loans and advances to customers

CEMG reviews its loan portfolios to assess impairment losses on a regularly basis, as described in the accounting policy described in note b).

The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgments. The probability of default, risk ratings, value of associated collaterals recovery rates and the estimation of both the amount and timing of future cash flows, among other things, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the income statement of CEMG.

Fair value of derivatives

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their values.

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

Held-to-maturity investments

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

In making this judgment, CEMG evaluates its intention and ability to hold such fixed assets to maturity. If CEMG fails to keep these fixed assets to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity — it will be required to reclassify the entire class as available-for-sale. The fixed assets would therefore be measured at fair value instead of amortised cost.

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

Impairment for investments in subsidiary and associated companies

CEMG assesses annually the recoverable amount of investments in subsidiaries and associates, regardless the existence of any impairment triggers. Impairment losses are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associated and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period.

The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks, that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the income statement of CEMG.

Securitizations and special purpose entities (SPE)

CEMG sponsors the formation of SPE's primarily for asset securitization transactions for liquidity purposes and/or capital management.

Therefore, the securitization operations Pelican Mortgages No. 3, Pelican Mortgages No. 4, Pelican Mortgages No. 5, Pelican Mortgages No. 6, Aqua Mortgages No. 1 and Pelican Finance No.1 were not derecognised in CEMG financial statements.

CEMG derecognised the following SPE's which also resulted from operations of securitization: Pelican Mortgages No. 1 e 2. For these SPE's, CEMG concluded that the main risks and the benefits were transferred, as CEMG does not hold detain any security issued by the SPE's, that are exposed to the majority of the residual risks, neither is exposed to the performance of the credit portfolios.

Income taxes

Significant interpretations and estimates are required in determining the worldwide amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

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

The Portuguese Tax Authorities are entitled to review CEMG determination of its annual taxable earnings, for a period of four years or six years in case there are tax losses brought forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law which for its probability, the Executive Board of Directors considers that there is no relevant material effect at the level of the Financial Statements.

Pension and other employees benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, liquid rates, and other factors that could impact the cost and liability of the pension plan.

Changes in these assumptions could materially affect these values.

Intangible assets without useful life defined impairment

The recoverable amount of CEMG's intangible assets without useful life is revised annually regardless the existence of impairment losses.

For this purpose, the carrying amount of the business units of CEMG for which assets without useful life defined has been recognised is compared with the respective recoverable amount. Assets without useful life defined impairment loss are recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

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

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

IFRS requires separate a disclosure of net interest income and net gains arising from financial assets and financial liabilities at fair value through profit or loss and available-for-sale financial assets activities, as presented in notes 3, 6 and 7. A particular business activity can generate impact in net interest income and net gains arising from trading, hedging and available-for-sale activities. This required disclosure, however, does not take into account that net gains arising from assets and liabilities at fair value through profit or loss, available-for-sale financial assets and interest and similar income activities are generated by a range of different business activities. In many cases, a particular business activity can generate both net interest and trading income.

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Net interest income	294 272	206 111
Net gains arising from assets and liabilities at fair value through profit and loss	(1 364)	(27 749)
Net gains arising from available-for-sale financial assets	349 418	47 871
	642 326	226 233

3 Net interest income

The amount of this account is comprised of:

	(Thousands of Euro)	
	2014	**2013**
Interest and similar income:		
Interest from loans to customers	564 936	542 461
Interest from deposits and other investments	1 189	1 216
Interest from available-for-sale finacial assets	149 782	163 283
Interest from held for trading financial assets	109 913	115 720
Interest from financial assets at fair value through profit and loss	50	166
Interest from held-to-maturity financial assets	772	695
Interest from hedging derivatives	606	833
Other interest and similar income	15 808	25 083
	843 056	849 457
Interest and similar expense:		
Interest from deposits of customers	277 235	307 816
Interest from loans of Central Banks and other financial institutions	38 188	51 325
Interest from securities issued	86 559	105 277
Interest from subordinated liabilities	5 921	6 306
Interest from financial liabilities associated with transfered assets	32 952	62 439
Interest from held for trading financial liabilities	105 363	107 169
Interest from hedging derivatives	1 183	1 284
Other interest and similar expense	1 383	1 730
	548 784	643 346
Net interest income	294 272	206 111

The balances Interest from loans and advances to customers and Other interest and similar expenses include, at 2014, the amount of Euro 22,732 and 1,383 thousands, respectively (2013: Euro 22,198 and 1,729 thousands) related to commissions and other gains / losses which are accounted for under the effective interest rate method, as referred in the accounting policy, note 1 l).

The balance Interest and similar expense – Interest from deposits of customers includes, the negative amount of Euro 5,346 thousands (2013: negative Euro 5,730 thousands), related to accounting the interest on term deposits with increasing interest rates.

4 Dividends from equity instruments

The amount of this account is comprised of:

	(Thousands of Euro)	
	2014	**2013**
Dividends from available for sale financial assets	610	534
Dividends from associated companies	818	1 349
	1 428	1 883

The balance Dividends from available for sale financial assets include dividends and income from investment fund units received during the year.

As at 31 December 2014, the balance Dividends from associated companies corresponds to dividends paid by Banco Montepio Geral, Cabo Verde, Unipessoal, S.A.. Additionally, as at 31 December 2013, the balance included the amount of Euro 945 thousands and Euro 404 thousands related to the dividends paid by Lusitania Vida, Companhia de Seguros, S.A. and Banco Montepio Geral, Cabo Verde, Unipessoal, S.A., respectively.

5 Net fee and commissions income

The amount of this account is comprised of:

	(Thousands of Euro)	
	2014	**2013**
Fee and commission income:		
From banking services	88 702	91 560
From transactions order by third parties	21 518	20 612
From insurance activity	11 731	8 373
From commitments to third parties	7 061	7 872
Other fee and commission income	573	737
	129 585	129 154
Fee and commission expenses:		
From banking services rendered by third parties	16 024	16 989
From transactions with securities	584	575
Other fee and commission expense	3 837	1 422
	20 445	18 986
Net fee and commission income	109 140	110 168

As at 31 December 2014 and 2013, commissions received on insurance brokerage services are presented as follows:

(Thousands of Euro)

	2014	2013
Life insurance:		
Mortgage	1 731	1 754
Consumer	1 266	808
Other	5 492	2 699
	8 489	5 261
Non-life insurance:		
Mortgage	1 924	2 070
Consumer	139	111
Other	1 179	931
	3 242	3 112
	11 731	8 373

6 Net gains/ (losses) arising from financial assets at fair value through profit or loss

The amount of this account is comprised of:

(Thousands of Euro)

	2014			2013		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed income securities						
Issued by public entities	1 819	(1 333)	486	65	-	65
Issued by other entities	242	(166)	76	130	(94)	36
Shares	28 891	(29 187)	(296)	7 883	(6 180)	1 703
Investment units	5 622	(5 505)	117	887	(932)	(45)
	36 574	(36 191)	383	8 965	(7 206)	1 759
Derivative financial instruments						
Exchange rate contracts	74 643	(73 206)	1 437	100 903	(100 793)	110
Interest rate contracts	231 660	(231 540)	120	416 380	(424 915)	(8 535)
Credit default contracts (CDS)	253	(224)	29	656	(311)	345
Futures contracts	3 381	(5 322)	(1 941)	10 673	(10 043)	630
Options contracts	13 546	(13 556)	(10)	15 254	(15 377)	(123)
Others	34 400	(34 299)	101	485	(462)	23
	357 883	(358 147)	(264)	544 351	(551 901)	(7 550)
Loans and other receivables						
Loans to customers	401	(337)	64	629	(1 316)	(687)
Others	-	(47)	(47)	-	(209)	(209)
	401	(384)	17	629	(1 525)	(896)
Other financial assets at fair value through profit or loss						
Bonds and other fixed income securities issued						
Other entities	1 216	(275)	941	1 237	(150)	1 087
	1 216	(275)	941	1 237	(150)	1 087
Hedging derivatives						
Interest rate contracts	2 684	(2 603)	81	8 828	(8 195)	633
	2 684	(2 603)	81	8 828	(8 195)	633
Financial liabilities						
Deposits from other credit institutions	281	(2 342)	(2 061)	1 323	(9 610)	(8 287)
Deposits from customers	5 872	(529)	5 343	10 991	(823)	10 168
Debt securities issued	1 265	(5 413)	(4 148)	3 093	(27 116)	(24 023)
Other subordinated liabilities	-	(1 656)	(1 656)	1 300	(1 940)	(640)
	7 418	(9 940)	(2 522)	16 707	(39 489)	(22 782)
	406 176	(407 540)	(1 364)	580 717	(608 466)	(27 749)

The balance Financial liabilities, includes fair value changes related with changes in the own credit risk (spread) of operations, in accordance with notes 34, 35, 36 and 39.

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

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

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

The amount of this account is comprised of:

(Thousands of Euro)

	2014			2013		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Fixed income securities						
Bonds						
Issued by public entities	339 613	(805)	338 808	44 390	(952)	43 438
Issued by other entities	1 975	(1 598)	377	8 577	(3 199)	5 378
Commercial paper	1	-	1	97	(78)	19
Shares	1 413	(352)	1 061	1 177	(621)	556
Other variable income securities	12 464	(3 293)	9 171	5 965	(7 485)	(1 520)
	355 466	(6 048)	349 418	60 206	(12 335)	47 871

The balance Fixed income securities – Bonds – Issued by other public entities includes the amount of Euro 338,911 thousands (2013: Euro 43,437 thousands) related with capital gains/losses generated with the sale of treasury bonds of Portuguese Domestic debt.

As at 31 December 2013, the balance Shares includes the amount of Euro 146 thousands related to the sale of shares of Futuro – Sociedade Gestora de Fundos de Pensões, S.A. to Montepio Seguros, S.G.P.S., S.A., as described in note 27.

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

The amount of this account is comprised of:

(Thousands of Euro)

	2014			2013		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Foreign exchange differences	53 688	47 618	6 070	29 832	26 082	3 750

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

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

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Sale of loans and advances to customers	95 432	10 610
Sale of other assets	97	(509)
Sale of investments in associates	-	25 439
Sale of real estate properties	(11 473)	(103)
	84 056	35 437

As at 31 December 2014, the balance Sale of loans and advances to customers includes the gain on the sale of loans to customers which were in default. The global amount of loans sold amounted to Euro 398,100 thousands, as described in note 21.

Additionally, as at 31 December 2013, the balance Sale of loans and advances to customers includes the gain on the sale of loans to customers which were recorded off balance sheet. The total amount of loans sold amounted to Euro 157,013 thousands, as described in note 21.

As at 31 December 2013, the caption Sale of investments in associates refers to the disposal of Lusitânia, Companhia de Seguros, S.A. and Lusitânia Vida, Companhia de Seguros, S.A., as described in note 27.

The balance Sale of properties is related to the net gains/(losses) from non-current assets held for sale.

10 Other operating income

The amount of this account is comprised of:

	(Thousands of Euro)	
	2014	**2013**
Other operating income:		
Staff transfer	17 038	10 692
Profits arising from deposits on demand management	8 667	13 279
Income from services	6 567	6 085
Reimbursement of expenses	1 816	1 651
Repurchase of own securities	980	2 356
Other	10 078	1 975
	45 146	36 038
Other operating expense:		
Indirect taxes	8 615	11 953
Expenses with trading real estate	8 148	8 267
Deposit Guarantee Fund	3 093	3 194
Specific contribution for the Resolution Fund	1 803	2 255
Donations and membership	837	503
Other	10 620	16 429
	33 116	42 601
Other net operating income	12 030	(6 563)

As at 31 December 2014, the balance Other operating income – Staff transfer refers to the staff transfer carried out by CEMG to Montepio Geral Associação Mutualista and other subsidiaries.

As at 31 December 2014 and 2013, the balance Repurchase of own securities is calculated in accordance with accounting policy described in note 1 c) and refer to the re-acquisition of Euro Medium Term Notes.

The caption Specific contribution for the banking Sector is estimated according to the terms of the Decree-Law 55-A/2010. The determination of the amount payable focuses on: (i) the annual average liability developed in balance deducted from core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund; and (ii) the notional amount of derivative financial instruments. As at 31 December 2014, CEMG recognised as expense for the year the amount of Euro 7,579 thousands (2013: Euro 5,109 thousands), included in the balance Other operating expenses – Indirect Taxes.

Additionally, as at 31 December 2014, the balance Other operating expenses – Indirect taxes includes the amount of Euro 577 thousands (2013: Euro 5,294 thousands), regarding the payment of Municipal Tax on Property ('IMT').

11 Staff costs

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Remunerations	129 879	132 546
Mandatory social security charges	35 606	36 572
Charges with the pensions fund	8 410	4 401
Other staff costs	6 143	10 155
	180 038	183 674

As at 31 December 2014, the caption Charges with the pensions fund includes the amount of Euro 1,076 thousands (2013: Euro 690 thousands) related to the impact of early retirements.

According with IAS 19, it is a negative past service cost that occurs when there are changes in the benefit plan, which constitutes a reduction on the responsibilities' actual value of provided services. In this extent, and according to note 49, CEMG recorded the related impact on the income statement.

The costs with salaries and other benefits attributed to CEMG key management personnel in 2014 are presented as follows:

(Thousands of Euro

	Executive Board of Director's	Other key management personnel	Total
Salaries and other short-term benefits	763	4 692	5 455
Pension costs and health-care benefits (SAMS)	10	160	170
Bonus	-	-	-
Total	773	4 852	5 625

The costs with salaries and other benefits attributed to CEMG key management personnel in 2013 are presented as follows:

(Thousands of Euro)

	Executive Board of Director's	Other key management personnel	Total
Salaries and other short-term benefits	612	4 580	5 192
Pension costs and health-care benefits (SAMS)	8	169	177
Bonus	-	97	97
Total	620	4 846	5 466

It is our understanding that the Other key management personnel are the top directors of CEMG.

As at 31 December 2014 and 2013, loans granted by CEMG to its key management personnel, amounted to Euro 4,608 thousands and Euro 4,839 thousands, respectively.

The average number of employees by professional category at service in CEMG during 2014 and 2013 is analysed as follows:

	2014	2013
Management	223	216
Managerial staff	721	735
Technical staff	1 126	1 091
Specific categories	143	146
Administrative staff	1 632	1 658
Staff	58	61
	3 903	3 907

12 General and administrative expenses

The amount of this account is comprised of:

	2014	2013
		(Thousands of Euro)
Rental costs	27 833	28 243
Specialised services:		
IT services	9 331	9 066
Independent work	4 816	4 413
Other specialised services	17 623	16 166
Communication costs	9 024	9 207
Advertising costs	7 111	4 279
Water, energy and fuel	4 998	5 676
Maintenance and related services	4 791	4 598
Transportation	3 037	3 127
Insurance	2 194	2 433
Consumables	1 636	1 877
Travel, hotel and representation costs	1 428	1 460
Training costs	288	242
Other supplies and services	14 112	7 921
	108 222	98 708

The balance Rental costs, includes the amount of Euro 24,836 thousands (2013: Euro 24,985 thousands) related to rents paid regarding buildings used by CEMG as lessee.

13 Depreciation and amortisation

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Intangible assets:		
Software	12 875	13 057
Other tangible assets:		
Land and buildings	2 971	3 225
Equipment:		
Computer equipment	4 887	6 537
Interior installations	1 550	1 670
Furniture	856	969
Security equipment	527	818
Motor vechicles	77	83
Office equipment	72	96
Operacional lease - Renting	212	380
Other tangible assets	110	139
	11 262	13 917
	24 137	26 974

14 Loans impairment

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Other loans and advances to credit instituitions:		
Charge for the year	197	1 625
Write-back for the year	(762)	(840)
	(565)	785
Loans and advances to customers:		
Charge for the year net of reversals	629 495	312 784
Recovery of loans and interest charged-off	(8 857)	(5 492)
	620 638	307 292
	620 073	308 077

In accordance with the accounting policy presented in note 1 a), CEMG applies in its individual financial statements the NCA's, and therefore the balance Loans impairment accounts for the estimate of the incurred losses at the end of the year in accordance with the provision law defined by the rules of the Bank of Portugal, as described in the accounting policy presented in note 1 b).

15 Other financial assets impairment

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Impairment for available for sale financial assets		
Charge for the year	76 069	66 676
Write-back for the year	(16 752)	(34 858)
	59 317	31 818

As at 31 December 2014, the caption impairment for available for sale financial assets – charge for the year includes the amount of Euro 219 thousands (2013: Euro 6,153 thousands) that corresponds to the impairment recognised for investments units in a Fund specialized in the recovery of loans, acquired under the sale of loans and advances to customers, as referred in notes 21, 24 and 55.

As at 31 December 2014, this caption includes the amount of Euro 419 thousands (2013: reversal of Euro 2,842 thousands) that corresponds to the impairment recognised for sovereign debt of Greece, as referred in notes 24 and 54.

16 Other assets impairment

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Impairment for non-current assets held for sale:		
Charge for the year	60 353	70 365
Write-back for the year	(18 724)	(7 958)
	41 629	62 407

17 Other provisions

The amount of this account is comprised of:

(Thousands of Euro)

	2014	2013
Provision for general credit risks		
Charge for the year	115 291	79 411
Write-back for the year	(112 989)	(75 081)
	2 302	4 330
Provision for other liabilities and charges:		
Charge for the year	12 615	1 382
Write-back for the year	(1 383)	-
	11 232	1 382
	13 534	5 712

18 Cash and deposits at central banks

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Cash	172 259	154 913
Central bank	31 079	87 459
	203 338	242 372

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

At as December 2014, these deposits at the Bank of Portugal presented an average interest rate of 0.05% (2013: 0.25%).

19 Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Credit institutions abroad	16 074	49 370
Credit institutions in Portugal	284	639
Amounts due for collection	38 510	34 569
	54 868	84 578

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

20 Other loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Loans and advances to credit institutions in Portugal:		
Loans	97 051	44 500
Short term deposits	96 473	14 865
Deposits	1 076	1 135
Other loans and advances	210 126	4 002
	404 726	64 502
Loans and advances to credit institutions abroad:		
Short term deposits	220 052	100 000
Deposits	19 653	9 991
Buy back operations	1 762	-
Other loans and advances	135 040	117 961
	376 507	227 952
	781 233	292 454
Impairment for loans and advances to credit institutions	(245)	(810)
	780 988	291 644

The main loans and advances to credit institutions in Portugal, as at 31 December 2014, bear interest at an average annual interest rate of 0.08% (2013: 0.35%).

Loans and advances to banks abroad bear interest at international market rates where CEMG operates.

In operations of financial derivative instruments with institutional counterparties, and as defined in the respective contracts, CEMG holds an amount of Euro 103,263 thousands (2013: Euro 113,870 thousands) related to deposits in credit institutions given as collateral for the referred operations.

The balance Other loans and advances to credit institutions, by maturity, is analysed as follows:

(Thousands of Euro)

	2014	2013
Due within 3 months	702 306	278 599
3 to 6 months	53 375	-
6 months to 1 year	42	-
1 to 5 years	14 721	2 000
Over 5 years	9 737	11 747
Undetermined	1 052	108
	781 233	292 454

The changes in impairment for loans and advances to credit institutions, in the year, are analysed as follows:

(Thousands of Euro)

	2014	2013
Balance on 1 January	810	25
Charge for the year	197	1 625
Write-back for the year	(762)	(840)
Balance on 31 December	245	810

21 Loans and advances to customers

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Domestic loans:		
Corporate:		
Loans	2 635 164	2 420 499
Commercial lines of credits	1 238 665	1 289 179
Loans represented by securities	760 372	752 306
Finance leases	314 838	233 648
Discounted bills	112 198	112 778
Factoring	87 998	76 554
Overdrafts	68 825	58 616
Other loans	1 116 775	1 240 843
Retail		
Mortgage Loans	7 576 392	8 070 984
Finance Leases	28 956	28 644
Consumer and other loans	972 370	952 516
	14 912 553	15 236 567
Foreign loans:		
Corporate:		
Overdrafts	731	415
	14 913 284	15 236 982
Correction value of assets subject to hedge operations	1 852	1 788
Overdue loans and interest		
Less than 90 days	130 770	114 830
More than 90 days	947 678	829 872
	1 078 448	944 702
	15 993 584	16 183 472
Impairment for credit risks	(1 337 746)	(1 043 503)
	14 655 838	15 139 969

As at 31 December 2014, the balance Loans and advances to customers includes de amount of Euro 2,711,971 thousands (2013: Euro 2,716,829 thousands) related to the issue of covered bonds held by CEMG.

As at December 2014, CEMG's Executive Board of Directors decided to sell a portfolio of credits on default to SilverEquation, Unipessoal, Lda, S.A. ("SilverEquation"). This sale implied the transfer of all risks and rewards related to the portfolio, including the right over the guarantees given as collateral of loans/credits. Considering the nature of this operation the Executive Board of Directors analysed this transaction and its accounting impacts, considering the derecognition requirements in IAS 39 – Financial

Instruments: Recognition and Measurement, particularly the ones expressed on paragraphs AG 36 and following, of this standard. This analysis was performed in order to verify the followings aspects:

- Transference in full of the rights to the asset's future cash-flows;

- Existence or not of price adjustment ("contingent price");

- Existence or not of rights on credits returns;

- Verification of the transferee's autonomy (autopilot); and

- Eventual control or influence by CEMG over SilverEquation.

Considering the characteristics of the contract celebrated between CEMG and SilverEquation, the Executive Board of Directors concluded that by selling the credits, CEMG eliminated its exposure to the variability of the amounts and timing of the cash-flows associated to the credit portfolio. On that basis, the Executive Board of Directors concluded that all the risks and rewards related to the respective credit portfolio were transferred, and therefore credits in the amount of Euro 398,100 thousands were derecognised from the financial statement position generating a gain of Euro 95,432 thousands recorded in the income statement, in accordance with note 9.

As referred in notes 15, 24 and 55, CEMG carried out a set of sales of loans and advances to customers to funds specialized in credit recovery. The global amount of credits sold in 2014 amounted to Euro 17,251 thousands (2013: Euro 7,774 thousands).

As at 31 December 2013, CEMG reclassified the commercial paper portfolio from financial assets available for sale to loans and advances to customers, in the amount of Euro 752,306 thousands and impairment in the amount of Euro 19,904 thousands, as described in note 24 and proceeded the establishment of reserves for general banking risks in the amount of Euro 7,558 thousands, as described in note 38.

During 2013, CEMG performed a sale of loans and advances to customers, which were recorded off balance sheet. The total amount of loans sold amounted to Euro 157,013 thousands, which led to an outcome of Euro 10,610 thousands, as referred in note 9.

The Group realized operations conducted under the Programme for the issuance of CEMG Covered Bonds:

- May 2013: Issue of Euro 500,000 thousands; term: 4 years; and interest rate: Euribor 3M + 0.75%;

- July 2012: Refund of Euro 655,000 thousands;

- June 2012: Cancellation of Euro 53,300 thousands, with a score of Euro 1,857 thousands;

- November 2011: Issue of Euro 300,000 thousands; term: 5 years; an interest rate: Euribor 3M + 0.75%;

- October 2011: Cancellation of Euro 291,700 thousands, with a score of Euro 17,750 thousands.

– September 2011: Issue of Euro 550,000 thousands; term: 5 years; and interest rate: Euribor 3M + 0.75%;

– November 2010: Issue of Euro 500,000 thousands; term: 5 years; an interest rate: Euribor 3M + 2.5%;

– December 2009: Issue of Euro 150,000 thousands; term: 7 years; an interest rate: Euribor 3M + 0.75%; and

– July 2009: Issue of Euro 1,000,000 thousands; term: 3 years; an interest rate: 3.25%.

According with the accounting policy described in note 1 b), CEMG only writes-off overdue loans fully provided that after an economic analysis, are considered uncollectable since there are no perspectives of recovery.

As at 31 December 2014, the balance Loans and advances to customers includes the amount of Euro 3,101,676 thousands (2013: Euro 3,481,605 thousands) related with loans object of securitization and, in accordance with note 1 f), were not subject of derecogniton. Additionally, the securities linked to these transactions are recorded as a liability, as described in note 37.

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

The fair value of the portfolio of loans to customers is presented in note 48.

Loans and advances to customers include mostly variable interest rate contracts.

The analysis of loans and advances to customers, by maturity date and type of credit as at 31 December 2014, is as follows:

(Thousands of Euro)

	Loans and advances to customers				
	Due within 1 year	**1 year to 5 years**	**Over 5 years**	**Undetermined**	**Total**
Asset-backed loans	473 337	1 166 420	9 593 474	626 130	11 859 361
Other guarantee loans	677 741	54 100	627 579	297 064	1 656 484
Financial leases	1 598	102 866	239 330	23 320	367 114
Commercial paper	754 586	-	-	-	754 586
Other credits	760 323	136 446	327 336	131 934	1 356 039
	2 667 585	1 459 832	10 787 719	1 078 448	15 993 584

The analysis of loans and advances to customers, by maturity date and type of credit as at 31 December 2013, is as follows:

(Thousands of Euro)

	Loans and advances to customers				
	Due within 1 year	**1 year to 5 years**	**Over 5 years**	**Undetermined**	**Total**
Asset-backed loans	476 884	1 416 620	9 842 183	492 371	12 228 058
Other guarantee loans	772 661	256 870	346 386	251 987	1 627 904
Financial leases	108	76 658	185 526	23 553	285 845
Commercial paper	759 266	-	-	-	759 266
Other credits	668 314	139 793	297 501	176 791	1 282 399
	2 677 233	1 889 941	10 671 596	944 702	16 183 472

The balance Financial leases, by maturity as at 31 December 2014, is analysed as follows:

(Thousands of Euro)

	Financial Leases			
	Due within 1 year	**1 year to 5 years**	**Over 5 years**	**Total**
Outstanding rents	66 824	135 767	143 660	346 251
Outstanding interest	(13 986)	(22 210)	(23 520)	(59 716)
Residual values	5 707	24 049	27 503	57 259
	58 545	137 606	147 643	343 794

The balance Financial leases, by maturity as at 31 December 2013, is analysed as follows:

(Thousands of Euro)

	Financial Leases			
	Due within 1 year	**1 year to 5 years**	**Over 5 years**	**Total**
Outstanding rents	52 573	123 409	110 988	286 970
Outstanding interest	(11 365)	(26 878)	(20 689)	(58 932)
Residual values	5 555	8 168	20 531	34 254
	46 763	104 699	110 830	262 292

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

(Thousands of Euro)

	2014	2013
Asset-backed loans	626 130	492 371
Other guaranteed loans	297 064	251 987
Finance leases	23 320	23 553
Other credits	131 934	176 791
	1 078 448	944 702

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

(Thousands of Euro)

	2014	2013
Corporate		
Construction/Production	267 505	224 435
Investment	248 286	181 205
Treasury	353 667	306 764
Other loans	27 726	7 198
Retail		
Mortgage loans	67 342	110 278
Consumer credit	32 923	31 381
Other loans	49 347	49 987
Public Sector	456	90
Other segments	31 196	33 364
	1 078 448	944 702

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

(Thousands of Euro)

	2014	2013
Balance on 1 January	1 043 503	902 703
Charge for the year net of reversals	629 495	312 784
Loans charged-off	(352 910)	(315 505)
Transfers	17 658	143 521
Balance on 31 December	1 337 746	1 043 503

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

As at 31 December 2014, CEMG has a provision for general banking risks in the amount of Euro 113,295 thousands (2013: Euro 110,993 thousands), which in accordance to NCA's is presented as a liability, as refereed in note 38.

In accordance with CEMG's policy, interest on overdue loans for a period over 90 days not covered by asset-backed guarantees, is only recorded as income when received.

The table below shows the analysis of the overdue loans and advances and the impairment for credit risk as at 31 December 2014, by default categories:

(Thousands of Euro)

	Default categories					
	Within 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Overdue loans with collaterals	102 450	33 795	87 141	354 155	284 580	862 121
Impairment for overdue loans with collaterals	911	3 275	21 560	265 889	276 622	568 257
Overdue loans without collateral	19 330	10 396	19 467	84 635	83 035	216 863
Impairment for overdue loans without collaterals	198	2 599	13 516	84 635	83 035	183 983
Total overdue loans	121 780	44 191	106 608	438 790	367 615	1 078 984
Total impairment for overdue loans	1 109	5 874	35 076	350 524	359 657	752 240
Total impairment for due loans, overdue loans and other	515	1 630	13 023	101 579	468 759	585 506
Total of impaiment for credit risk	1 624	7 504	48 099	452 103	828 416	1 337 746

The table below shows the analysis of the overdue loans and advances and the impairment for credit risk as at 31 December 2013, by default categories:

(Thousands of Euro)

	Default categories					
	Within 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Overdue loans with collaterals	71 497	22 345	79 705	362 837	230 834	767 218
Impairment for overdue loans with collaterals	612	2 089	18 781	283 363	218 122	522 967
Overdue loans without collateral	31 737	7 802	18 427	61 692	57 826	177 484
Impairment for overdue loans without collaterals	336	2 111	12 428	69 083	63 244	147 202
Total overdue loans	103 234	30 147	98 132	424 529	288 660	944 702
Total impairment for overdue loans	948	4 200	31 209	352 446	281 366	670 169
Total impairment for due loans, overdue loans and others	358	1 327	16 955	164 300	190 394	373 334
Total of impaiment for credit risk	1 306	5 527	48 164	516 746	471 760	1 043 503

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

(Thousands of Euro)

	2014	2013
Asset-backed loans	780 283	580 416
Other guareteed loans	335 515	263 978
Unsecured loans	221 948	199 109
	1 337 746	1 043 503

In compliance with note 1 b), loans and advances to customers are charged-off when there are no expectations, from an economic point of view, of recovering the loan amount and for collateralized loans, when the funds arising from the execution of the respective collaterals was already received. This charge-off is carried out for loans that are fully provided.

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

(Thousands of Euro)

	2014	2013
Asset-backed loans	263 202	32 460
Other guaranteed loans	26 271	125 739
Unsecured loans	63 437	157 306
	352 910	315 505

The recovered loans and overdue interest, performed during 2014 and 2013, related with asset-backed loans recovered, amounted to Euro 8,857 thousands e Euro 5,492 thousands, as referred in note 14.

CEMG uses physical and financial collaterals as instruments for mitigating credit risk. The physical collaterals correspond mainly to mortgages on residential properties in the course of the mortgage and other types of mortgages on properties in other types of loans. To reflect the market value of them, these effects are reviewed regularly based on evaluations conducted by certified independent testing organizations or through the use of revaluation coefficients that reflect the trend in the market for the type of property and the geographical area. The financial collaterals are re-evaluated based on market values of their assets, when available, and certain coefficients applied depreciation to reflect its volatility.

22 Financial assets and liabilities held for trading

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

(Thousands of Euro)

	2014	2013
Financial assets held for trading:		
Securities		
Shares	6 115	7 116
Bonds	648	584
Investment fund units	-	693
	6 763	8 393
Derivatives		
Financial derivatives instruments with positive fair value	76 790	54 138
	83 553	62 531
Financial liabilities held for trading:		
Securities		
Short sales	561	1 389
Derivatives		
Financial derivatives instruments with negative fair value	84 739	60 853
	85 300	62 242

The balance Financial derivatives instruments with positive fair value includes the amount of Euro 30,350 thousands (2013: Euro 33,278 thousands) referred to instruments associated to assets or liabilities at fair value through profit and loss, with the exception of loans and advances to customers in the amount of Euro 218 thousands (2012: Euro 196 thousands).

The balance Financial derivatives instruments with negative fair value includes the amount of Euro 24,215 thousands (2013: Euro 23,299 thousands) referred to instruments associated to assets or liabilities at fair value through profit and loss, with the exception of loans and advances to customers in the amount of Euro 2,177 thousands (2013: Euro 2,161 thousands).

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

As referred in IFRS 13 financial instruments are measured according to the following levels of valuation, described in note 48, as follows:

(Thousands of Euro)

	2014	2013
Financial assets held for trading:		
Level 1	6 763	8 393
Level 2	76 790	54 138
	83 553	62 531
Financial liabilities held for trading		
Level 1	561	1 389
Level 2	84 739	60 853
	85 300	62 242

The analysis of the securities portfolio held for trading by maturity as at 31 December 2014 is as follows:

(Thousands of Euro)

	2014				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Bonds					
Foreign	-	-	648	-	648
Variable income securities					
Shares					
Portuguese	-	-	-	1 080	1 080
Foreign	-	-	-	5 035	5 035
	-	-	648	6 115	6 763
Quoted	-	-	648	6 115	6 763

The analysis of the securities portfolio held for trading by maturity as at 31 December 2013 is as follows:

(Thousands of Euro)

	2013				
	Due within 3 months	3 months to 1 year	Over 1 year	Undetermined	Total
Fixed income securities					
Bonds					
Foreign	-	-	584	-	584
Variable income securities					
Shares					
Portuguese	-	-	-	2 022	2 022
Foreign	-	-	-	5 094	5 094
Investment fund units	-	-	-	693	693
	-	-	584	7 809	8 393
Quoted	-	-	584	7 809	8 393

The book value of the assets and liabilities held for trading as at 31 December 2014, is as follows:

(Thousands of Euro)

		2014						
		Derivative			Related Asset/Liability			
Derivative	Related financial asset/ liability	Notional	Fair value	Changes in the fair value in the year	Fair value	Changes in the fair value in the year	Book value	Reimbursement amount at maturity date
Interest rate swap	Debt securities issued and other subordinated debt	228 653	2 827	(2 836)	(2 938)	5 804	250 756	247 180
Interest rate swap	Deposits from customers	101 610	(1 383)	(222)	20	(5 343)	95 657	95 624
Interest rate swap	Deposits from others financial institutions	87 475	9 238	(712)	1 842	2 270	61 009	60 000
Interest rate swap	Mortgages obligations	5 513 279	(4 547)	(74)	-	-	-	-
Interest rate swap	Loans and advances to customers	43 740	(1 959)	6	1 852	64	44 110	43 740
Interest rate swap	Others	3 415 992	(13 142)	1 748	-	-	-	-
Currency swap	-	197 172	662	1 047	-	-	-	-
Future options	-	1 559	(4)	(1)	-	-	-	-
Options	-	214 562	359	(109)	-	-	-	-
Credit Default Swaps	-	-	-	(81)	-	-	-	-
		9 804 042	(7 949)	(1 234)	776	2 795	451 532	446 544

The book value of the assets and liabilities held for trading as at 31 December 2013, is as follows:

(Thousands of Euro)

		2013						
		Derivative			Related Asset/Liability			
Derivative	Related financial asset/ liability	Notional	Fair value	Changes in the fair value in the year	Fair value	Changes in the fair value in the year	Book value	Reimbursement amount at maturity date
Interest rate swap	Debt securities issued and other subordinated debt	297 003	5 663	(6 392)	8 742	24 663	366 100	318 003
Interest rate swap	Deposits from customers	44 500	(1 161)	(27 216)	5 363	(10 168)	484	362 313
Interest rate swap	Deposits from others financial institutions	92 559	9 950	(7 376)	(428)	8 678	61 023	100 967
Interest rate swap	Mortgages obligations	5 450 922	(4 473)	1 046	-	-	-	-
Interest rate swap	Loans and advances to customers	25 000	(1 965)	747	1 788	(687)	24 646	25 000
Interest rate swap	Others	4 505 373	(14 890)	(1 596)	-	-	-	-
Currency swap	-	187 110	(385)	(600)	-	-	-	-
Future options	-	4 275	(3)	(13)	-	-	-	-
Options	-	203 538	468	(317)	-	-	-	-
Credit Default Swaps	-	9 000	81	255	-	-	-	-
		10 819 280	(6 715)	(41 462)	15 465	22 486	452 253	806.283

The analysis of financial instruments held for trading, by maturity date as at 31 December 2014, is as follows:

(Thousands of Euro)

	2014					
	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Asset	Liability
Interest rate contracts:						
Interest rate swaps	106 450	513 457	8 770 842	9 390 749	69 946	78 912
Options	40 530	111 796	62 236	214 562	6 013	5 654
Exchange rate contracts						
Currency swaps	195 533	1 639	-	197 172	831	169
Index contracts:						
Index futures	1 559	-	-	1 559	-	4
	344 072	626 892	8 833 078	9 804 042	76 790	84 739

The analysis of financial instruments held for trading, by maturity date as at 31 December 2013, is as follows:

(Thousands of Euro)

	2013					
	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Asset	Liability
Interest rate contracts:						
Interest rate swaps	49 950	823 530	9 541 877	10 415 357	47 196	54 072
Options	11 650	32 404	159 484	203 538	6 496	6 028
Exchange rate contracts						
Currency swaps	187 110	-	-	187 110	311	696
Index contracts:						
Index futures	4 275	-	-	4 275	-	3
Credit default contracts:						
Credit default swaps	3 000	6 000	-	9 000	135	54
	255 985	861 934	9 701 361	10 819 280	54 138	60 853

23 Other financial assets at fair value through profit or loss

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Bond issued by other entities		
Foreign	-	3 450

The CEMG's choice of naming these assets at fair value through profit and loss, according to IAS 39 and note 1 c), can be observed in the planed strategy of the CEMG's management, considering that (i) these financial assets are managed and evaluated in a fair value basis and/or (ii) that these assets are holding embedded derivative instruments.

As referred in IFRS 13, financial instruments are measured according to the valuation levels described in note 48. In 2013, the financial assets included in this caption were categorized in level 1.

The analysis of the securities at fair value through profit or loss, by maturity is as follows:

(Thousands of Euro)

	2014	2013
Due within 3 months	-	2 451
Over 1 year	-	999
	-	3 450
Quoted	-	3 450

24 Financial assets available for sale

This balance is analysed as follows:

(Thousands of Euro)

	2014				
		Fair value reserve			
	Cost [(1)]	Positive	Negative	Impairment Losses	Book Value
Fixed income securities:					
Issued by public entities					
Portuguese	1 596 886	52 031	(3 085)	-	1 645 832
Foreign	107 352	5 030	(1 331)	(8 834)	102 217
Issued by other entities					
Portuguese	3 702 373	6 746	(19 517)	(51 864)	3 637 738
Foreign	625 395	32 181	(5 501)	(14 518)	637 557
Commercial paper	10 998	-	-	(998)	10 000
Variable income securities:					
Shares					
Portuguese	84 092	147	(55)	(3 756)	80 428
Foreign	16 257	2 248	(916)	(3 030)	14 559
Investment fund units	1 279 450	13 096	(21 223)	(8 158)	1 263 165
	7 422 803	111 479	(51 628)	(91 158)	7 391 496

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

	2013				
		Fair value reserve			
	Cost [1]	Positive	Negative	Impairment Losses	Book Value
Fixed income securities:					
Issued by public entities					
Portuguese	3 019 719	49 601	(16 198)	-	3 053 122
Foreign	31 209	1 544	(1 250)	(8 415)	23 088
Issued by other entities					
Portuguese	4 085 495	3 527	(24 135)	(37 252)	4 027 635
Foreign	376 745	18 787	(4 987)	(8 099)	382 446
Commercial paper	52 109	-	-	(998)	51 111
Variable income securities:					
Shares					
Portuguese	16 810	212	(43)	(3 556)	13 423
Foreign	13 380	2 012	(65)	(3 251)	12 076
Investment fund units	1 389 193	11 864	(5 563)	(16 108)	1 379 386
	8 984 660	87 547	(52 241)	(77 679)	8 942 287

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

As at 31 December 2014, the balance Financial assets available for sale, in the financial statement position, includes securities subject to hedging operations, in the amount of Euro 1,230 thousands (2013: Euro 1,478 thousands), as referred in note 25.

As referred in note 1 c), the portfolio of assets available-for-sale are presented at market value with fair value changes accounted for against fair value reserves, as referred in note 45. CEMG assesses periodically whether there is objective evidence of impairment losses on the available-for-sale financial assets, following the judgment criteria's described in the accounting policy in note 1 z).

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

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

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

– The reclassification of commercial paper from financial assets available for sale to the loans and advances to customers is realized at the fair value of the debt instrument at the date of reclassification;

– No unrealized gain or loss recognised was recognised in the fair value reserve at the date of reclassification;

- The fair value of commercial paper in the reclassification date will become the new cost;

- As at the date of reclassification a new effective interest rate is determined as the basis of calculation and recognition of interest and amortized cost from that moment;

- The new effective interest rate is the rate that exactly discounts estimated future cash flows over the remaining expected life of the instruments fair value at the date of reclassification;

- A subsequent change in the fair value of the debt instrument over its new amortized cost is not recognised;

- It's performed a review of subsequent impairment taking into consideration the new amortized cost, the new effective interest rate and the expected future cash flows; and

- Any impairment loss, measured as the difference between the new amortized cost and the present value of estimated future cash flows (excluding future credit losses that have not incurred) discounted at the new effective interest rate determined at the date of reclassification, is recognised in profit or loss.

The reclassification of commercial paper, from portfolio of financial assets available for sale to loans and advances to customers implied the establishment of provisions for general credit risks, according to article no.7, no.3, Regulation no. 3/95, Bank of Portugal, corresponding to 1% of the value which represents its calculation base.

In this context, as at 31 December 2013, CEMG reclassified the commercial paper portfolio from the balance financial assets available for sale to the balance loans and advances to customers, in the amount of Euro 752,306 thousands and impairment in the amount of Euro 19,904 thousands, as described in note 21 and proceeded the establishment of reserves for general banking risks amounting Euro 7,558 thousands, as described in note 38.

As referred in note 55, the balance Variable income securities – Investment fund units includes the amount of Euro 35,983 thousands (2013: Euro 26,793 thousands) relating to participation units in a Fund specialized in the recovery of loans acquired under the sale of loans and advances to customers. As at 31 December 2014 and 2013, this amount includes Euro 6,153 thousands engaged to junior securities (investment fund units with a more subordinated character), which are fully provided, according to notes 15, 21 and 55.

As at 31 December 2014 and 2013, the analysis of financial assets available-for-sale net of impairment, by valuation levels, is presented as follows:

(Thousands of Euro)

	2014				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Issued by public entities					
Portuguese	1 645 832	-	-	-	1 645 832
Foreign	102 217	-	-	-	102 217
Issued by other entities					
Portuguese	3 765	591 860	3 042 113	-	3 637 738
Foreign	523 680	49 998	63 879	-	637 557
Commercial paper	-	-	-	10 000	10 000
	2 275 494	641 858	3 105 992	10 000	6 033 344
Variable income securities					
Shares					
Portuguese	852	-	-	79 576	80 428
Foreign	14 392	-	-	167	14 559
Investment fund units	420 420	-	842 745	-	1 263 165
	435 664	-	842 745	79 743	1 358 152
	2 711 158	641 858	3 948 737	89 743	7 391 496

(Thousands of Euro)

	2013				
	Level 1	Level 2	Level 3	Financial instruments at cost	Total
Fixed income securities					
Issued by public entities					
Portuguese	3 053 122	-		-	3 053 122
Foreign	23 088	-		-	23 088
Issued by other entities					
Portuguese	108 588	549 071	3 359 876	10 100	4 027 635
Foreign	310 663	-	71 783	-	382 446
Commercial paper	-	-	-	51 111	51 111
	3 495 461	549 071	3 431 659	61 211	7 537 402
Variable income securities					
Shares					
Portuguese	7 806	-	5 617	-	13 423
Foreign	12 076	-	-	-	12 076
Investment fund units	391 224	-	988 162	-	1 379 386
	411 106	-	993 779	-	1 404 885
	3 906 567	549 071	4 425 438	61 211	8 942 287

As referred in IFRS 13, financial instruments are measured according to the valuation levels described in note 48.

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

(Thousands of Euro)

	2014	2013
Balance on 1 January	77 679	58 286
Charge for the year	76 069	66 676
Write-back for the year	(16 752)	(34 858)
Charge-off	(45 838)	(411)
Transfers	-	(12 014)
Balance on 31 December	91 158	77 679

CEMG recognises impairment in financial assets available for sale when there is a significant or prolonged decline in the fair value or when there is an impact on estimated future cash flows of the assets. This assessment implies, by CEMG, a judgment which takes into consideration the volatility of securities prices, among other factors.

As a result of low liquidity and significant volatility in financial markets, the company considered the following factors:

- Equity instruments: (i) depreciation higher than 30% towards the acquisition cost; or (ii) market value below acquisition cost for more than 12 months period;

- Debt instruments: when there is an objective evidence of events with impact on the recoverable value of future cash flows of these assets.

As described in note 1 c), the portfolio of financial assets available for sale is presented net of the total fair value reserve and impairment. The total fair value reserve for financial assets available for sale portfolio is positive and amounts to Euro 59,851 thousands (2013: positive Euro 35,306 thousands) and impairment amounts to Euro 91,158 thousands (2013: Euro 77,679 thousands).

The evolution of the debt crisis of the Euro countries associated with macro-economic developments in Greece, which has contributed to a deterioration of economic and financial situation of the Greek State and the inability to access markets which implies that the solvency of the country immediately remains dependent on continued support from EU and the IMF.

As at 31 December 2014, impairment losses recognised regarding the sovereign debt of Greece amounts to Euro 8,834 thousands (2013: Euro 8,415 thousands), as referred in notes 15 and 54.

The analysis of the available-for-sale financial assets by maturity date, as at 31 December 2014, is as follows:

(Thousands of Euro)

	2014				
	Due within 3 months	**3 months to 1 year**	**Over 1 year**	**Undetermined**	**Total**
Fixed income securities					
Issued by public entities					
Portuguese	835	23 205	1 621 792	-	1 645 832
Foreign	-	5 130	97 087	-	102 217
Issued by other entities					
Portuguese	10 397	15 743	3 609 476	2 122	3 637 738
Foreign	67 152	19 487	547 443	3 475	637 557
Commercial paper	10 000	-	-	-	10 000
	88 384	63 565	5 875 798	5 597	6 033 344
Variable income securities					
Shares					
Portuguese	-	-	-	80 428	80 428
Foreign	-	-	-	14 559	14 559
Investment fund units	-	-	1 772	1 261 393	1 263 165
	-	-	1 772	1 356 380	1 358 152
	88 384	63 565	5 877 570	1 361 977	7 391 496

The analysis of the available-for-sale financial assets by maturity date, as at 31 December 2013, is as follows:

(Thousands of Euro)

	2013				
	Due within 3 months	**3 months to 1 year**	**Over 1 year**	**Undetermined**	**Total**
Fixed income securities					
Issued by public entities					
Portuguese	-	26 364	3 026 758	-	3 053 122
Foreign	-	-	23 088	-	23 088
Issued by other entities					
Portuguese	5 204	92 704	3 927 732	1 995	4 027 635
Foreign	6 000	15 945	357 619	2 882	382 446
Commercial paper	46 384	4 727	-	-	51 111
	57 588	139 740	7 335 197	4 877	7 537 402
Variable income securities					
Shares					
Portuguese	-	-	-	13 423	13 423
Foreign	-	-	-	12 076	12 076
Investment fund units	-	-	463	1 378 923	1 379 386
	-	-	463	1 404 422	1 404 885
	57 588	139 740	7 335 660	1 409 299	8 942 287

This balance, regarding quoted and unquoted securities, is analysed as follows:

(Thousands of Euro)

	2014			2013		
	Quoted	**Unquoted**	**Total**	**Quoted**	**Unquoted**	**Total**
Fixed income securities						
Issued by public entities						
Portuguese	1 645 832	-	1 645 832	3 053 122	-	3 053 122
Foreign	102 217	-	102 217	23 088	-	23 088
Issued by other entities						
Portuguese	3 045 878	591 860	3 637 738	583 215	3 444 420	4 027 635
Foreign	587 357	50 200	637 557	310 662	71 784	382 446
Commercial paper	-	10 000	10 000	-	51 111	51 111
	5 381 284	652 060	6 033 344	3 970 087	3 567 315	7 537 402
Variable income securities						
Shares						
Portuguese	852	79 576	80 428	8 839	4 584	13 423
Foreign	14 392	167	14 559	11 909	167	12 076
Investment fund units	1 263 165	-	1 263 165	1 377 386	2 000	1 379 386
	1 278 409	79 743	1 358 152	1 398 134	6 751	1 404 885
	6 659 693	731 803	7 391 496	5 368 221	3 574 066	8 942 287

25 Hedging derivatives

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Asset		
Interest rate swap	60	503
Liability		
Interest rate swap	1 494	1 849

As referred in IFRS 13, hedging derivatives are measured according to the valuation levels described in note 48.

CEMG uses derivatives to hedge interest rate risks. The accounting method depends on the nature of the hedged risk, namely if CEMG is exposed to fair value changes, variability in cash-flows or highly probable forecast transactions.

CEMG performs periodical effectiveness tests of the hedging relationships.

The adjustment performed to the assets and liabilities that includes hedged items is analysed as follows:

(Thousands of Euro)

	2014	2013
Deposits from other credit institutions	-	209
Financial assets available for sale	1 230	1 478
	1 230	1 687

The analysis of the hedging derivatives portfolio by maturity date, as at 31 December 2014 is as follows:

(Thousands of Euro)

	2014							
	Notional by maturity date				Fair value			
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Due within 3 months	3 months to 1 year	Over 1 year	Total
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	-	20 000	6 500	26 500	-	(447)	(987)	(1 434)
	-	20 000	6 500	26 500	-	(447)	(987)	(1 434)

The analysis of the hedging derivatives portfolio by maturity date, as at 31 December 2013 is as follows:

(Thousands of Euro)

	2013							
	Notional by maturity date				Fair value			
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Due within 3 months	3 months to 1 year	Over 1 year	Total
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	-	19 500	26 500	46 000	-	200	(1 546)	(1 346)
	-	19 500	26 500	46 000	-	200	(1 546)	(1 346)

As at 31 December 2014, the fair value hedge relationships present the following features:

(Thousands of Euro)

	2014						
Derivative	**Hedged item**	**Hedged risk**	**Notional**	**Fair value(1)**	**Changes in the fair value of the derivative in the year**	**Hedge item fair value(1)**	**Changes in the fair value of the hedge item in the year(1)**
Interest rate swaps	Deposits from credit institutions	Interest rate	-	-	(414)	-	209
Interest rate swaps	Financial assets available for sale	Interest rate	26 500	(1 434)	326	1 230	(248)
			26 500	(1 434)	(88)	1 230	(39)

(1) Includes accrued interest.

(2) Attributable to the hedged risk.

As at 31 December 2013, the fair value hedge relationships present the following features:

(Thousands of Euro)

	2013						
Derivative	**Hedged item**	**Hedged risk**	**Notional**	**Fair value(1)**	**Changes in the fair value of the derivative in the year**	**Hedge item fair value(1)**	**Changes in the fair value of the hedge item in the year(1)**
Interest rate swaps	Deposits from credit institutions	Interest rate	10 000	414	(389)	209	(391)
Interest rate swaps	Financial assets available for sale	Interest rate	36 000	(1 760)	1 289	1 478	(509)
			46 000	(1 346)	900	1 687	(900)

(1) Includes accrued interest.

(2) Attributable to the hedged risk.

26 Held-to-maturity investments

This balance is analysed as follows:

(Thousands of Euro)

	2014	**2013**
Fixed income securities		
Bonds issued by Portuguese public entities	6 209	6 149
Bonds issued by foreign public entities	11 124	11 078
	17 333	17 227

The fair value of held-to-maturity investments portfolio is presented in note 48.

CEMG assessed, with reference to 31 December 2014, the existence of objective evidence of impairment on its held-to-maturity investments portfolio and no events with impact on the recoverable amount of the future cash flows associated with those investments were identified.

The held-to-maturity investments, as at 31 December 2014 are analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OT - Outubro_05/15-10-2015	July, 2005	October, 2015	Fixed rate of 3,350%	6 209
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3,250%	5 061
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3,500%	2 029
Belgium Kingdom 05/28-09-2015	March, 2005	September, 2015	Fixed rate of 3,750%	2 011
Buoni Poliennali Del Tes. 05/2015	May, 2005	August, 2015	Fixed rate of 3,750%	2 023
				17 333

The held-to-maturity investments, as at 31 December 2013 are analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OT - Outubro_05/15-10-2015	July, 2005	October, 2015	Fixed rate of 3,350%	6 149
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3,250%	5 040
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3,500%	2 025
Belgium Kingdom 05/28-09-2015	March, 2005	September, 2015	Fixed rate of 3,750%	2 002
Buoni Poliennali Del Tes. 05/2015	May, 2005	August, 2015	Fixed rate of 3,750%	2 011
				17 227

The held-to-maturity investments are stated in accordance with the established in note 1 c).

During 2014 and 2013, CEMG did not transfer to or from this assets category.

As at 31 December 2014 the analysis of held-to-maturity investments by maturity is as follows:

(Thousands of Euro)

	2014				
	Due within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Bonds issued by portuguese public issuers	-	6 209	-	-	6 209
Bonds issued by foreign public issuers	-	11 124	-	-	11 124
	-	17 333	-	-	17 333
Quoted	-	17 333	-	-	17 333

As at 31 December 2013 the analysis of held-to-maturity investments by the period of maturity is as follows:

(Thousands of Euro)

	2013				
	Due within 3 months	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total**
Bonds issued by portuguese public issuers	-	-	6 149	-	6 149
Bonds issued by foreign public issuers	-	-	11 078	-	11 078
	-	-	17 227	-	17 227
Quoted	-	-	17 227	-	17 227

27 Investments in associated companies and others

This balance is analysed as follows:

(Thousands of Euro)

	2014	**2013**
Investments in associated companies and others		
Montepio Holding, S.G.P.S., S.A.	341 250	341 250
Montepio Seguros, S.G.P.S., S.A.	65 100	65 100
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	8 997	8 997
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 200	3 200
Montepio - Gestão de Activos Imobiliários, ACE	636	-
Unquoted	419 183	418 547

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

(Thousands of Euro)

	Number of shares	Percentage of direct shares	Unit value Euros	Acquisition cost
31 December 2014				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100.00%	1.00	341 250
Montepio Seguros, S.G.P.S., S.A.	46 350 001	33.65%	1.00	65 100
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	99 200	100.00%	90.69	8 997
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20.00%	5.00	3 200
Montepio - Gestão de Activos Imobiliários, ACE	636 924	26.00%	1.00	636
				419 183
31 December 2013				
Montepio Holding, S.P.G.S., S.A.	175 000 000	100.00%	1.00	341 250
Montepio Seguros, S.G.P.S., S.A.	46 350 001	33.65%	1.00	65 100
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	99 200	100.00%	90.69	8 997
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20.00%	5.00	3 200
				418 547

As at 9 May, 2014, Montepio – Gestão de Activos Imobiliários, ACE was incorporated. CEMG has a 26% quote on this ACE.

At the end of 2013, under the restructuring of Group Montepio Geral a reorganization of the financial investments associated with the insurance and pension sectors was undertaken. In this context, on 27 December 2013 was created Montepio Seguros, S.G.P.S., S.A. in order to manage the equity of the mentioned sectors.

In 2013, CEMG sold the shares directly held in Lusitania Vida – Companhia de Seguros, S.A. and Lusitania – Companhia de Seguros, S.A. to Montepio Seguros, S.G.P.S., S.A., having both been reimbursed for supplementary capital contributions in the amount of Euro 18,750 thousands. Additionally, acquired 33.65% of the capital of Montepio Seguros, S.G.P.S., S.A. for Euro 46,350 thousands, and carried supplementary capital contributions in the amount of Euro 18,750 thousands.

After this operation, the capital of Montepio Seguros, which is fully paid, rose to Euro 137,750 thousands, being held in 52.63% by Montepio Geral – Associação Mutualista, in 33.65% by CEMG, in 8.35% by Lusitania, in 3.26% by Futuro and in 2.11% by Lusitania Vida.

These shares presented a balance amount of Euro 20,765 thousands, originating a gain of Euro 25,585 thousands, as described in notes 7 and 9. This operation can be analysed as follows:

	(Thousands of Euro)		
	Gross amount	**Sale amount**	**Net Gain**
Lusitania Vida - Companhia de Seguros, S.A.	9 530	32 162	22 632
Lusitania - Companhia de Seguros, S.A.	10 816	13 623	2 807
Futuro - Sociedade Gestora de Fundos de Pensões, S.A.	419	565	146
	20 765	46 350	25 585

As at 21 June 2013, following the resolution of the General Assembly, there was a capital increase of Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.), in the amount of Euro 1,996 thousands, in cash.

After this operation, the capital of Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.), which is fully paid, increased to Euro 8,997 thousands, fully owned by CEMG.

28 Non-current assets held for sale

This balance is analysed as follows:

	(Thousands of Euro)	
	2014	**2013**
Investments arising from recovered loans	909 549	751 647
Impairment for non-current assets held for sale	(130 045)	(88 416)
	779 504	663 231

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

The balance Investments arising from recovered loans includes buildings and other assets resulting from the foreclosure of contracts of loans to customers, originated by (i) delivery of the assets, with option to repurchase or leasing, accounted with the celebration of the contract or the promise to deliver the asset and the respective irrevocable power of attorney issued by the customer in the name of CEMG; or (ii) the adjudication of the assets as a result of a judicial process of guarantees execution, accounted with the title of adjudication or following the adjudication request after the record of the first (payment prosolvency).

According to CEMG's expectation, these assets are available for sale in a period less than 1 year and CEMG has a strategy for its sale. Nevertheless, given the current market conditions, in some situations it is not possible to conclude these sales before the expected deadline. This balance includes buildings and other assets for which CEMG has already established contracts for the sale in the amount of Euro 8,212 thousands (2013: Euro 192,777 thousands).

During 2013, CEMG sold real estate positions to investment funds Montepio Arrendamento II – Fundo de Investimento Imobiliário para Arrendamento Habitacional and Montepio Arrendamento III – Fundo de Investimento Imobiliário para Arrendamento Habitacional in the amount of Euro 296,650 thousands. From the total of real estate positions sold, CEMG received Euro 196,980 thousands as an advance relating to real estate positions not yet sold in the amount of Euro 178,788 thousands, as described in note 40.

The movements, in 2014 and 2013, for non-current assets held for sale are analysed as follows:

(Thousands of Euro)

	2014	2013
Balance on 1 January	751 647	498 886
Acquisitions	282 015	455 056
Sales	(125 486)	(202 914)
Other movements	1 373	619
Balance on 31 December	909 549	751 647

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

(Thousands of Euro)

	2014	2013
Balance on 1 January	88 416	26 009
Charge for the year	60 353	70 365
Write-back for the year	(18 724)	(7 958)
Balance on 31 December	130 045	88 416

29 Property and equipment

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Cost		
Land and buildings		
For own use	7 730	8 040
Leasehold improvements in rented buildings	40 340	40 235
Construction in progress	10	19
Equipment		
Computer equipment	82 361	81 361
Interior installations	20 022	19 942
Furniture	19 290	19 328
Security equipment	7 325	7 226
Office equipment	2 957	2 968
Motor vehicles	2 571	3 298
Other equipment	1	1
Works of art	2 869	2 869
Assets in operacional lease	975	1 670
Other tangible assets	1 946	1 954
Work in progress	3 106	2 037
	191 503	190 948
Accumulated depreciation		
Charge for the year	(7 947)	23 584
Accumulated charge in previous year	(146 632)	(170 216)
	(154 579)	(146 632)
	36 924	44 316

The movements in Property and equipment, during the year of 2014, are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost					
Land and buildings					
For own service	8 040	-	(310)	-	7 730
Leasehold improvements in rented buildings	40 235	29	-	76	40 340
Work in progress	19	-	-	(9)	10
Equipment					
Computer equipment	81 361	2 457	(1 457)	-	82 361
Interior installations	19 942	102	(59)	37	20 022
Furniture	19 328	114	(152)	-	19 290
Security equipment	7 226	114	(15)	-	7 325
Motor vehicles	3 298	186	(913)	-	2 571
Office equipment	2 968	11	(22)	-	2 957
Other equipment	1	-	-	-	1
Works of art	2 869	-	-	-	2 869
Assets in operacional lease	1 670	164	(859)	-	975
Other tangible assets	1 954	-	(8)	-	1 946
Work in progress	2 037	1 609	-	(540)	3 106
	190 948	4 786	(3 795)	(436)	191 503
Accumulated depreciations					
Land and building					
For own service	(3 014)	(287)	128	-	(3 173)
Leasehold improvements in rented buildings	(27 458)	(2 684)	-	-	(30 142)
Equipament					
Furniture	(16 781)	(856)	149	-	(17 488)
Office equipment	(2 844)	(72)	21	-	(2 895)
Computer equipment	(71 722)	(4 887)	1 457	-	(75 152)
Interior installations	(13 019)	(1 550)	57	-	(14 512)
Motor vehicles	(3 277)	(77)	914	-	(2 440)
Security equipment	(5 930)	(527)	13	-	(6 444)
Other equipment	(1)	-	-	-	(1)
Assets in operacional lease	(877)	(212)	567	-	(522)
Other tangible assets	(1 709)	(110)	9	-	(1 810)
	(146 632)	(11 262)	3 315	-	(154 579)
	44 316				36 924

The movements in Property and equipment, during the year of 2013, are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost					
Land and buildings					
For own service	8 346	-	(306)	-	8 040
Leasehold improvements in rented buildings	58 801	68	(18 904)	270	40 235
Work in progress	35	-	-	(16)	19
Equipment					
Furniture	19 667	33	(372)	-	19 328
Office equipment	2 975	13	(20)	-	2 968
Computer equipment	89 919	1 545	(10 103)	-	81 361
Interior installations	24 251	149	(4 590)	132	19 942
Motor vehicles	3 730	27	(459)	-	3 298
Security equipment	9 023	87	(1 884)	-	7 226
Other equipment	1	-	-	-	1
Works of art	2 869	-	-	-	2 869
Assets in operacional lease	3 344	140	(1 814)	-	1 670
Other tangible assets	1 954	-	-	-	1 954
Work in progress	952	1 701	-	(616)	2 037
	225 867	3 763	(38 452)	(230)	190 948
Accumulated depreciations					
Land and building					
For own service	(2 876)	(295)	157	-	(3 014)
Leasehold improvements in rented buildings	(43 432)	(2 930)	18 904	-	(27 458)
Equipament					
Furniture	(16 163)	(969)	351	-	(16 781)
Office equipment	(2 769)	(96)	21	-	(2 844)
Computer equipment	(75 278)	(6 537)	10 095	(2)	(71 722)
Interior installations	(15 960)	(1 670)	4 590	21	(13 019)
Motor vehicles	(3 646)	(83)	452	-	(3 277)
Security equipment	(7 023)	(818)	1 884	27	(5 930)
Other equipment	(1)	-	-	-	(1)
Assets in operacional lease	(1 498)	(380)	1 028	(27)	(877)
Other tangible assets	(1 570)	(139)	-	-	(1 709)
	(170 216)	(13 917)	37 482	19	(146 632)
	55 651				44 316

30 Intangible assets

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Cost		
Software	66 854	52 386
Other intangible assets	88 333	88 333
Work in progress	3 465	-
	158 652	140 719
Accumulated depreciation		
Charge for the year	(12 876)	8 749
Accumulated charge in previous years	(28 479)	(37 228)
	(41 355)	(28 479)
	117 297	112 240

The balance Other intangible assets includes de amount of Euro 88,272 thousands representing the difference between assets and liabilities of Montepio Investimento, S.A. (previously designated as Finibanco, S.A.) acquired by CEMG in 4 April 2011 and its book value and considers the fair value of those assets and liabilities as well as the business generating potential associated with acquisition of Montepio Investimento, S.A. network, as described in note 1 a).

This intangible asset does not have finite useful life, so, as referred in accounting policy notes 1 q) and 1 z), its recoverable amount is annually reviewed, regardless of the existence of impairment signs. Any impairment losses are recognised in income statement.

As at 31 December 2014 and 2013, the requirement of impairment losses recognition for these assets was not determined.

The movements in Intangible assets, during the year of 2014, are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost					
Software	52 386	-	-	14 468	66 854
Other intangible assets	88 333	-	-	-	88 333
Work in progress	-	18 333	-	(14 868)	3 465
	140 719	18 333	-	(400)	158 652
Accumulated depreciation					
Software	(28 479)	(12 875)	-	(1)	(41 355)
	(28 479)	(12 875)	-	(1)	(41 355)
	112 240				117 297

The movements in Intangible assets, during the year of 2013, are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Acquisitions/ Charges	Disposals	Adjustment/ Transfers	Balance on 31 December
Cost					
Software	57 767	16 625	(22 006)	-	52 386
Other intangible assets	88 333	-	-	-	88 333
	146 100	16 625	(22 006)	-	140 719
Accumulated depreciation					
Software	(37 228)	(13 057)	22 006	(200)	(28 479)
	(37 228)	(13 057)	22 006	(200)	(28 479)
	108 872				112 240

31 Taxes

The temporary differences between accounting income and the results accepted for tax purposes of IRC, whenever there is a reasonable probability that such taxes will be paid or recovered in the future, according to the accounting policy 1v) are eligible for the recognition of deferred taxes.

Deferred tax assets and liabilities as at 31 December 2014 and 2013 are analysed as follows:

(Thousands of Euro)

	Asset		Liability		Net	
	2014	2013	2014	2013	2014	2013
Financial instruments	12 267	15 395	(32 886)	(25 826)	(20 619)	(10 431)
Other	103	1 870	(53)	(53)	50	1 817
Provisions	251 593	188 753	-	-	251 593	188 753
Employees benefits	35 637	38 144	-	-	35 637	38 144
Tax losses carried forward	75 732	95 419	-	-	75 732	95 419
Net deferred tax asset / (liability)	375 332	339 581	(32 939)	(25 879)	342 393	313 702

Deferred taxes are calculated rising the tax rates expected to be in force when the temporary differences are reversed, which correspond to the rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset and when the deferred taxes are related to the same tax.

As a result of Law no. 82-B/2014 of 16 January, (State Budget Law for 2015) the income tax rate was reduced from 23% to 21%, being effective from 1 January, 2015 onwards, with impact on deferred taxes calculated on 31 December 2014.

The deferred tax rate is analysed as follows:

	2014 %	2013 %
Income tax (a)	21.0%	23.0%
Municipal surcharge rate	1.5%	1.5%
State surcharge rate	7.0%	5.0%
Total (b)	29.5%	29.5%

(a) - Applicable to deferred taxes related to tax losses;

(b) - Applicable to deferred taxes related to temporary differences

CEMG evaluated the recoverability of its deferred tax assets on the balance sheet based on the expectations of future taxable profits.

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

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

(Thousands of Euro)

Expiry year	2014	2013
2017	28 248	47 935
2018	47 484	47 484
	75 732	95 419

Deferred tax balance movements were recognised as follows:

(Thousands of Euro)

	2014	2013
Initial balance	313 702	243 313
Charged to results	46 027	85 302
Charged to fair value reserves	(10 188)	(12 384)
Charged to reserves and retained earnings	(7 148)	(2 529)
Final balance (Asset / (Liability))	342 393	313 702

Tax recognised in the income and reserves for the years ended 31 December 2014 and 2013 is analysed as follows:

(Thousands of Euro)

	2014		2013	
	Charged to results	Charged to reserves and retained earnings	Charged to results	Charged to reserves and retained earnings
Financial instruments	-	(10 188)	-	(12 384)
Other	(1 767)	-	(2 169)	27
Provisions	62 841	-	40 871	-
Employees benefits	4 640	(7 147)	3 284	(2 556)
Tax losses carried forward	(19 687)	-	43 316	-
Deferred taxes/ recognized (profit)/ losses	46 027	(17 335)	85 302	(14 913)
Current taxes/ recognized (profit)/ losses	(11 433)	-	(1 353)	-
	34 594	(17 335)	83 949	(14 913)

The movements in Net deferred tax balance includes the deferred tax expenses for the year recognised in the profit and loss account, as well as the changes recognised in reserves and retained earnings, namely the impact resulting from the changes of the accounting policy for the recognition of actuarial gains and losses related with pension and post employment benefits and unrealized gains and losses resulting from the revaluation of financial assets available for sale recognised in Equity.

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

(Thousands of Euro)

	2014		2013	
	%	Value	%	Value
Profit before taxes	100	(191 900)		(346 462)
Income tax based on the nominal tax rate	23.0	(44 137)	25.0	(86 616)
Impact of municipal and state surcharge	3.0	5 691	-	-
Post-employment benefits and Pensions Fund	2.2	(4 305)	(0.0)	126
Creation/reversal of taxed provisions	(33.0)	63 409	(10.4)	36 057
Extraordinary contribution for the banking sector	(0.9)	1 743	(0.4)	1 277
Tax benefits	(0.1)	214	(0.1)	404
Used tax losses	6.5	(12 475)	-	-
Autonomous taxation and other assets	(0.5)	989	(0.4)	1 353
Others	(0.2)	304	(14.1)	48 752
Impact on calculation of the deferred tax	(24.0)	(46 027)	24.6	(85 302)
			-	
Income tax for the year	0.2	(34 594)	24.2	(83 949)

CEMG evaluated the recoverability of its deferred tax assets on the balance sheet based on the expectations of future taxable profits. As at 31 December 2014, there are no unrecognised deferred taxes.

In 2012, CEMG was object of a Tax Authority's inspection. As a result of the inspection, CEMG was object of an additional payment of income tax, related to autonomous taxation and other adjustments to the calculated tax loss. Concerning to Stamp Duty, CEMG was also object of additional payment. CEMG paid the settled amounts, without prejudice of appeal regarding some corrections made by the tax authorities.

32 Other assets

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Recoverable subsidies from Portuguese Government unliquidated	6 460	8 111
Other debtors	174 206	100 334
Other accrued income	6 622	6 920
Prepayments and deferred costs	704	2 326
Sundry debtors	50 182	15 724
	238 174	133 415
Impairment for other assets	(3 086)	(3 086)
	235 088	130 329

The balance Recoverable subsidies from Portuguese Government corresponds to mortgage credit interest subsidies, in accordance with the regulations applicable to mortgage loans benefits. The referred amounts do not bear interest and are claimed monthly.

As at 31 December 2014 and 31 December 2013, the balance Recoverable subsidies from the Portuguese Government is analysed as follows:

(Thousands of Euro)

	2014	2013
Recoverable subsidies from the Portuguese Government unliquidated	2 265	677
Subsidies unclaimed	315	4 071
Overdue subsidies unclaimed	3 880	3 363
	6 460	8 111

As at 31 December 2014, the balance Prepayments and deferred costs includes an amount of Euro 1,900 thousands (2013: Euro 3,488 thousands) referring to the impacts of the application of IAS 19 requirements not yet deferred, related to actuarial gains and losses of pension fund as at 1 January, 2005. This amount will be charge for a ten or eight years period depending on whether it relates to obligations with health or employees benefits, respectively, as referred in the note 1 u) and note 49. As at 30 June, 2014, the determined initial impact was fully recognised on equity.

As at 31 December 2014, the balance Sundry debtors includes the amount of Euro 1,443 thousands (2013: Euro 8,027 thousands) regarding transactions with securities recorded on trade date and pending settlement.

33 Deposits from central banks

As at 31 December 2014 and 2013, this balance is related to deposits obtained in the European System of Central Banks and is covered by securities from the available-for-sale portfolio pledged as collaterals portfolio of financial assets available-for-sale.

As at 31 December 2014 and 2013, the analysis of deposits from Central Banks by maturity is as follows:

(Thousands of Euro)

	2014	2013
Up to 3 months	2 020 772	1 768 860
More than 6 months	476 114	1 658 494
	2 496 886	3 427 354

34 Deposits from other financial institutions

This balance is analysed as follows:

(Thousands of Euro)

	2014			2013		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions in Portugal	920	51 854	52 774	139	59 455	59 594
Deposits from credit institutions abroad	323 509	1 261 792	1 585 301	57 869	983 502	1 041 371
	324 429	1 313 646	1 638 075	58 008	1 042 957	1 100 965

The balance Deposits from other financial institutions, analysed by maturity, is as follows:

(Thousands of Euro)

	2014	2013
Up to 3 months	639 551	648 592
3 to 6 months	101 656	99 279
6 months to 1 year	269 137	62 215
1 year to 5 years	379 530	52 076
More than 5 years	246 359	239 022
	1 636 233	1 101 184
Adjustments arising from hedging operations	1 842	(219)
	1 638 075	1 100 965

The balance Deposits from other financial institutions includes emissions at fair value according to internal valuation methodologies, considering mainly markets` observed data, with the amount of Euro 61,009 thousand (2013: Euro 61,023 thousand). So, in accordance with the hierarchy of the valuation sources, as referred in IFRS 13, these instruments are categorized in Level 2. Financial liabilities included in this balance are revaluated against results, according with the accounting policy described in note 1 d), having recognised, at 31 December 2014, a loss of Euro 2,270 thousand (2013: loss of Euro 8,678 thousands) related to fair value variations associated to Group credit risk, as referred in notes 6 and 22.

The balance Deposits from other financial institutions also includes issues subject to hedging operations whose impact on the book value rises to Euro 1,842 thousands (2013: negative Euro 219 thousand). Financial liabilities included in this balance are revaluated against results, according with the accounting policy described in note 1 d), having recognised, at 31 December 2014, a loss of Euro 2,061 thousands (2013: loss of Euro 8,287 thousands), related to changes in the hedged value, as referred in notes 6 and 25.

35 Deposits from customers

This balance is analysed as follows:

(Thousands of Euro)

	2014			2013		
	Non-interest bearing	**Interest bearing**	**Total**	**Non-interest bearing**	**Interest bearing**	**Total**
Deposits repayable on demand	57 083	2 626 412	2 683 495	92 339	2 587 670	2 680 009
Time deposits	-	10 805 813	10 805 813	-	10 794 660	10 794 660
Saving accounts	-	110 992	110 992	-	130 589	130 589
Other resources	8 824	-	8 824	9 566	-	9 566
Adjustments arising from hedging operations	20	-	20	5 363	-	5 363
	65 927	13 543 217	13 609 144	107 268	13 512 919	13 620 187

In the terms of Ordinance no. 180/94, of 15 December, the deposit guarantee fund was established to guarantee the reimbursement of funds deposited in credit institutions. The criteria to calculate the annual contributions to the referred fund are defined by Regulation no. 11/94 of the Bank of Portugal, of 29 December.

The caption Time deposits includes deposits at fair value, measured in accordance with internal evaluation techniques considering, mainly, observable market inputs, in the amount of Euro 95,657 thousand (2013: Euro 484 thousand). According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 c). As at 31 December 2014 a gain in the amount of Euro 5,343 thousand (2013: Euro 10,168 thousand) was recorded, regarding the fair value variations associated to CEMG’s credit risk, as described in notes 6 and 22.

The balance Deposits from customers, analysed by maturity, is as follows:

(Thousands of Euro)

	2014	2013
Deposits repayable on demand	2 683 495	2 680 009
Time deposits and saving accounts		
Due within 3 months	1 677 663	1 870 302
3 months to 6 months	3 599 567	3 122 488
6 months to 1 year	2 462 780	1 953 803
1 year to 5 years	3 109 005	3 910 239
Over 5 years	67 790	68 417
	13 600 300	13 605 258
Adjustments arising from hedging operations	20	5 363
	13 600 320	13 610 621
Other items		
Due within 3 months	8 824	9 566
	13 609 144	13 620 187

36 Debt securities issued

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Euro Medium Term Notes (EMTN)	150 145	216 393
Bonds	1 786 327	1 717 872
Covered bonds	-	80
Commercial paper	-	231 673
	1 936 472	2 166 018

The fair value of the debts securities issued is presented in note 48.

The balance Debt securities issued includes issues at fair value, according with internal valuation techniques and considering, mainly, observable market data. According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 c). As at 31 December 2014 a loss in the amount of Euro 4,148 thousand (2013: a loss of Euro 24,023 thousand) was recognised regarding the fair value variations associated to credit risk of the Group, as described in notes 6 and 22.

As at 31 December 2014, this balance includes the amount of Euro 196,809 thousands (2013: Euro 275,279 thousands) related to debt securities issued recognised in the balance sheet at fair value through profit or loss.

During 2014, CEMG issued Euro 480,853 thousands (2013: Euro 1,633,550 thousands) of debt securities and performed the refund of Euro 745,231 thousands (2013: Euro 1,347,503 thousands).

As at 31 December 2014 and 2013, the analysis of debt securities issued outstanding by maturity is as follows:

(Thousands of Euro)

	2014	2013
Due within 6 months	357 439	292 704
6 months to 1 year	4 852	366 563
1 year to 5 years	1 565 505	1 489 492
Over 5 years	11 475	24 206
	1 939 271	2 172 965
Adjustments arising from hedging operations	(2 799)	(6 947)
	1 936 472	2 166 018

Under the Issuance of covered bonds program, with a maximum amount of 5,000 million Euro, CEMG proceed to the emissions which totalized Euro 2,000 million. The main characteristics of these issues are as follows:

(Thousands of Euro)

Description	Nominal value	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody´s/Fitch/Dbrs)
Covered bonds - 2S	1 000 000	1 000 347	Dec. 2009	Dec. 2016	Quarterly	Euribor 3M + 0.75%	Ba1/BBB/A
Covered bonds - 3S	500 000	502 011	Nov. 2010	Nov. 2015	Quarterly	Euribor 3M + 2.5%	Ba1/BBB/A
Covered bonds- 4S	500 000	500 096	May 2013	May 2017	Monthly	Euribor 1M + 0.75%	Ba1/BBB/A
	2 000 000	2 002 454					

The covered bonds are guaranteed by a cover assets pool, comprised of mortgage credit assets and limited classes of other assets, that the issuer of mortgage covered bonds shall maintain segregated and over which the holders of the relevant covered bonds have a statutory special creditor privilege. These conditions are set up in Decree-Law no. 59/2006, Regulations no. 5/2006, of 20 March, no. 6/2006, of 11 October, no. 7/2006, of 11 October, and no. 8/2006, of 11 October, of Bank of Portugal and Instruction no.13/2006, of 15 November, of Bank of Portugal.

As at 31 December 2014 the amount of credits that collateralize these issues ascended to Euro 2,711,971 thousands (2013: EUR 2,716,829 thousands), according with note 21.

The movements in debt securities issued during the year ended 31 December 2014 is analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Issues	Repayments	Net Repurchase	Other movements (a)	Balance on 31 December
Euro Medium Term Notes (EMTN)	216 393	-	(105 000)	(37 350)	76 102	150 145
Bonds	1 717 872	480 853	(416 641)	-	4 243	1 786 327
Covered bonds	80	-	-	-	(80)	-
Commercial paper	231 673	-	(223 590)	-	(8 083)	-
	2 166 018	480 853	(745 231)	(37 350)	72 182	1 936 472

(a) Other movements include accrued interest, fair value hedge, fair value adjustments and foreign translation exchanges adjustments.

In accordance with the note 1 c), debt issued repurchased by CEMG is derecognised from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement.

The movements in debt securities issued during the year ended 31 December 2013 is analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Issues	Repayments	Net Repurchase	Other movements (a)	Balance on 31 December
Euro Medium Term Notes (EMTN)	545 862	-	(500 000)	147 900	22 631	216 393
Bonds	1 010 813	792 364	(104 282)	-	18 977	1 717 872
Covered bonds	63	500 000	-	(500 000)	17	80
Commercial paper	631 361	341 186	(743 221)	-	2 347	231 673
	2 188 099	1 633 550	(1 347 503)	(352 100)	43 972	2 166 018

(a) Other movements include accrued interest, fair value hedge, fair value adjustments and foreign translation exchanges adjustments.

As at 31 December 2014, the balance Debt securities issued is comprise of the following issues:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGS CAIXA-MONTEPIO INFLACCAO-2008-2016-1 SER.	25/06/2008	16/06/2016	Annual fixed rate of 3.2% + Annual European inflation rate	4 100
OBRIGS CAIXA-CRPC-SETEMBRO-2009-2017	03/09/2009	04/09/2017	Fixed Annual Rate of 3.75% (From 6th to 7th year a fixed rate of 3.75%, 8th year a fixed rate of 6.75%)	1 300
OBRIGS CAIXA-MG TAXA FIXA CRESCENTE ABRIL-2010-2015	19/04/2010	19/04/2015	Fixed Annual Rate of 3% (5th year a fixed rate of 3.5%)	500
OBRIGS CAIXA-MG CAPITAL CERTO-2010-2018-2.-SERIE	21/07/2010	22/07/2018	Fixed Annual Rate of 2.5% (5th year a fixed rate of 2.75%; 6th year a fixed rate of 3%; 7th year a fixed rate of 3.5%, 8th year a fixed rate of 5%)	850
OBRIGS CAIXA-MG TAXA FIXA SETEMBRO 2010-2020	09/09/2010	09/09/2020	Fixed Annual Rate of 4%	200
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-1.SERIE	27/01/2011	28/01/2016	Fixed Annual Rate of 4.03% (4th year a fixed rate of 4.28%, 5th year a fixed rate of 5.28%)	21 650
OBRIGS CAIXA-MG TAXA FIXA JANEIRO 2011-2015	08/02/2011	08/02/2015	Fixed Annual Rate of 4%	19 918
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-2.SERIE	24/02/2011	25/02/2016	Fixed Annual Rate of 4.2% (4th year a fixed rate of 4.3%, 5th year a fixed rate of 5.6%)	21 850
OBRIGS CAIXA-MG TAXA CRESCENTE FEVEREIRO 2016	02/03/2011	25/02/2016	Fixed Annual Rate of 4.2% (4th year a fixed rate of 4.35%, 5th year a fixed rate of 5.6%)	9 050
OBRIGS CAIXA-MONTEPIO TOP EUROPA	09/03/2011	09/03/2015	At maturity, the investor will receive the interest indexed to the performance of the Euro Stoxx50 index and Gold price.	4 970
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-3.SERIE	31/03/2011	01/04/2016	Fixed Annual Rate of 4.25% (4th year a fixed rate of 4.5%, 5th year a fixed rate of 5.5%)	19 150
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019-1.SERIE	31/03/2011	01/04/2019	Fixed Annual Rate of 4.65% (4th year a fixed rate of 4.65%, 5th year and 6th year fixed rate of 5%, 7th year and 8th year fixed rate of 6.5%)	2 050
OBRIGS CAIXA-MG TAXA CRESCENTE ABRIL 2016	06/04/2011	01/04/2016	Fixed Annual Rate of 4.5% (4th year a fixed rate of 4.75%, 5th year a fixed rate of 5.75%)	3 600
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-4.SERIE	28/04/2011	29/04/2016	Fixed Annual Rate of 4.25% (4th year a fixed rate of 4.5%, 5th year a fixed rate of 5.5%)	14 800
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-5.SERIE	26/05/2011	27/05/2016	Fixed Annual Rate of 4.6% (4th year a fixed rate of 4.8%, 5th year a fixed rate of 5.75%)	12 800
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019-2.SERIE	26/05/2011	27/05/2019	Fixed Annual Rate of 5.15% (4th year a fixed rate of 5.15%, 5th year ande 6th year a fixed rate of 5.5%; 7th year a fixed rate of 6%, 8th year a fixed rate of 7%)	2 500
OBRIGS CAIXA-MG TAXA CRESCENTE JUN2011-ABR2016	08/06/2011	29/04/2016	Fixed Annual Rate of 4.5% (4th year a fixed rate of 4.75%, 5th year a fixed rate of 5%)	500
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-6.SERIE	30/06/2011	01/07/2016	Fixed Annual Rate of 4.6% (4th year a fixed rate of 4.8%, 5th year a fixed rate of 5.75%)	10 000
OBRIGS CAIXA-MG CAPITAL CERTO 1795 DIAS 2011/2016	04/08/2011	29/07/2016	Fixed Annual Rate of 4.6% (4th year a fixed rate of 4.8%, 5th year a fixed rate of 5.75%)	7 850
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2019-3 SERIE	07/09/2011	01/07/2019	Fixed Annual Rate of 5.15% (4th year a fixed rate of 5.15%, 5th year ande 6th year a fixed rate of 5.5%; 7th year a fixed rate of 6%, 8th year a fixed rate of 7%)	4 900
OBRIGS CAIXA-MG CAPITAL CERTO 2011/2016-7 SERIE	07/09/2011	01/09/2016	Fixed Annual Rate of 4.6% (4th year a fixed rate of 4.8%, 5th year a fixed rate of 5.75%)	9 850
OBRIGS CAIXA-FNB DEZEMBRO 07/17	20/12/2010	19/12/2017	1st year' a fixed rate of 5%; After 2nd year interest is calculated = Minimum [15 * (30 Yr Swap Rate – 10 Yr Swap Rate) + 0.75%;15 * (10 Yr swap Rate – 2 Yr Swap Rate) + 1.25%], of the index with a minimum of 0% and a maximum of 6,5% each year.	23 735
OBRIGS CAIXA-MG CAPITAL CERTO 2016-11 SERIE	20/01/2012	01/12/2016	Fixed semiannual rate of 6.36% (6th semester a fixed rate of 4.5%, 7th and 8th Semester a fixed rate of 6.68%, 9th and 10th Semester a fixed rate of 5.75%)	2 500
OBRIGS CAIXA-MG CAPITAL CERTO 2016-12 SERIE	20/01/2012	29/12/2016	Fixed semiannual rate of 6.026% (5th and 6th semester a fixed rate of 6.839%, 7th and 8th semester a fixed rate of 7.6515%, 9th e 10th semester a fixed rate of 11.714%)	4 000
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-1.SERIE	31/01/2012	01/02/2017	Fixed semiannual rate of 6.035% (5th and 6th semester a fixed rate of 6.861%,7th and 8th semester a fixed rate of 7.686%, 9th e 10th semester a fixed rate of 10.162%)	5 650
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-2.SERIE	28/02/2012	01/03/2017	Fixed Annual Rate of 5.6667% (3rd year a fixed rate of 6.50%, 4th year a fixed rate of 7.3333%, 5th year a fixed rate of 9.8333%)	9 750
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-3.SERIE	30/03/2012	31/03/2017	Fixed Annual Rate of 4.9539% (3rd year a fixed rate of 5.2830%, 4th year a fixed rate of 5.6122%, 5th year a fixed rate of 6.5997%)	30 000
OBRIGS CAIXA-CRPC-2012-2020-1.SERIE	30/03/2012	31/03/2020	Fixed Annual Rate of 5.25% (3rd year and 4th year a fixed rate of 6%, 5th year a fixed rate of 6.75%; 6th year, 7th year and 8th year of Max[6.25% and Min (CPI+2%;9.15%)]	4 400
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-4.SERIE	30/04/2012	01/05/2017	Fixed Annual Rate of 4.80% (3th year a fixed rate of 5.10%, 4th year a fixed rate of 5.40%, 5th year a fixed rate of 6.35%)	67 750
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-5.SERIE	31/05/2012	01/06/2017	Fixed Annual Rate of 6.8874%(3th year a fixed rate of 8.8782%; 4th year a fixed rate of 9.6247%, 5th year a fixed rate of 13.6063%)	8 700
OBRIGS CAIXA-MONTEPIO CAPITAL CERTO 2012-2020-2ªSERIE	31/05/2012	01/06/2020	Fixed Annual Rate of 8.2583% (3rd year a fixed rate of 8.2583%; 4th year a fixed rate of 9.7083%; 5th year a fixed rate of 10.7250%; 6th year a fixed rate of 7.4750%; 7th year a fixed rate of 8.3% , 8th year a fixed rate of 11.1583%)	600
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-6.SERIE	29/06/2012	30/06/2017	Fixed Annual Rate of 7.27% (3rd year a fixed rate of 8.02%; 4th year a fixed rate of 9.27%, 5th year a fixed rate of 12.77%)	5 000
OBRIGACOES CAIXA-MONTEPIO CABAZ ACOES JUNHO 2012/2015	11/07/2012	11/07/2015	At maturity the investor will receive 50% of the average performance of the basket compared to the initial price with a minimum return of 3.75% and a maximum of 30%.	2 272

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-7.SERIE	31/07/2012	01/08/2017	Fixed Annual Rate of 8.40% (3rd year a fixed rate of 8.65%; 4th year fixed rate of 10.40%; 5th year a fixed rate of 11.90%)	6 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR AGO/12 06082015	06/08/2012	06/08/2015	Interests are paid on a semiannual base with a fixed rate of 5.25 % (4th semester a fixed rate of 5.25%; 5th semester and 6th semester a fixed rate of 5.35%)	1 025
OBRIGS CAIXA-MONTEPIO CAPITAL CERTO 2012-2020-3ªSERIE	31/08/2012	01/09/2020	Fixed Annual Rate of 5.25% (3th year and 4th year a fixed rate of 6%; 5th year a fixed rate of 6.75%; 6th year, 7th year, 8th year a fixed rate of Max(6.25% ; Min(CPI+2% ; 9.15%))	1 345
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-8.SERIE	31/08/2012	01/09/2017	Fixed Annual Rate of 9.7667% (3rd year a fixed rate of 10.9333%; 4th year a fixed rate of 12.1%; 5th year a fixed rate of 10.7%)	9 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR SET/12 19092014	19/09/2012	19/09/2015	Interests are paid on a semiannual base with a fixed rate of 5.25 % (3rd year a fixed rate of 5.35%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-9.SERIE	28/09/2012	29/09/2017	Fixed Annual Rate of 11.9179% (3rd year a fixed rate of 12.1625%; 4th year a fixed rate of 13.3857%; 5th year a fixed rate of 12.3286%)	14 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR OUT12 01102015	01/10/2012	01/10/2015	Fixed Annual Rate of 5.25% (3rd year a fixed rate of 5.35%)	340
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-10.SERIE	31/10/2012	31/10/2017	Fixed Annual Rate of 5.15% (3rd year a fixed rate of 5.40%; 4th year a fixed rate of 5.60%; 5th year a fixed rate of 6.15%)	56 250
OBRIGS CAIXA-MG POUPANÇA FAMILIAR 1.SERIE	28/11/2012	29/11/2017	Fixed Annual Rate of 5.15% (3rd year and 4th year a fixed rate of 5.25%; 5th year a fixed rate of 6.70%)	3 450
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-11.SERIE	28/11/2012	29/11/2017	Fixed Annual Rate of 5.15% (3rd year and 4th year a fixed rate of 5.25%; 5th year a fixed rate of 5.70%)	47 250
OBRIGACOES CAIXA-MONTEPIO PARTICULAR DEZ12-21122015	21/12/2012	21/12/2015	Interests are paid on a semiannual base with a fixed rate of 5.25% (4th semester a fixed rate of 5,25% ; 5th semester and 6th semester a fixed rate of 5.35%)	300
OBRIGS CAIXA-MOMTEPIO-TIMBI-LEVERAGE 2012/2015	31/12/2012	31/12/2015	VN*Max(0%;(400%*Portfolio performance))	5
OBRIGS CAIXA-MG-CABAZ LATAM COMMODITIES 2012/2015	31/12/2012	31/12/2015	VN*Max(0%;Min(30%;60%**Portfolio performance*))	5
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-03012015	03/01/2013	03/01/2015	Fixed Annual Rate of 5% (2nd year a fixed rate of 5%)	11 800
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-12.SERIE	15/01/2013	29/12/2017	Fixed Annual Rate of 5% (2nd year a fixed rate of 5.125%; 3rd year a fixed rate of 5.25%; 4th year a fixed rate of 5.40%; 5th year a fixed rate of 5.75%)	28 050
OBRIGS CAIXA-MG POUPANÇA FAMILIAR 2.SERIE	15/01/2013	29/12/2017	Fixed Annual Rate of 5% (2nd year a fixed rate of 5.25%; 3th year a fixed rate of 5.40%; 4th year a fixed rate of 5.60%; 5th year a fixed rate of 6.25%)	2 300
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-22012015	22/01/2013	22/01/2015	Interests are paid on a semiannual base with a fixed rate of 4.6% (3rd and 4th semester a fixed rate of 4.6%)	1 050
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-23012016	23/01/2013	23/01/2016	Fixed Annual Rate of 4.5% (2nd and 3rd year a fixed rate of 5.25%)	550
OBRIGS CAIXA-MONTEPIO TAXA FIXA-23JAN-2013-2015	23/01/2013	23/01/2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.25%)	6 154
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-23JAN 2013/15	23/01/2013	23/01/2015	Fixed Annual Rate of 4.75% (2nd year a fixed rate of 4.75%)	19 018
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-29012016	29/01/2013	29/01/2016	Fixed Annual Rate of 4.5% (2nd year a fixed rate of 4.75%; 3rd year a fixed rate of 5%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-1.SERIE	31/01/2013	01/02/2018	Fixed Annual Rate of 5.00% (2nd year a fixed rate of 5.10%; 3rd year a fixed rate of 5.15%; 4th year a fixed rate of 5.25%; 5th year a fixed rate of 5.50%)	58 400
OBRIGS CAIXA-MONTEPIO PARTIC FEVEREIRO 2013-04022015 3,95%	04/02/2013	04/02/2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	500
OBRIGS CAIXA-MONTEPIO PARTIC FEV2013-04022015-4PC	04/02/2013	04/02/2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	446
OBRIGS CAIXA-MONTEPIO PARTIC FEV2013-04022015-4,625PC	04/02/2013	04/02/2015	Interests are paid on a semiannual base with a fixed rate of 4.50% (3rd semester and 4th semester a fixed rate of 4.75%)	1 000
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-6FEV-2013-2015	06/02/2013	06/02/2015	Fixed Annual Rate of 4.50% (2nd year a fixed rate of 4.5%)	14 736
OBRIGS CAIXA-MONTEPIO TAXA FIXA-6 FEVEREIRO 2013-2015	06/02/2013	06/02/2015	Fixed Annual Rate of 4.15% (2nd year a fixed rate of 4.15%)	5 961
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-13022016	13/02/2013	13/02/2016	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%; 3th year a fixed rate of 4.5%)	250
OBRIGACOES CAIXA-MONTEPIO PARTIC-USD-FEV/13	13/02/2013	13/02/2018	Fixed Annual Rate of 3.90%	222
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-19022015	19/02/2013	19/02/2015	Interests are paid on a semiannual base with a fixed rate of 4.25% (2nd year a fixed rate of 4.40%)	529
OBRIGS CAIXA-MONTEPIO TAXA FIXA-20 FEVEREIRO 2013-2015	20/02/2013	20/02/2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	4 500
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-20FEV-2013-2015	20/02/2013	20/02/2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.25%)	9 077
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-22022015	22/02/2013	22/02/2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	640
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-26022015	26/02/2013	26/02/2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	1 528
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-2.SERIE	28/02/2013	01/03/2018	Fixed Annual Rate of 4.85% (2nd year a fixed rate of 4.85%; 3rd year and 4th year a fixed rate of 5.00%; 5th year a fixed rate of 5.40%)	43 550
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2021-1.SERIE	28/02/2013	01/03/2021	Fixed Annual Rate of 5.15% (2nd year a fixed rate of 5.20%; 3rd year a fixed rate of 5.30%; 4th year a fixed rate of 5.30%; 5th year a fixed rate of 5.90%; 6th year of Max[5.95%; Min (CPI+2%;8.25%)]; 7th year of Max[6.15%; Min (CPI+2%;8.50%)]; 8th year of Max[6.45%; Min (CPI+2%;8,50%)])	2 865

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-05032015	05/03/2013	05/03/2018	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%; 3rd year a fixed rate of 4.50%; 4th year a fixed rate of 4.70%; 5th year a fixed rate of 4.90%)	250
OBRIGS CAIXA-MONTEPIO TAXA FIXA-06 MARCO 2013-2015	06/03/2013	06/03/2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	3 681
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-06 MAR-2013-2015	06/03/2013	06/03/2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	11 479
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-15032015	15/03/2013	15/03/2015	Fixed Annual Rate of 4.25% (2nd year a fixed rate of 4.40%)	15 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-18032015	18/03/2013	18/03/2015	Fixed Annual Rate of 4.15% (2nd year a fixed rate of 4.25%)	265
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-19032015	19/03/2013	19/03/2015	Fixed Annual Rate of 4.15% (2nd year a fixed rate of 4.25%)	700
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-27032015	27/03/2013	27/03/2015	Fixed Annual Rate of 4.05% (2nd year a fixed rate of 4.125%)	250
OBRIGS CAIXA-MONTEPIO TAXA FIXA-20 MARCO 2013-2015	20/03/2013	20/03/2015	Fixed Annual Rate of 4.1% (2nd year a fixed rate of 4.1%)	30 770
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-3.SERIE	28/03/2013	29/03/2018	Fixed Annual Rate of 4.40% (2nd year a fixed rate of 4.55%; 3th year a fixed rate of 4.75%; 4th year a fixed rate of 4.90%; 5th year a fixed rate of 5.65%)	31 025
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-28032016	28/03/2013	28/03/2016	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%; 3rd year a fixed rate of 4.275%)	425
OBRIGS CAIXA-MONTEPIO TAXA FIXA-03 ABRIL 2013-2015	03/04/2013	03/04/2015	Interests are paid on a semiannual base with a fixed rate of 4% (2nd year a fixed rate of 4%)	18 203
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 05042015	05/04/2013	05/04/2015	Fixed Annual Rate of 4.125% (2nd year a fixed rate of 4.125%)	500
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 17042015	17/04/2013	17/04/2015	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%)	500
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 22042015	22/04/2013	22/04/2015	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%)	300
OBRIGS CAIXA-MONTEPIO TAXA FIXA-17 ABRIL 2013-2015	24/04/2013	24/04/2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	30 599
OBRIGS CAIXA-MONTEPIO POUPANÇA FAMILIAR 2013-2018-1.SERIE	30/04/2013	01/05/2018	Fixed Annual Rate of 4.40% (2nd yeara fixed rate of 4.55%; 3rd year a fixed rate of 4.75%; 4th year a fixed rate of 4.90%; 5th year a fixed rate of 6.70%)	3 050
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-4.SERIE	30/04/2013	01/05/2018	Fixed Annual Rate of 4.40% (2nd year a fixed rate of 4.55%; 3rd year a fixed rate of 4.75%; 4th year a fixed rate of 4.90%; 5th year a fixed rate of 6.70%)	41 200
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 06052015	06/05/2013	06/05/2015	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%)	1 100
OBRIGS CAIXA-MONTEPIO TAXA FIXA-15 MAIO 2013-2015	15/05/2013	15/05/2015	Fixed Annual Rate of 4% (2nd year a fixed rate of 4%)	22 406
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 17052015	20/05/2013	20/05/2015	Interests are paid on a semiannual base with a fixed rate of 4% (2nd year a fixed rate of 4%)	400
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 22052015	22/05/2013	22/05/2015	Fixad Annual Rate of 4.075% (2nd year a fixed rate 4.175%)	7 500
OBRIGS CAIXA-MONTEPIO TAXA FIXA-29 MAIO 2013-2015	29/05/2013	29/05/2015	Interests are paid on a semiannual base with a fixed rate of 4% (2ºnd year a fixed rate of 4%)	9 450
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 29052015	29/05/2013	29/05/2015	Fixed Annual Rate of 4.075% (2nd year a fixed rate of 4.175%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-5.SERIE	31/05/2013	01/06/2018	Fixed Annual Rate of 4.4% (2nd year a fixed rate of 4.55%; 3rd year a fixed rate of 4.75%; 4th year a fixed rate of 4.9%; 5th year a fixed rate of 5.65%)	49 150
OBRIGS CAIXA-MONTEPIO TAXA FIXA-12 JUNHO 2013-2015	12/06/2013	12/06/2015	Interests are paid on a semiannual base with a fixed rate of 3.75% (2nd year a fixed rate of 3.75%)	7 867
OBRIGS CAIXA-MONTEPIO TAXA FIXA-26 JUNHO 2013-2015	26/06/2013	26/06/2015	Interests are paid on a semiannual base with a fixed rate of 3.75% (2nd year a fixed rate of 3.75%)	6 835
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-6.SERIE	28/06/2013	29/06/2018	Fixed Annual Rate of 4.4% (2nd year a fixed rate of 4.4%; 3rd year a ficed rate of 4.6%; 4th year a fixed rate of 4.75%; 5th a fixed rate of 4.9%)	39 550
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2021-2.SERIE	28/06/2013	29/06/2021	Fixed Annual Rate of 4.9% (2nd year a fixed rate of 4.9%, 3rd year a fixed rate of 5.1%, 4th year a fixed rate of 5.1%;5th year a fixed rate of 5.65%; 6th year to 8 th year of Max(5.95%;Min(IPC+2%;8.15%))	1 645
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-7.SERIE	31/07/2013	01/08/2018	Fixed Annual Rate of 3.85% (2nd year a fixed rate of 4.15%, 3rd year a fixed rate of 4.35%, 4th year a fixed rate of 4.55%; 5th year a fixed rate of 4.9%)	43 800
OBRIGACOES CAIXA-MONTEPIO PARTICULAR AGO/13 29082015	29/08/2013	29/08/2015	Interests are paid on a semiannual base with a fixed rate of 2.8% (2nd year a fixed rate of 2.8%)	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-8.SERIE	30/08/2013	31/08/2018	Fixed Annual Rate of 3.65% (2nd year a fixed rate of 4.15%; 3th year a fixed rate of 4.35%, 4th year a fixed rate of 4.55%; 5th year a fixed rate of 4.90%)	41 000
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-9.SERIE	30/09/2013	01/10/2018	Fixed Annual Rate of 3.65% (2nd year a fixed rate of 3.75%, 3rd year a fixed rate of 4%; 4th year a fixed rate of 4.2%; 5th year a fixed rate of 4.4%)	47 300
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-10.SERIE	31/10/2013	01/11/2018	Fixed Annual Rate of 3.75% (2nd year a fixed rate of 3.75%; 3rd year a fixed rate of 4%; 4th year a fixed rate of 4.1%; 5th year a fixed rate of 4.4%)	41 100
CEMG CAP CERTO 2013/2018 11 SERIE	29/11/2013	30/11/2018	Fixed Annual Rate of 3.65% (2nd year a fixed rate of 3.65%; 3rd year a fixed rate of 3.7%; 4th year a fixed rate of 3.75%; 5th year a fixed rate of 4%)	35 750
MONTEPIO CAP CERTO 2013/2018 12ª SERIE	30/12/2013	31/12/2018	Fixed Annual Rate of 3.65% (2nd year a fixed rate of 3.65%; 3rd year a fixed rate of 3.7%; 4th year a fixed rate of 3.75%; 5th year a fixed rate of 4%)	27 500

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
MONTEPIO CAPITAL CERTO 2014/2019 1S	31-01-2014	01-02-2019	Fixed Annual Rate of 3.4% (2nd year a fixed rate of 3.4%; 3th year a fixed rate of 3.45%, 4th year a fixed rate of 3.5%; 5th year a fixed rate of 5.75%)	36 550
MONTEPIO CAPITAL CERTO 2014/2019 2S	28-02-2014	01-03-2019	Fixed Annual Rate of 3.4% (2nd year a fixed rate of 3.4%; 3th year a fixed rate of 3.45%, 4th year a fixed rate of 3.5%; 5th year a fixed rate of 5.75%)	44 100
CEMG CX PART 2014/06.03.2017	06-03-2014	06-03-2017	Fixed rate 2.675%	400
CEMG CX PART 2014/17.03.2016	17-03-2014	17-03-2016	Fixed rate 2.5%	253
CEMG CAP CERTO 2014/2019 3 SERIE	28-03-2014	29-03-2019	Fixed Annual Rate of 3.4% (2nd year a fixed rate of 3.4%; 3th year a fixed rate of 3.45%, 4th year a fixed rate of 3.5%; 5th year a fixed rate of 5.75%)	44 550
CEMG CAP CERTO 2014/2019 4 SERIE	30-04-2014	01-05-2019	Fixed Annual Rate of 3.4% (2nd year a fixed rate of 3.4%; 3th year a fixed rate of 3.45%, 4th year a fixed rate of 3.5%; 5th year a fixed rate of 5.75%)	47 300
CEMG CAP CERTO 2014/2019 5 SERIE	30-05-2014	31-05-2019	Fixed Annual Rate of 3.4% (2nd year a fixed rate of 3.4%; 3th year a fixed rate of 3.45%, 4th year a fixed rate of 3.5%; 5th year a fixed rate of 5.75%)	44 150
MONTEPIO PART 2014/23.06.2016	23-06-2014	23-06-2016	Fixed rate 2%	300
CEMG CAP CERTO 2014/2019 6 SERIE	30-06-2014	01-07-2019	Fixed Annual Rate of 3.4% (2nd year a fixed rate of 3.4%; 3th year a fixed rate of 3.45%, 4th year a fixed rate of 3.5%; 5th year a fixed rate of 5.75%)	41 950
CEMG CAP CERTO 2014/2019 7 SERIE	31-07-2014	01-08-2019	Fixed Annual Rate of 3.15% (2nd year a fixed rate of 3.15%; 3th year a fixed rate of 3.20%, 4th year a fixed rate of 3.25%; 5th year a fixed rate of 3.50%)	67 500
CEMG CAP CERTO 2014/2019 8 SERIE	29-08-2014	30-08-2019	Fixed Annual Rate of 3.15% (2nd year a fixed rate of 3.15%; 3th year a fixed rate of 3.20%, 4th year a fixed rate of 3.25%; 5th year a fixed rate of 3.50%)	46 600
CEMG CAP CERTO 2014/2019 9S	30-09-2014	01-10-2019	Fixed Annual Rate of 2.75% (2nd year a fixed rate of 2.8%; 3th year a fixed rate of 3.00%, 4th year a fixed rate of 3.10%; 5th year a fixed rate of 3.35%)	27 600
CEMG CAP CERTO 2014/2019 10 SERIE	31-10-2014	01-11-2019	Fixed Annual Rate of 2.90% (2nd year a fixed rate of 2.95%; 3th year a fixed rate of 2.95%, 4th year a fixed rate of 2.95%; 5th year a fixed rate of 3.25%)	38 600
CEMG CAP CERTO 2014/2019 11 SERIE	28-11-2014	29-11-2019	Fixed Annual Rate of 2.90% (2nd year a fixed rate of 2.95%; 3th year a fixed rate of 2.95%, 4th year a fixed rate of 2.95%; 5th year a fixed rate of 3.25%)	41 000
Emp.Obrigaccionista - CEMG 05	25-02-2005	25-02-2015	1st year: 3.5%; 2nd year: 0.875% x 10year CMS rate	80 050
Emp.Obrigaccionista - CEMG 07	30-01-2007	30-01-2017	1st year: 4.2%; 2nd year: 1.00% x 10year CMS rate	70 750
			Debt securities issued	1 892 044
			Adjustments arising from hedging operations	(2 799)
			Accruals, deferred costs and income	47 227
				1 936 472

As at 31 December 2014, bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 1.06% and 12.16% (2013: 0.5% and 16.76%).

37 Financial liabilities relating to transferred assets

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Pelican Mortgages No. 3	298 145	321 510
Pelican Mortgages No. 4	745 221	779 364
Aqua Mortage No. 1	148 952	170 308
Pelican Mortgages No. 5	757 507	794 121
Pelican SME	-	387 402
Pelican Mortgages No. 6	948 786	991 952
Aqua SME n.º 1	-	195
Pelican Finance No. 1	176 469	-
	3 075 080	3 444 852

The detail of these operations is presented in note 51.

38 Provisions

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Provisions for general banking risks	113 295	110 993
Provisions for liabilities and charges	16 151	4 918
	129 446	115 911

The movements in provisions for liabilities and charges are analysed as follows:

(Thousands of Euro)

	2014	2013
Balance on 1 January	110 993	106 663
Charge for the year	115 291	79 411
Write-back for the year	(112 989)	(75 081)
Balance on 31 December	113 295	110 993

The General provision for loan losses, was calculated in accordance with Regulation no. 3/95, of 30 June, no. 2/99, of 15 January, and no. 8/03 of 30 January of the Bank of Portugal, as referred in accounting policy 1 b).

As at 31 December 2013, CEMG reclassified commercial paper from financial assets available for sale to the loans and advances to customers. This transfer led to an establishment of reserves for general banking risks in the amount of Euro 7,558 thousands, as described in notes 21 and 24.

The movements of the provisions for liabilities and charges are analysed as follows:

(Thousands of Euro)

	2014	2013
Balance on 1 January	4 918	3 536
Charge for the year	12 615	1 382
Write-back for the year	(1 383)	-
Charge-off	1	-
Balance on 31 December	16 151	4 918

These provisions are accounted in accordance with the probability of occurrence of certain contingencies related with the CEMG's activity, and are revised in each reporting date in order to reflect the best estimate of the amount and probability of payment.

39 Other subordinated debt

As at 31 December 2014 and 2013, this balance refers to Bonds with fixed maturity and with a residual reimbursement over 5 years.

As at 31 December 2014, the main characteristics of Other subordinated debt, are analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Issue amount	Interest rate	Book value
CEMG/06	Apr.2006	Apr.2016	50 000	Euribor 3 months+0.95%	26 154
CEMG/08	Feb.2008	Feb.2018	150 000	Euribor 6 months+1.5%	121 330
CEMG/08	Jun.2008	Jun.2018	28 000	Euribor 12 months+1.5%	18 179
CEMG/08	Jul.2008	Jul.2018	150 000	Euribor 6 months+1.5%	121 031
FNB 08/18 1ª/2ª Série	Dec.2008	Dec.2018	10 363	Euribor 6 months+1.5% (iv)	10 375
FNB Rendimento Seguro 05/15	Jun.2005	Jun.2015	238	6.25%*VN Min.(quote) (iii)	238
FNB Grandes empresas 07/16_ 1ª série	May 2007	May.2016	6 450	Max.(0;6.0%*(1-n/5)) (i)	6 512
FNB Grandes empresas 07/16_ 2ª/3ª série	Jun.2011	Jun.2016	30 250	Max.(0;6.0%*(1-n/5)) (i)	30 491
FNB Indices estratégicos 07/17 1ª série	May 2007	Jun.2015	14 947	6.25%*VN Min.(quote) (ii)	14 947
FNB Indices estratégicos 07/17 2ª/3ª série	Jun.2011	Jun.2015	39 000	Euribor 6 months+0.5% (ii)	39 000
					388 257
				Adjustments arising from hedging operations	(139)
					388 118

As at 31 December 2013, the main characteristics of Other subordinated debt, are analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Issue amount	Interest rate	Book value
CEMG/06	Apr.2006	Apr.2016	50 000	Euribor 3 months+0.95%	26 139
CEMG/08	Feb.2008	Feb.2018	150 000	Euribor 6 months+1.5%	121 368
CEMG/08	Jun.2008	Jun.2018	28 000	Euribor 12 months+1.5%	18 179
CEMG/08	Jul.2008	Jul.2018	150 000	Euribor 6 months+1.5%	121 053
FNB 08/18 1ª/2ª Série	Dec.2008	Dec.2018	10 363	Euribor 6 months+1.5% (iv)	10 375
FNB Rendimento Seguro 05/15	Jun.2005	Jun.2015	238	6.25%*VN Min.(quote) (iii)	238
FNB Grandes empresas 07/16_ 1ª série	May 2007	May.2016	6 450	Max.(0;6.0%*(1-n/5)) (i)	6 486
FNB Grandes empresas 07/16_ 2ª/3ª série	Jun.2011	Jun.2016	30 250	Max.(0;6.0%*(1-n/5)) (i)	30 388
FNB Indices estratégicos 07/17 1ª série	May 2007	Jun.2015	14 947	6.25%*VN Min.(quote) (ii)	14 947
FNB Indices estratégicos 07/17 2ª/3ª série	Jun.2011	Jun.2015	39 000	Euribor 6 months+0.5% (ii)	39 000
					388 173
				Adjustments arising from hedging operations	(1 795)
					386 378

References:

(i) - The following coupons will be paid, on the year end of each year (May 9, to the 1st series and Junho 20, to the 2nd and 3rd series):

Coupon	Interest rate/range
1º Coupon	5.50%
2º Coupon	5.50%
3º Coupon	Max [0; 6.0% * (1-n/3)]
4º Coupon	Max [0; 6.0% * (1-n/4)]
5º Coupon	Max [0; 6.0% * (1-n/5)]
6º Coupon	Max [0; 6.0% * (1-n/6)]
7º Coupon	Max [0; 6.0% * (1-n/7)]
8º Coupon	Max [0; 6.0% * (1-n/8)]
9º Coupon	Max [0; 6.0% * (1-n/9)]

Notes:

where, n is the accumulated number of reference entities in which a credit event has occurred

If a merge between two or more reference entities had occur and if a credit event occur in the merged entity, it will be accounted many credit events as the number of merged companies.

(ii) - The payment will be annually and it will be equal:

Coupon	Interest rate/ range
1st year	5.5% * notional
2nd year	5.5% * notional
3rd and the following	6.25% * notional if Min (SDk/SD0-SXk/SX0; HSk/HS0- SXk/SX0) > Barreira k ***

*** if not = 0%, where:

Barrier 3 = Barrier to be applied on 3rd cupon = 0%;
Barrier 4 = Barrier to be applied on 4th cupon = 1%;
Barrier 5 = Barrier to be applied on 5th cupon = 2%;
Barrier 6 = Barrier to be applied on 6th cupon = 3%;
Barrier 7 = Barrier to be applied on 7th cupon = 4%;
Barrier 8 = Barrier to be applied on 8th cupon = 5%;
Barrier k = Barrier to be applied on k*cupon
SDk – Closing of Eurostoxx Select Dividend (Bloomberg: SD3E) on observation date K (K=1 to 6)
SD0 – Closing of Eurostoxx Select Dividend (Bloomberg: SD3E) at beginning date
SXk – Closing of Eurostoxx50 Total Return (Bloomberg: SX5T) on observation date K (K=1 a 6)
SX0 – Closing of Eurostoxx50 Total Return (Bloomberg: SX5T) at beginning date
HSk – Closing of HS60 Europe (Bloomberg: HS60EU) on observation date K (K=1 a 6)
HS0 – Closing of HS60 Europe (Bloomberg: HS60EU) at beginning date

(iii) - The payment will be semiannual, with a minimum of 1% and a maximum of 5%, and it will be calculated according with the following formula (annual rate):

n/N * 5% +m/N * 1%

where:
n is the number of working days of the respective period in which Euribor 6 months will be in the fixed range;
m is the number of working days of the respective period in which Euribor 6 months will be outside the fixed range;
N is the number of working days of the respective period.

Note:

Range is defined on the following table for each coupon:

Period	Coupon date	Range
1st semester	09-Dec-05	[1,60; 2,75%]
2nd semester	09-Jun-06	[1,60; 3,00%]
3rd semester	09-Dec-06	[1,60; 3,25%]
4th semester	09-Jun-07	[1,60; 3,50%]
5th semester	09-Dec-07	[1,60; 3,50%]
6th semester	09-Jun-08	[1,70; 3,75%]
7th semester	09-Dec-08	[1,70; 3,75%]
8th semester	09-Jun-09	[1,70; 4,00%]
9th semester	09-Dec-09	[1,80; 4,00%]
10th semester	09-Jun-10	[1,80; 4,25%]
11th semester	09-Dec-10	[1,80; 4,25%]
12th semester	09-Jun-11	[1,80; 4,50%]
13th semester	09-Dec-11	[1,90; 4,50%]
14th semester	09-Jun-12	[1,90; 4,50%]
15th semester	09-Dec-12	[1,90; 4,50%]
16th semester	09-Jun-13	[1,90; 4,50%]
17th semester	09-Dec-13	[2,00; 4,50%]
18th semester	09-Jun-14	[2,00; 4,50%]
19th semester	09-Dec-14	[2,00; 4,50%]
20th semester	09-Jun-15	[2,00; 4,50%]

(iv) - The payment will be semiannual and the first coupon will be fixed:

Coupon	Interest rate/ Range
1st coupon	6.50% (annual rate)
between 2nd and 10th cc	Euribor 6M + 1.50% (annual rate)
11th and following	Euribor 6M + 1.75% (annual rate)

The balance Other subordinated debt includes debt securities valued at fair value in accordance with internal valuation techniques considering, mainly, observable market data. According with the hierarchy of the evaluation sources, as referred in IFRS 13, these instruments are classified in level 2. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 c). As at 31 December 2014 the amount of Euro 1,656 thousands (2013: Euro 640 thousands) was recognised, regarding the fair value variations resulting from the Group's credit risk, as referred in notes 6 and 22.

As at 31 December 2014, this balance accounts the amount of Euro 53,947 thousands (2013: 90,821 thousands) of other subordinated debt at the balance sheet at fair value through profit or loss.

Other subordinated debt portfolio is recorded at fair value, as presented in note 48.

As at 31 December 2014 and 2013, the effective interest rate range of the subordinated debt bears postponed interest every three and six months and are set between 0.8% and 2.03% (2013: 0.86% and 2.084%).

40 Other liabilities

This balance is analysed as follows:

(Thousands of Euro)

	2014	2013
Creditors		
Suppliers	15 885	9 746
Other creditors	33 682	225 277
Administrive public sector	15 738	19 599
Holiday pay and subsidies	33 709	34 404
Other administrative costs payable	180	140
Deferred income	1 686	1 658
Other sundry liabilities	178 580	148 997
	279 460	439 821

As at 31 December 2014, the balance Other sundry liabilities includes the amount of Euro 90,056 thousands, related with the net liabilities recognised in the balance sheet, which represent the difference between the costs with pensions, health benefits and death subsidy and the assets, as referred in note 49. This amount includes the contribution to the pension fund referring to the year 2014, pending settlement, in the amount of Euro 64,739 thousands.

As at 31 December 2013, the balance Other creditors includes the amount of Euro 196,980 thousands related to the advances received for real estate positions sold to investment funds Montepio Arrendamento II - Fundo de Investimento Imobiliário para Arrendamento Habitacional and Montepio Arrendamento III – Fundo de Investimento Imobiliário para Arrendamento Habitacional, as referred in note 28.

As at 31 December 2013, the balance Other sundry liabilities includes the amount of Euro 68,205 thousands engaged to balances of banking and financial transactions pending settlement.

41 Institutional capital

CEMG's institutional capital, which is fully paid, amounts to Euro 1,500 million, fully belonging to Montepio Geral – Associação Mutualista.

On 6 November 2013, following the Executive Board of Directors deliberation, CEMG increased the share capital of Caixa Económica Montepio Geral in the amount of Euro 105,000 thousands, by cash transfer.

On 26 September 2013, following the Executive Board of Directors deliberation, CEMG increased the share capital of Caixa Económica Montepio Geral in the amount of Euro 100,000 thousands, by cash transfer.

On 20 December 2012, following the General Assembly deliberation, CEMG increased the share capital of Caixa Económica Montepio Geral in the amount of Euro 50,000 thousands, by cash transfer.

42 Participation Fund

Following the decision of the General Shareholders Meeting, held in 28 October 2013, it was issued in 17 December 2013 share instruments representative of Fundo de Participação da Caixa Económica Montepio Geral, with a total notional of Euros 200.000 thousands, in cash.

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

Caixa Económica Montepio Geral issued 200.000.000 investment fund units with the notional value of Euro 1, which will be issued nominative form.

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

These securities are eligible for solvency purposes as Core Tier 1. Under IAS 32 – Financial Instruments: Presentation, for accounting purposes, these securities are classified as share capital, considering its specific characteristics, namely the non obligation of payment of the nominal amount and interests.

So, the classification as Share capital results from the fact that the investor, as owner of the issued security, is exposed to the risk of share instruments of CEMG, as he may not receive an equal amount to the acquisition amount.

43 Other equity instruments

This caption includes the issuance of Euro 15.000 thousands occurred in the first quarter of 2010 Perpetual Subordinated Securities Interest conditioners made by Montepio Investimento, S.A. (previously designated as Finibanco, S.A.), and in connection with the acquisition of Montepio Holding, S.G.P.S., S.A. (previously designated as Finibanco Holding, S.G.P.S., S.A.), and its subsidiaries, was integrated in CEMG responsibilities, as described in note 1 a).

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

During 2013, CEMG repurchased perpetual subordinated instruments in the amount of Euro 6,727 thousands. After this operation, the balance Other equity instruments present Euro 8,273 thousands.

Payment

Subject to the payment of interest limitations described below, the payment will be paid semi-annually on 2 February and 2 August of each year, beginning on 2 August, 2010 and will be equal to:

1st to 4th coupon: 7.00%;

5th coupon and following: Euribor 6M + 2.75%, with a minimum of 5%.

Payment interest limitations

The Issuer will be prevented from making interest payment:

– And even the extent of competition in which the sum of the amount payable by the interest this issue with the amount of dividends paid or deliberate and guaranteed payments relating to any preference shares that are likely to be issued, exceed Distributable Funds of the Issuer; or

– Is in compliance with the Regulatory capital requirements regulation or the extent and up to competition in its payment implies that is in default with that regulation.

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

The impediment to proceed to the Interest Payment may be total or partial.

Interest non-payment on any date excludes the issuer of the interest payment related to this date in a future time.

It is considered distributable funds in a determined year the algebraic sum, with reference to the previous year, the retained earnings with any other amount which may be distributable and profit or loss, net of reserve requirements, statutory and legal, but before the deduction of the amount of any dividends on ordinary shares or other securities subject to these, for that exercise.

In 2014, the amount of interest to pay exceeds the "Distributable Funds of the Issuer", so CEMG did not pay interest for this issue.

Reimbursement

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

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

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

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

44 General and special reserves

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

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

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

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

45 Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

(Thousand of Euro)

	2014	2013
Fair value reserves		
Available-for-sale financial assets		
Gross amount	59 851	35 306
Taxes	(20 619)	(10 431)
Others	8 404	8 404
	47 636	33 279
Reserves and retained earnings:		
General reserve	186 000	186 000
Special reserve	68 273	68 273
Deferred tax reserve	42 177	49 324
Retained earnings	(428 691)	(82 630)
	(132 241)	220 967

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

As at 31 December 2013, the caption Retained earnings includes the effect of correction of Euro 3,488 thousands arising from the Executive Board of Directors decision to change the accounting policy relating the recognition of actuarial deviations in accordance with IAS 19 – Employee benefits, as described in note 1 u).

The movements of this balance during 2014 are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Reavaluation	Acquisition	Sales	Impairment recognized in the year	Balance on 31 December
Fixed income securities						
Bonds issued by public Portuguese entities	33 403	9 621	8 721	(2 799)	-	48 946
Bonds issued by public foreign entities	294	3 176	645	3	(419)	3 699
Bonds issued by other entities						
Portuguese	(20 608)	20 372	4 954	(2 877)	(14 612)	(12 771)
Foreign	13 800	14 218	5 243	(162)	(6 419)	26 680
Commercial paper	-	-	-	-	-	-
	26 889	47 387	19 563	(5 835)	(21 450)	66 554
Variable income securities						
Shares in companies						
Portuguese	169	98	18	7	(200)	92
Foreign	1 947	(570)	(178)	(88)	221	1 332
Investments fund units	6 301	(13 882)	(3 678)	(4 818)	7 950	(8 127)
	8 417	(14 354)	(3 838)	(4 899)	7 971	(6 703)
	35 306	33 033	15 725	(10 734)	(13 479)	59 851

The movements of this balance during 2013 are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Reavaluation	Acquisition	Sales	Impairment recognized in the year	Balance on 31 December
Fixed income securities						
Bonds issued by Portuguese entities	9 036	676	33 902	(10 211)	-	33 403
Bonds issued by foreign entities	113	(2 520)	38	(179)	2 842	294
Bonds issued by other entities						
Portuguese	(16 951)	15 616	(20 387)	11 086	(9 972)	(20 608)
Foreign	1 378	6 476	1 952	4 804	(810)	13 800
Commercial paper	-	(226)	-	-	226	-
	(6 424)	20 022	15 505	5 500	(7 714)	26 889
Variable income securities						
Shares in companies						
Portuguese	66	(2)	105	-	-	169
Foreign	1 006	1 519	332	(256)	(654)	1 947
Investments fund units	(1 384)	14 337	(2 399)	6 772	(11 025)	6 301
	(312)	15 854	(1 962)	6 516	(11 679)	8 417
	(6 736)	35 876	13 543	12 016	(19 393)	35 306

The fair value reserve can be analysed as follows:

(Thousands of Euro)

	2014	2013
Amortised cost of available-for-sale financial assets	7 422 803	8 984 660
Accumulated impairment recognized	(91 158)	(77 679)
Amortised cost of available-for-sale financial assets, net of impairment	7 331 645	8 906 981
Market value of available-for-sale financial assets	7 391 496	8 942 287
Net/ unrealised gains/(losses) recognized in the fair value reserve	59 851	35 306

46 Distribution of profit

In 2014, CEMG did not distributed profits.

On 23 April 2013, following the General Assembly, CEMG distributed to Montepio Geral – Associação Mutualista dividends in the amount of Euro 1,692 thousands.

47 Obligations and future commitments

Obligations and future commitments are analysed as follows:

(Thousands of Euro)

	2014	2013
Guarantees granted	451 123	444 606
Guarantees received	30 982 915	31 234 424
Commitments to third parties	1 325 630	1 923 856
Commitments from third parties	42 340	41 703
Assets transferred in securitised operations	191 970	214 474
Securities and other items held for safekeeping on behalf of customers	8 259 175	7 919 199
	41 253 153	41 778 262

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

(Thousands of Euro)

	2014	2013
Guarantees granted		
Guarantees	434 475	430 159
Open documentary credits	16 648	14 447
	451 123	444 606
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	723 199	366 184
Securities subscription	-	801 801
Annual contribution to the Guarantee Deposits Fund	3 217	3 508
Potential obligation with the Investors' Indemnity System	25 314	25 314
Revocable commitments		
Revocable credit lines	573 900	727 049
	1 325 630	1 923 856

Guarantees granted are financial operations that are not consisted by mobilization on Funds by CEMG.

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

Revocable and irrevocable commitments represent contractual agreements to extend credit to the Group's customers (for example unused credit lines). These agreements are generally, contracted for fixed periods of time or with other expiring requirements, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Notwithstanding the particular characteristics of these contingent liabilities and commitments, the analysis of these operations follows the same basic principles of any one another commercial operation, namely the solvency of the underlying client and business, being that CEMG requires these operations to be adequately covered by collaterals when needed. Considering that is expected that the majority of these contingent liabilities and commitments expire without having being used, the indicated amounts do not represent necessarily future cash-flow needs.

As at 31 December 2014 and 2013, the balance Annual contribution to the obligations of Guarantee Deposits Fund is related with the irrevocable commitment assumed by CEMG and required by law, to deliver the unrealised amounts of annual contributions required by the Fund.

As at 31 December 2014 and 2013, the balance Potential obligation with the Investors' Indemnity System refers to the irrevocable obligation that CEMG assumed, under the applicable law, to deliver to that system, in case needed, the required amount to pay its share of the indemnities to be paid to investors.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in note 1 b). The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by CEMG in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

48 Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as it happens regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash flows for the different instruments sold are calculated according with its financial characteristics and the discount rates used include both the interest rate curve and the current conditions of the pricing policy in CEMG.

Therefore, the fair value obtained is influenced by the parameters used in the evaluation model that, necessarily have some degree of judgement and reflect exclusively the value attributed to different financial instruments. However, it does not consider prospective factors, like the future business evolution.

Under these conditions, the values presented cannot be understood as an estimate of the economic value of CEMG.

The main methods and assumptions used in estimating the fair value for the assets and liabilities of CEMG are presented as follows:

- *Cash and deposits at central banks, Loans and advances to credit institutions repayable on demand and Deposits from other credit institutions*

  Considering the short maturity of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

- *Other loans and advances to credit institutions, Amounts owed to other credit institutions from Inter-bank Money Market transactions and Assets with repurchase agreements*

  The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates.

  For Deposits from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank was 0.32% (2013: 0.25%).

  Regarding loans and advances to credit institutions and deposits from credit institutions, the discount rate used reflects the current conditions applied by CEMG on identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year).

- *Financial assets held for trading (except derivatives), Financial liabilities held for trading (except derivatives), Available-for-sale financial assets and Other financial assets at fair value through profit and loss*

  These financial instruments are accounted at fair value. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

  Interest rates are determined based on information disseminated by the suppliers of content financial - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

  When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) considering the volatility areas applicable are used. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, it is applied specific quotations supplied by an external entity, typically a counterparty of the business.

- *Financial assets held to maturity*

  These financial instruments are accounted at amortized cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

- *Hedging and trading derivatives*

  All derivatives are recorded at fair value.

  In the case of those who are quoted in organized markets their market prices are used. As for derivatives traded "over the counter", apply the numerical methods based on techniques of discounted cash flow valuation models and considering options including changing market interest rates applicable to the instruments concerned, and where necessary, their volatility.

  Interest rates are determined based on information disseminated by the suppliers of content financial - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods.

- *Loans and advances to customers with defined maturity date*

The fair value of these instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by CEMG in similar instruments for each of the homogeneous classes of this type of instrument and with similar maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year) and the spread used at the date of the report, which was calculated from the average production of the last three months of the year. As at 31 December 2014, the average discount rate was 3.89% (2013: 5.47%), assuming the projection of variable rates according to the evolution of the forward rates implicit in the interest rate curves. The calculations also include the credit risk spread.

- *Loans and advances to customers without defined maturity date*

Considering the short maturity of these financial instruments, the conditions of the existing portfolio are similar to current conditions used by CEMG. Therefore, the amount in the balance sheet is a reasonable estimate of its fair value.

- *Deposits from customers*

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by CEMG in identical instruments with a similar maturity. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the year) and the spread of CEMG at the date of the report, which was calculated from the average production of the last three months of the year. As at 31 December 2014, the average discount rate was of 1.37% (2013: 1.91%).

- *Debt securities issued and Subordinated debt*

For these financial instruments, fair value was calculated for the components that are not yet reflected on CEMG's balance sheet. For the fixed interest rate instruments for which CEMG applies a hedge-note, the fair value regarding the interest rate risk is already accounted for.

In fair value calculation, the other risk components were also considered, apart from the interest rate risk. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted by associated factors, predominantly the credit risk and trading margin, the latter only in the case of issues placed for non-institutional customers of CEMG.

As original reference, CEMG applies the curves resulting from the interest rate swaps markets for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

As at 31 December 2014, the following table presents the values of the interest rates used in the clearance of the curves interest rate of major currencies, including Euro, United States Dollar, Sterling Pound, Swiss Franc and Japanese Yen used to determine the fair value of the financial assets and liabilities of CEMG:

	Euro	United States Dollar	Sterling Pound	Swiss Franc	Japanese Yen
1 day	-0.0150%	0.1700%	0.5300%	-0.0500%	-0.0200%
7 days	-0.0150%	0.1980%	0.5300%	-0.0500%	-0.0200%
1 month	0.0180%	0.3100%	0.5250%	-0.2000%	-0.0200%
2 months	0.0440%	0.3750%	0.5600%	-0.2200%	-0.0200%
3 months	0.0780%	0.1900%	0.6000%	-0.2400%	0.0450%
6 months	0.1710%	0.5000%	0.6750%	-0.0200%	0.0650%
9 months	0.2450%	0.6000%	0.8700%	-0.0200%	0.1100%
1 year	0.3250%	0.8200%	0.9250%	-0.0300%	0.1450%
2 years	0.1770%	0.8930%	0.9280%	-0.0960%	0.1449%
3 years	0.2240%	1.2930%	1.1340%	-0.0590%	0.1449%
5 years	0.3600%	1.7880%	1.4410%	0.0720%	0.1449%
7 years	0.5320%	2.0640%	1.6390%	0.2470%	0.1449%
10 years	0.8195%	2.3060%	1.8360%	0.5140%	0.1449%
15 years	1.1528%	2.5280%	2.0630%	0.7720%	0.1449%
20 years	1.3268%	2.6070%	2.0630%	0.7720%	0.1449%
30 years	1.4718%	2.6830%	2.0630%	0.7720%	0.1449%

As at 31 December 2013, the following table presents the values of the interest rates used in the clearance of the curves interest rate of major currencies, including Euro, United States Dollar, Sterling Pound, Swiss Franc and Japanese Yen used to determine the fair value of the financial assets and liabilities of CEMG:

	Currencies				
	Euro	**United States Dollar**	**Sterling Pound**	**Swiss Franc**	**Japanese Yen**
1 day	0.223%	0.080%	0.410%	-0.050%	0.078%
7 days	0.188%	0.129%	0.410%	-0.095%	0.089%
1 month	0.216%	0.160%	0.410%	-0.075%	0.100%
2 months	0.255%	0.210%	0.470%	-0.050%	0.040%
3 months	0.287%	0.330%	0.520%	-0.040%	0.060%
6 months	0.389%	0.410%	0.735%	0.040%	0.140%
9 months	0.480%	0.450%	0.810%	0.110%	0.230%
1 year	0.556%	0.580%	0.950%	0.180%	0.280%
2 years	0.544%	0.487%	1.031%	0.156%	0.209%
3 years	0.772%	0.868%	1.444%	0.294%	0.242%
5 years	1.260%	1.775%	2.148%	0.751%	0.385%
7 years	1.682%	2.468%	2.592%	1.182%	0.594%
10 years	2.155%	3.086%	3.006%	1.635%	0.910%
15 years	2.588%	3.580%	3.332%	2.015%	1.359%
20 years	2.714%	3.756%	3.332%	2.015%	1.359%
30 years	2.731%	3.886%	3.332%	2.015%	1.359%

Exchange rates and volatility

We present below the exchange rates (European Central bank) at the balance sheet date and the implied volatilities (at the money) for the main currencies used on the derivatives valuation:

			Volatility (%)				
Exchange rates	**2014**	**2013**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1.2141	1.3791	9.650	9.450	9.175	9.025	9.012
EUR/GBP	0.7789	0.8337	7.825	7.850	8.450	8.325	8.250
EUR/CHF	1.2024	1.2276	3.250	3.700	4.050	4.200	4.425
EUR/JPY	145.23	144.72	10.825	10.775	11.050	11.125	11.125

Concerning the exchange rates, CEMG uses in the valuation models the spot rate observed in the market at the time of the valuation.

The following table shows the decomposition of main adjustments to the financial assets and liabilities of CEMG, which are recognised at book value and fair value at 31 December 2014 and 31 December 2013:

(Thousands of Euro)

	2014					
	Designated at fair value through profit or loss	**Amortised cost**	**Available-for-sale**	**Others**	**Book value**	**Fair value**
Financial assets						
Cash and deposits at central banks	-	203 338	-	-	203 338	203 338
Loans and advances to credit institutions repayable	-	54 868	-	-	54 868	54 868
Loans and advances to credit institutions	-	780 988	-	-	780 988	780 988
Loans and advances to customers	44 110	14 611 728	-		14 655 838	13 966 352
Financial assets held for trading	83 553	-	-	-	83 553	83 553
Available-for-sale financial assets	-	-	7 391 496	-	7 391 496	7 391 496
Hedging derivatives	60	-	-	-	60	60
Held-to-maturity investments	-	17 333	-	-	17 333	17 781
Investments in associated companies and others	-	-	-	419 183	419 183	419 183
	127 723	15 668 255	7 391 496	419 183	23 606 657	22 917 619
Financial liabilities						
Deposits from central banks	-	2 496 886	-	-	2 496 886	2 496 886
Deposits from other credit institutions	61 009	1 577 066	-	-	1 638 075	1 638 166
Deposits from customers	95 604	13 513 540	-	-	13 609 144	13 721 436
Debt securities issued	196 809	1 739 663	-	-	1 936 472	2 103 084
Financial liabilities relating to transferred assets	-	-	-	3 075 080	3 075 080	2 630 413
Financial liabilities held for trading	85 300	-	-	-	85 300	85 300
Hedging derivatives	1 494	-	-	-	1 494	1 494
Other subordinated debt	-	388 118	-	-	388 118	381 012
	440 216	19 715 273	-	3 075 080	23 230 569	23 057 791

(Thousands of Euro)

	2013					
	Designated at fair value through profit or loss	**Amortised cost**	**Available-for-sale**	**Others**	**Book value**	**Fair value**
Financial assets						
Cash and deposits at central banks	-	242 372	-	-	242 372	242 372
Loans and advances to credit institutions	-	84 578	-	-	84 578	84 578
Loans and advances to credit institutions	-	291 644	-	-	291 644	291 644
Loans and advances to customers	26 788	15 113 181	-	-	15 139 969	14 212 392
Financial assets held for trading	62 531	-	-	-	62 531	62 531
Other financial assets at fair value through profit or loss	3 450	-	-	-	3 450	3 450
Available-for-sale financial assets	-	-	8 942 287	-	8 942 287	8 942 287
Hedging derivatives	503	-	-	-	503	503
Held-to-maturity investments	-	17 227	-	-	17 227	17 936
Investments in associated companies and others	-	-	-	418 547	418 547	418 547
	93 272	15 749 002	8 942 287	418 547	25 203 108	24 276 240
Financial liabilities						
Deposits from central banks	-	3 427 354	-	-	3 427 354	3 427 354
Deposits from other credit institutions	71 019	1 029 946	-	-	1 100 965	1 100 965
Deposits from customers	374 226	13 245 961	-	-	13 620 187	13 632 135
Debt securities issued	273 233	1 892 785	-	-	2 166 018	3 817 166
Financial liabilities relating to transferred assets	-	-	-	3 444 852	3 444 852	1 839 847
Financial liabilities held for trading	62 242	-	-	-	62 242	62 242
Hedging derivatives	1 849	-	-	-	1 849	1 849
Other subordinated debt	92 442	294 296	-	-	386 738	326 530
	875 011	19 890 342	-	3 444 852	24 210 205	24 208 088

The following table summarizes, by valuation levels for each group of assets and liabilities of CEMG their fair values as at 31 December 2014:

(Thousands of Euro)

	2014				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Book value**
Financial assets					
Cash and deposits at central banks	203 338	-	-	-	203 338
Loans and advances to credit institutions repayable on	54 868	-	-	-	54 868
Loans and advances to credit institutions	780 988	-	-	-	780 988
Loans and advances to customers	-	-	14 655 838	-	14 655 838
Financial assets held for trading	6 763	76 790	-	-	83 553
Available-for-sale financial assets	3 553 903	641 858	3 105 992	89 743	7 391 496
Hedging derivatives	-	60	-	-	60
Held-to-maturity investments	17 333	-	-	-	17 333
Investments in associated companies and others	-	-	-	419 183	419 183
	4 617 193	718 708	17 761 830	508 926	23 606 657
Financial liabilities					
Deposits from central banks	2 496 886	-	-	-	2 496 886
Deposits from other credit institutions	1 548 774	89 301	-	-	1 638 075
Deposits from customers	-	95 657	13 513 487	-	13 609 144
Debt securities issued	-	196 809	1 739 663	-	1 936 472
Financial liabilities relating to transferred assets	-	-	3 075 080	-	3 075 080
Financial liabilities held for trading	561	84 739	-	-	85 300
Hedging derivatives	-	1 494	-	-	1 494
Other subordinated debt	-	388 118	-	-	388 118
	4 046 221	856 118	18 328 230	-	23 230 569

The following table summarizes, by valuation levels for each group of assets and liabilities of CEMG their fair values as at 31 December 2013:

(Thousands of Euro)

	2013				
	Level 1	Level 2	Level 3	Financial instruments at cost	Book value
Financial assets					
Cash and deposits at central banks	242 372	-	-	-	242 372
Loans and advances to credit institutions repayable on demand	84 578	-	-	-	84 578
Loans and advances to credit institutions	291 644	-	-	-	291 644
Loans and advances to customers	-	-	15 139 969	-	15 139 969
Financial assets held for trading	8 393	54 138	-	-	62 531
Other financial assets at fair value throught profit or loss	3 450	-	-	-	3 450
Available-for-sale financial assets	3 957 678	549 071	4 425 438	10 100	8 942 287
Hedging derivatives	-	503	-	-	503
Held-to-maturity investments	17 227	-	-	-	17 227
Investments in associated companies and others	-	-	-	418 547	418 547
	4 605 342	603 712	19 565 407	428 647	25 203 108
Financial liabilities					
Deposits from central banks	3 427 354	-	-	-	3 427 354
Deposits from other credit institutions	1 100 965	61 023	-	-	1 161 988
Deposits from customers	-	-	13 620 187	-	13 620 187
Debt securities issued	-	-	2 166 018	-	2 166 018
Financial liabilities relating to transferred assets	-	-	3 444 852	-	3 444 852
Financial liabilities held for trading	1 389	60 853	-	-	62 242
Hedging derivatives	-	1 849	-	-	1 849
Other subordinated debt	-	386 378	-	-	386 378
	4 529 708	510 103	19 231 057	-	24 270 868

CEMG uses the following hierarchy for fair value with 3 levels in the valuation of financial instruments (assets and liabilities), which reflects the level of judgment, the observability of the data used and the importance of the parameters used in determining the fair value measurement of the instrument, as referred in IRFS 13:

- Level 1: Fair value is determined based on unadjusted quoted prices, captured in transactions in active markets involving identical instruments to the ones being valued. If there is more than one active market for the same financial instrument, the relevant price is what prevails in the main market of the instrument, or most advantageous market for which there is access.

- Level 2: Fair value is determined based on valuation techniques supported by observable inputs in active markets, being direct data (prices, rates, spreads, etc.) or indirect data (derivatives), and valuation assumptions similar to what an unrelated party would use in estimating the fair value of that financial instrument.

- Level 3: Fair value is determined based on unobservable inputs in active markets, using techniques and assumptions that market participants would use do evaluate the same instruments, including assumptions about the inherent risks, the valuation technique used and inputs used and review processes to test the accuracy of the values obtained.

CEMG considers an active market for particular financial instruments at the measurement date, depending on business volumes and liquidity of the transactions made, the relative volatility of the prices quoted and the readiness and availability of information, the following minimum conditions should verify:

- Existence of frequent daily prices trading in the last year;

- The above quotations are exchanged regularly;

- There are executable quotes from more than one entity.

A parameter used in a valuation technique is considered observable in the market, if the following conditions are met:

- If its value is determined in an active market;

- Or, if there is an OTC market and it is reasonable to assume that the conditions of an active market are met, with the exception of the condition of trading volumes;

- Or, the parameter value can be obtained by the inverse calculation of prices of financial instruments or derivatives where the remaining parameters required for initial assessment are observable in a liquid market or an OTC market that comply with the previous paragraphs.

49 Employee benefits

CEMG assumed the responsibility to pay to their employees seniority and disability retirement pensions and others responsibilities, in accordance with the accounting policy described in note 1 u).

The key actuarial assumptions used to calculate pension liabilities are as follows:

	Assumptions		Checked	
	2014	**2013**	**2014**	**2013**
Financial assumptions				
Salaries increase rate	0.75%	1.50%	1.40%	1.50%
Pensions increase rate	0.05%	0.50%	0.07%	0.05%
Projected rate of return of Fund assets	2.50%	4.00%	7.90%	4.45%
Discount rate	2.50%	4.00%	-	-
Demographic assumptions and valuation methods				
Mortality table				
Men	TV 88/90	TV 88/90		
Women	TV 88/90	TV 88/90		
Actuarial method	UCP	UCP		

The number of persons covered by the plan is as follows:

	2014	**2013**
Actives	3 740	3 781
Retirees and survivors	1 031	1 011
	4 771	4 792

Based on the changes performed to the accounting policy described in note 1 u) during 2014, the application of IAS 19, responsibilities and coverage levels, reportable to 31 December 2014 and 2013 is presented as follows:

(Thousands of Euro)

	2014	2013
Assets/(Liabilities) recognised in the balance sheet		
Responsabilities with retirement benefits		
Pensioners	(135 968)	(117 813)
Employees	(471 862)	(375 328)
	(607 830)	(493 141)
Responsabilities with healthcare benefits		
Pensioners	(19 846)	(18 050)
Employees	(34 922)	(26 241)
	(54 768)	(44 291)
Responsabilities with death subsidy		
Pensioners	(695)	(582)
Employees	(848)	(565)
	(1 543)	(1 147)
Total	(664 141)	(538 579)
Coverages		
Value of the fund	574 085	538 579
Net assets in the balance sheet (see note 40)	(90 056)	-
Accumulated actuarial differences recognized in other comprehensive income	142 975	(4 097)

In accordance with the accounting policy presented in note 1 u), CEMG liability with pensions is calculated annually.

In accordance with the accounting policy described in note 1 u) and following the requirements of IAS 19 – Employee benefits, CEMG assesses at each balance sheet date and for each plan separately, the recoverability of the recognised assets in relation to the defined benefit pension plans based on the expectation of reductions in future contributions to the funds.

As at 1 January 2013, the assets and liabilities of the MGAM's Board of Directors of the CEMG were transferred to MGAM, totaling Euro 6,847 thousands each, being fully funded.

The changes in the defined benefit obligation can be analysed as follows:

(Thousands of Euro)

	2014				2013			
	Retirement pensions	Healthcare benefits	Death Subsidy	Total	Retirement pensions	Healthcare benefits	Death Subsidy	Total
Responsabilities in the beginning of the year	493 141	44 291	1 147	538 579	417 736	39 501	2 029	459 266
Transfer of responsibilities	-	-	-	-	(6 422)	(418)	(7)	(6 847)
Current service cost	8 832	1 282	29	10 143	8 437	1 117	49	9 603
Interest cost	19 726	1 772	46	21 544	18 509	1 759	91	20 359
Actuarial gains and losses								
- Changes in the assumptions and the conditions of the plans	95 051	8 683	345	104 079	55 810	3 680	125	59 615
- Not related to changes assumptions de pressupostos	(15)	(1 260)	(24)	(1 299)	5 723	(32)	(1 119)	4 572
Pensions paid by the fund	(9 981)	-	-	(9 981)	(7 342)	(1 316)	(21)	(8 679)
Early retirement	1 076	-	-	1 076	690	-	-	690
Responsabilities in the end of the year	607 830	54 768	1 543	664 141	493 141	44 291	1 147	538 579

The pension funds are managed by "Futuro – Sociedade Gestora de Fundos de Pensões, S.A.".

The change in the value of plan's assets is analysed as follows:

(Thousands of Euro)

	2014	2013
Balance of the funds in the beginning of the year	538 579	514 275
Return on plan assets	42 677	22 674
CEMG contributions	-	14 817
Participant contributions	2 810	2 339
Pensions paid by the fund	(9 981)	(8 679)
Transfer of responsibilities	-	(6 847)
Balance of the funds at the end of the year	574 085	538 579
CEMG contributions not settled	64 739	-
Balance of the funds at the end of the year after settlement	638 824	538 579

CEMGcontribution to be settled by the Group is accounted on the balance Other liabilities, as referred in note 40.

The elements of the Pension Fund's assets are analysed as follows:

(Thousands of Euro)

	2014	2013
Bonds	408 425	330 999
Other variable income securities	68 873	45 832
Shares	45 716	35 667
Investments in banks and other	43 049	117 349
Direct Real Estate	8 022	8 732
	574 085	538 579

The assets of pension funds used by the Group or representative of securities issued by other Group entities are analysed as follows:

(Thousands of Euro)

	2014	2013
Investments in banks and other	30 375	98 998
Direct Real Estate	8 022	8 853
Bonds	3 353	2 704
Others	2 605	-
	44 355	110 555

The changes in the accumulated actuarial gains and losses are analysed as follows:

(Thousands of Euro)

	2014	2013
Actuarial changes in the beginning of the year	61 327	(4 097)
Actuarial (Gains) and losses in the year		
- Changes in actuarial assumptions	104 080	59 615
- Experience adjustments	(22 432)	5 809
Actuarial changes recognised in other comprehensive income	142 975	61 327

As at 31 December 2014, the amortisation of the transition adjustment to pensions net of deferred taxes, in accordance with Regulation no.12/01 amounted to Euro 1,900 thousands (2013: Euro 3,488 thousands).

The costs with reform pensions, health-care benefits and death subsidies are analysed as follows:

(Thousands of Euro)

	2014	2013
Current service cost	10 143	9 603
Interest cost	21 544	20 359
Expected return on plan assets	(21 543)	(22 834)
Early retirements cost	1 076	690
Participant contributions	(2 810)	(2 339)
Changes in death benefit	-	(1 078)
Staff costs	8 410	4 401

As at 31 December 2013, the balance Changes in death benefit refers to the positive effect from the reduction of the liabilities related with death subsidies, following the referred publication of Decree-Law 133/2012 on 27 June.

As at 31 December 2014 and 2013, the evolution of net (assets)/ liabilities in the balance sheet is analysed as follows:

(Thousands of Euro)

	2014	2013
At beginning of the year	-	55 009
Actual return on plan assets	42 677	22 674
CEMG contribution	-	14 817
Participants contribution	2 810	2 339
Current service cost	(10 143)	(9 603)
Interest cost	(21 544)	(20 359)
Actuarial gains / (losses)	(102 780)	(64 187)
Early retirements	(1 076)	(690)
At the end of the year	(90 056)	-

The responsibilities and balance of funds changes, as well as gains and losses experienced in the last five years is as follows:

	2014	2013	2012	2011	2010
Liabilities	(664 143)	(538 579)	(459 266)	(422 616)	(597 142)
Balance of funds	574 085	538 579	514 275	440 498	545 097
Responsabilities (sub)/over funded	(90 058)	-	55 009	17 882	(52 045)
(Gains) and losses arising from experience liabilities	102 780	64 187	(8 379)	(5 315)	(4 243)
(Gains) and losses arising from experience adjustments arising on assets	(21 134)	160	(46 814)	57 208	17 957

The actuarial assumptions have a significant impact in the pension liabilities. Considering, this impact, CEMG proceeded to a sensitivity analysis to a positive and negative change of 50 basis points in the value of pension liabilities, whose impact is analysed as follows:

(Thousands of Euro)

	Liabilities	
	Increase	Decrease
Discount rate (0.25% change)	(33 397)	34 279
Wage growth rate (0.25% change)	21 173	(19 502)
Pension growth rate (0.25% change)	20 894	(19 812)
SAMS contribution (0.25% change)	2 958	(2 926)
Future death (1% change)	(1 692)	1 687
	9 936	(6 274)

50 Related parties transactions

The entities considered to be CEMG related parties together with the subsidiaries referred in note 27, as defined by IAS 24, are as follows:

Board of Directors:
António Tomás Correia
João Carlos Martins da Cunha Neves
Jorge Humberto da Cruz Barros de Jesus Luís
Fernando Paulo Pereira Magalhães
Pedro Miguel de Almeida Alves Ribeiro

Institutional capital owners:
Montepio Geral Associação Mutualista

Other related parties:
Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)
Banco Terra, S.A.
Bem Comum, Sociedade Capital de Risco, S.A.
Bolsimo - Gestão de Activos, S.A.
Carteira Imobiliária - FEIIA
Clínica CUF Belém, SA
Clínica de Serviços Médicos Computorizados de Belém, S.A.
Empresa Gestora de Imóveis da Rua do Prior, S.A.
Finibanco Angola, S.A.
Finibanco Vida - Companhia de Seguros de Vida, S.A.
Finipredial - Fundo de investimento Imobiliário Aberto
Fundação Montepio Geral
Fundo de Pensões Montepio
Fundo de Pensões Viva
Futuro - Sociedade Gestora de Fundos de Pensões, S.A.
Germont - Empreendimentos Imobiliários, S.A.
HTA - Hóteis, Turismo e Animação dos Açores, S.A.
Iberpartners Cafés - S.G.P.S., S.A.
Leacock, Lda
Lestinvest, S.G.P.S., S.A.
Lusitânia Vida, Companhia de Seguros, S.A.
Lusitânia, Companhia de Seguros, S.A.
Lykeion - Centro de Conhecimento Unipessoal, Lda
MG Investimentos Imobiliários, S.A.
Moçambique Companhia de Seguros, SARL
Montepio - Capital de Risco, SCR, S.A.
Montepio Arrendamento - FIIAH
Montepio Arrendamento II - FIIAH
Montepio Arrendamento III - FIIAH
Montepio Crédito - Instituição Financeira de Crédito, S.A.
Montepio Gestão de Activos - S.G.F.I., S.A.
Montepio Gestão de Activos Imobiliários, ACE
Montepio Holding, S.G.P.S., S.A.
Montepio Imóveis - Sociedade Imobiliária de Serviços Auxiliares, S.A.
Montepio Investimento, S.A.
Montepio Mediação - Sociedade Mediadora de Seguros, S.A.
Montepio Recuperação de Crédito, ACE
Montepio Seguros, S.G.P.S., S.A.
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.
N Seguros, S.A.
Naviser - Transportes Maritimos Internacionais, S.A.
NEBRA, Energias Renovables, S.L.
Nova Câmbios, S.A.
OBOL Invest
PEF - Fundo de Investimento Imobiliário Fechado
Pinto & Bulhosa, S.A.
Polaris - Fundo de Investimento Imobiliário Fechado
Residências Montepio, Serviços de Saúde, S.A.
Sagies, S.A.
SIBS - SGPS, S.A.
Silvip, S.A.
Sociedade Portuguesa de Administrações, S.A.
Unicre - Instituição Financeira de Crédito, S.A.

As at 31 December 2014, CEMG's liabilities with subsidiaries, represented or not by securities, included in the balances Deposits from customers, Other subordinated debt and Loans and advances to customers, are analysed as follows:

(Thousand of Euro)

Companies	2014 Deposits from customers	Other subordinated debt	Loans and advances to customers	Others Liabilities
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	-	-	-	564 084
Bolsimo – Gestão de Activos, S.A.	3 265	-	1	-
Carteira Imobiliária - FEIIA	857	-	-	32 662
Conselho de Administração Executivo	519	-	242	-
Finibanco Angola, S.A.	-	-	-	33
Finibanco Vida – Companhia de Seguros de Vida, S.A.	2 881	1 000	-	-
Finipredial – Fundo de investimento Imobiliário Aberto	1 404	-	34 553	-
Fundação Montepio Geral	1 092	18	-	-
Fundo de Pensões Montepio	43 478	6 448	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	3 087	-	-	-
Germont – Empreendimentos Imobiliários, S.A.	642	-	20 689	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	10	-	1 152	-
Iberpartners Cafés S.G.P.S., S.A.	-	-	1 622	-
Lestinvest, S.G.P.S., S.A.	21	-	53 977	-
Lusitania Vida, Companhia de Seguros, S.A.	62 401	48 050	1	-
Lusitania, Companhia de Seguros, S.A.	23 328	13 749	-	-
Montepio Arrendamento – FIIAH	7 340	-	-	-
Montepio Arrendamento II - FIIAH	175 197	-	-	-
Montepio Arrendamento III - FIIAH	145 827	-	-	-
Montepio Capital de Risco, SCR, S.A.	224	-	-	-
Montepio Crédito – Instituição Financeira de Crédito, S.A.	2	-	175 807	442
Montepio Geral – Associação Mutualista	635 396	1 493 403	3	-
Montepio Geral Investimentos Imobiliários, S.A.	8	-	-	-
Montepio Gestão de Activos – S.G.F.I., S.A.	1 788	-	-	-
Montepio Gestão de Activos Imobiliários, ACE	1 730	-	-	-
Montepio Holding, S.G.P.S., S.A.	2 732	26 060	133 975	-
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	393	-	13 591	-
Montepio Investimento, S.A.	-	-	-	6 740
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	509	-	-	-
Montepio Recuperação de Crédito, ACE	35	-	-	2 148
Montepio Seguros, S.G.P.S., S.A.	4 919	-	-	-
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	10 375	-	-	-
N Seguros, S.A.	336	4 720	-	-
Nebra, Energias Renovables, SL	-	-	1 756	-
Nova Câmbios, S.A.	1 074	302	2 077	-
PEF - Fundo de Investimento Imobiliário Fechado	2	-	40	-
Polaris - Fundo de Investimento Imobiliário Fechado	15	-	5 603	-
Residências Montepio, Serviços de Saúde, S.A.	202	-	752	-
SIBS - S.G.P.S., S.A.	2 804	-	-	-
Silvip, S.A.	2 006	-	-	-
	1 135 899	1 593 750	445 841	42 025

As at 31 December 2013, CEMG's liabilities with subsidiaries, represented or not by securities, included in the balances Deposits from customers, Other subordinated debt and Loans and advances to customers, are analysed as follows:

(Thousand of Euro)

Companies	2013			
	Deposits from customers	Other subordinated debt	Loans and advances to customers	Others Liabilities
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	5 937	-	-	-
Bolsimo – Gestão de Activos, S.A.	5 819	-	-	-
Conselho de Administração Executivo	329	-	1 062	-
Finibanco Angola, S.A.	11 035	-	-	-
Montepio Holding, S.G.P.S., S.A.	6 110	27 253	87 863	-
Finibanco Vida – Companhia de Seguros de Vida, S.A.	2 155	-	-	-
Montepio Investimento, S.A.	8 165	-	30 181	-
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	-	-	47 469	-
Finipredial – Fundo de investimento Imobiliário Aberto	269	-	35 004	-
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	5 082	-	3	-
Fundação Montepio Geral	1 043	-	-	-
Fundo de Pensões CEMG	105 322	4 717	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1 666	-	-	-
Germont – Empreendimentos Imobiliários, S.A.	126	-	10 000	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	98	-	-	-
Iberpartners Cafés S.G.P.S., S.A.	-	-	1 550	-
Lestinvest, S.G.P.S., S.A.	200	-	50 850	-
Lusitania Vida, Companhia de Seguros, S.A.	35 336	30 050	-	-
Lusitania, Companhia de Seguros, S.A.	12 109	13 408	9 866	-
MG Investimentos Imobiliários, S.A.	8	-	-	-
Montepio Arrendamento – FIIAH	168 882	-	-	910
Montepio Arrendamento II - FIIAH	67 098	-	-	132 773
Montepio Arrendamento III - FIIAH	111 564	-	-	64 207
Montepio Crédito – Instituição Financeira de Crédito, S.A.	3 377	-	330 256	-
Montepio Geral – Associação Mutualista	503 250	1 030 928	1 661	-
Montepio Gestão de Activos – S.G.F.I., S.A.	1 412	-	-	-
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	1 036	-	-	-
N Seguros, S.A.	643	4 550	-	-
Nebra, Energias Renovables, SL	-	-	1 700	-
Nova Câmbios, S.A.	138	135	400	-
PEF - Fundo de Investimento Imobiliário Fechado	-	-	9 929	-
Residências Montepio, Serviços de Saúde, S.A.	43	-	2 970	-
Silvip, S.A.	2 028	-	195	-
	1 060 280	1 111 041	620 959	197 890

As at 31 December 2014, CEMG's income with subsidiaries, included in the balances Interest and similar income and Fee and commission income, are analysed as follows:

(Thousands of Euro)

Companies	2014 Interest and similar expense	2014 Interest and similar income	2014 Fee and comission income
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	25 063	46	230
Carteira Imobiliário - FEIIA	21	-	1
Conselho de Administração Executivo	8	2	1
Finibanco Angola, S.A.	-	1	1 301
Finibanco Vida – Companhia de Seguros de Vida, S.A.	-	4	41
Finipredial – Fundo de investimento Imobiliário Aberto	1	1 125	290
Fundação Montepio Geral	-	1	-
Fundo de Pensões Montepio	-	609	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	-	22	12
Germont – Empreendimentos Imobiliários, S.A.	166	-	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	17	51	-
Iberpartners Cafés S.G.P.S., S.A.	55	32	12
Lestinvest, S.G.P.S., S.A.	1 558	294	-
Lusitania Vida, Companhia de Seguros, S.A.	-	492	20
Lusitania, Companhia de Seguros, S.A.	53	294	116
Montepio Arrendamento – FIIAH	460	-	586
Montepio Arrendamento Habitacional – II	429	-	619
Montepio Arrendamento Habitacional – III	515	-	619
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	5 988	(412)
Montepio Geral - Associação Mutualista	3	32 126	4
Montepio Gestão de Activos – S.G.F.I., S.A.	1	6	7
Montepio Holding, S.G.P.S., S.A.	11	5 463	4
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	1 551	494	1
Montepio Investimento, S.A.	10	1 758	810
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	-	4	-
Montepio Recuperação de Crédito, ACE	-	-	154
Montepio Seguros, S.G.P.S., S.A.	-	-	18 750
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	96	-	2 198
N Seguros, S.A.	1	1	27
NEBRA, Energias Renovables, S.L.	15	1 317	-
Nova Câmbios, S.A.	182	147	43
PEF - Fundo de Investimento Imobiliário Fechado	-	108	13
Polaris - Fundo de investimento Imobiliário Fechado	-	353	3
Residências Montepio, Serviços de Saúde, S.A.	66	1	5
SIBS - Sociedade Interbancária de Serviços, S.A.	-	2	1
Silvip, S.A.	-	24	-
	30 282	50 765	25 456

As at 31 December 2013, CEMG's income with subsidiaries, included in the balances Interest and similar income and Fee and commission income, are analysed as follows:

(Thousands of Euro)

Companies	2013		
	Interest and similar expense	Interest and similar income	Fee and comission income
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)	-	-	1
Conselho de Administração Executivo	2	3	1
Finibanco Angola, S.A.	5	-	-
Montepio Holding, S.G.P.S., S.A.	6	2 441	29
Finibanco Vida – Companhia de Seguros de Vida, S.A.	107	2	45
Finimóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	2	3 517	-
Finipredial – Fundo de investimento Imobiliário Aberto	2	1 423	-
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	128	1	1
Fundação Montepio Geral	3	-	-
Fundo de Pensões CEMG	2 827	35	2
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	50	-	4
Germont – Empreendimentos Imobiliários, S.A.	-	102	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	2	-	-
Iberpartners Cafés S.G.P.S., S.A.	-	62	3
Lusitania Vida, Companhia de Seguros, S.A.	703	16	67
Lusitania, Companhia de Seguros, S.A.	282	338	406
MG Investimentos Imobiliários, S.A.	-	-	1
Montepio Arrendamento – FIIAH	209	262	-
Montepio Arrendamento Habitacional – II	59	4	-
Montepio Arrendamento Habitacional – III	108	8	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	4 292	176
Montepio Geral - Associação Mutualista	18 109	385	18
Montepio Gestão de Activos – S.G.F.I., S.A.	20	-	2
Montepio Investimento, S.A.	8	290	2
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	12	-	-
N Seguros, S.A.	58	1	21
NEBRA, Energias Renovables, S.L.	-	56	17
Nova Câmbios, S.A.	-	68	10
Nutre, S.G.P.S., S.A.	-	230	-
PEF - Fundo de Investimento Imobiliário Fechado	-	218	1
Residências Montepio, Serviços de Saúde, S.A.	1	62	82
Silvip, S.A.	43	1	1
	22 746	13 817	890

The costs with salaries and other benefits attributed to CEMG key management personnel, as well as its transactions, are presented in note 11.

According to the principle of fair value, every transaction concerning related parties is at market prices.

During 2014 and 2013, there were no transactions with pension’s fund of CEMG.

51 Securitization transactions

As at 31 December 2014, there are eight securitization transactions, seven of which originated in CEMG and one in Montepio Investimento, S.A., currently integrated into CEMG following the success of General and Voluntary Initial Public Offering on the equity representative shares of Montepio Holding, S.G.P.S., S.A. (previously named Finibanco Holding, S.G.P.S., S.A.) and transmission of almost all assets and liabilities for CEMG, as described in note 1 a).

The following paragraphs present some additional details of these securitization transactions.

As at 19 December, 2002, Caixa Económica Montepio Geral had settled a securitisation operation with a Special Purpose Vehicle («SPV») – Pelican Mortgages no. 1 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 35 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 650,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.016% of the referred nominal value.

As at 29 September, 2003, Caixa Económica Montepio Geral had settled a securitisation operation with a Special Purpose Vehicle («SPV») – Pelican Mortgages no. 2 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 33 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 700,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0286% of the referred nominal value.

As at 30 March, 2007, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 3. The referred agreement consists in a mortgage credit transfer for a period of 47 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 750,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0165% of the referred nominal value.

As at 20 May, 2008, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 4. The referred agreement consists in a mortgage credit transfer for a period of 48 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,000,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.083% of the referred nominal value.

As at 9 December 2008, Montepio Investimento S.A. (previously named Finibanco S.A.) had settled a mortgage credit portfolio to «Tagus – Sociedade de Titularização de Créditos, S.A.» in the amount of Euro 233,000 thousands (Aqua Mortage No. 1). The total period of this operation is 55 years, with a revolving period of 2 years. In 2011, Montepio Investimento sold this security to Caixa Económica Montepio Geral.

As at 25 March 2009, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 5. The referred agreement consists in a mortgage credit transfer for a period of 52 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,000,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0564% of the referred nominal value.

As at 5 March 2012, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage No. 6. The referred agreement consists in a mortgage credit transfer for a period of 51 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,040,200 thousands. The transfer price by which the loans were transferred was their nominal value, including the selling costs which represented 0.1083% of the Asset Backed Notes.

As at 7 May 2014, Caixa Económica Montepio General and Montepio Crédito celebrated with Tagus - Sociedade de Titularização, SA, a contract for the sale of consumer loans within a securitization of credits (Pelican Finance No. 1). The total period of the operation is 14 years, with revolving period of 18 months and with a limit (Aggregate Principal Amount Outstanding) of Euro 294,000 thousand. The sale was made at their nominal value, including the selling costs which represented 0.1871% of Asset Backed Notes.

The entity that guarantees the debt service (servicer) of this operations is «Caixa Económica Montepio Geral» assuming the collection and distribution of credits assigned amounts received by deposits, to Sociedades Gestoras de Fundos de Titularização de Créditos (Pelican Mortgages No. 1, Pelican Mortgages No. 2) and to Sociedades de Titularização de Créditos (Pelican Mortgages No. 3, Pelican Mortgages No. 4, Pelican Mortgages No. 5, Pelican Mortgages No. 6, Aqua Mortgages No. 1 and Pelican Finance No.1).

Until 31 December 2004, in accordance with accounting principles, as established by Bank of Portugal, the assets, loans and securities transfered under the previously referred transactions were derecognised. The acquired securities under these transactions were classified as financial assets held-to-maturity and provided in accordance with Regulation no. 27/2000 of Bank of Portugal.

In accordance with IFRS 1, CEMG derecognition criteria in individual financial statements did not changed for all transactions occurred until 1 January 2004. For all transactions after this date, CEMG follows the guidance of IAS 39 derecognition criteria, which refers that derecognition will have to occur either when risks and rewards have substantially been transferred or has not retained control of the assets.

As at 31 December 2014, the securitization operations are presented as follows:

(Thousands of Euro)

Issue	Settlement date	Currency	Asset transferred	Amount
Pelican Mortgages No. 1	December 2002	Euro	Mortgage credit	653 250
Pelican Mortgages No. 2	September 2003	Euro	Mortgage credit	705 600
Pelican Mortgages No. 3	March 2007	Euro	Mortgage credit	762 375
Pelican Mortgages No. 4	May 2008	Euro	Mortgage credit	1 028 600
Aqua Mortgage No. 1	December 2008	Euro	Mortgage credit	236 500
Pelican Mortgages No. 5	March 2009	Euro	Mortgage credit	1 027 500
Pelican Mortgages No. 6	February 2012	Euro	Small companies	1 107 000
Pelican Finance No. 1	May 2014	Euro	Mortgage credit	308 700
				5 829 525

The impact of loans transferred under the securitization programs in the Loans and advances to customers, is analysed as follows:

	(Thousands of Euro)	
	2014	**2013**
Pelican Mortgages No.1	63 656	71 938
Pelican Mortgages No.2	128 314	142 536
	191 970	214 474

As at 31 December 2014, the notes issued by the special purpose vehicles, are analysed as follows:

Issue	**Bond issued**	**Issue amount Euros**	**Current amount Euros**	**CEMG's interest retention Euros**	**Maturity date**	***Rating* (initial)** Fitch	Moodys	S&P	DBRS	***Rating* (Current)** Fitch	Moodys	S&P	DBRS
Pelican Mortgages No 1	Class A	611 000 000	16 972 075	6 035 882	2037	AAA	Aaa	n.a.	n.a.	A+	A3	n.a.	n.a.
	Class B	16 250 000	16 250 000	-	2037	AAA	A2	n.a.	n.a.	A+	A3	n.a.	n.a.
	Class C	22 750 000	22 750 000	-	2037	BBB+	Baa2	n.a.	n.a.	A	n.a.	n.a.	n.a.
	Class D	3 250 000	3 250 000	3 250 000	2037	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 2	Class A	659 750 000	88 740 933	36 348 893	2036	AAA	Aaa	AAA	n.a.	A+	A3	A-	n.a.
	Class B	17 500 000	17 500 000	10 060 000	2036	AA+	A1	AA-	n.a.	A+	Baa1	A-	n.a.
	Class C	22 750 000	22 750 000	8 600 000	2036	A-	Baa2	BBB	n.a.	BBB+	Ba3	n.a.	n.a.
	Class D	5 600 000	5 600 000	5 600 000	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 3	Class A	717 375 000	283 066 699	119 481 669	2054	AAA	Aaa	AAA	n.a.	BBB+	Baa3	A-	n.a.
	Class B	14 250 000	7 308 381	7 026 303	2054	AA-	Aa2	AA-	n.a.	BBB-	B2	BBB	n.a.
	Class C	12 000 000	6 154 426	5 932 880	2054	A	A3	A	n.a.	BB	Caa1	BBB-	n.a.
	Class D	6 375 000	3 269 539	3 269 539	2054	BBB	Baa3	BBB	n.a.	B	Caa3	BB	n.a.
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	4 125 000	4 125 000	4 125 000	2054	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 4	Class A	832 000 000	590 816 823	590 816 823	2056	AAA	n.a.	n.a.	AAA	A	n.a.	n.a.	A
	Class B	55 500 000	52 301 318	52 301 318	2056	AA	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	60 000 000	56 541 965	56 541 965	2056	A-	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class D	25 000 000	23 559 152	23 559 152	2056	BBB	n.a.	n.a.	n.a.	B+	n.a.	n.a.	n.a.
	Class E	27 500 000	25 915 067	25 915 067	2056	BB	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No 1	Class A	203 176 000	124 323 827	124 323 827	2063	n.a.	n.a.	AAA	n.a.	n.a.	n.a.	A-	AAH
	Class B	29 824 000	28 980 484	28 980 484	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	3 500 000	3 500 000	3 500 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 5	Class A	750 000 000	524 322 216	524 322 216	2061	AAA	n.a.	n.a.	n.a.	A+	n.a.	n.a.	AAH
	Class B	195 000 000	183 637 119	183 637 119	2061	BBB-	n.a.	n.a.	n.a.	BBB	n.a.	n.a.	n.a.
	Class C	27 500 000	25 897 542	25 897 542	2061	B	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class D	27 500 000	25 897 542	25 897 542	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4 500 000	377 349	377 349	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class F	23 000 000	23 000 000	23 000 000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Mortgages No 6	Class A	750 000 000	666 406 845	666 406 845	2063	A	n.a.	A-	AA	A+	n.a.	A-	AA
	Class B	250 000 000	250 000 000	250 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	1 800 000	-	-	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class D	65 000 000	65 000 000	65 000 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class S	40 200 000	40 200 000	40 200 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican Finance No 1	Class A	202 900 000	202 900 000	121 800 000	2028	A	n.a.	n.a.	A	A	n.a.	n.a.	A
	Class B	91 100 000	91 100 000	54 700 000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	14 700 000	14 700 000	8 800 000	2028	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

52 Risk management

CEMG is subject to several risks during the course of its business.

CEMG's risk management policy is designed to ensure adequate relationship at all times between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line.

In this connection, monitoring and control of the main types of financial risk – credit, market, liquidity and operational – to which CEMG's business is subject are of particular importance.

"Direcção de Risco" ("DRI") supports the Executive Board of Directors in taking decisions associated to the management of different risk types inherent to the activity, in CEMG Group. DRI includes three departments and a nucleus:

- Modeling Risks Department: responsible for development and integration in decision-making of internal models of credit risk analysis and internal reports on credit risk;
- Global Risks Department: ensure the examination and supervisory reporting of liquidity risks, market, interest rate and solvency, as well as their integration into decision-making processes;
- Business Risks Department: responsible for the politics definition of analysis and credit concession and for the operationalization of management system and operational risk measurement, and business continuity management cycle; and
- Companies rating core: responsible for the financial statements integration in Institution's software, for client's risk rating of the companies' segments and businesses, and for developing and applying methods of assigning exposure limits to companies.

This Direction assures the analysis and management of Market Risks, Liquidity, Interest Rate, Credit and Operational, providing counselling to Executive Board of Directors, through the proposal of normative and models for management of different risks, the management reports elaboration which are used to decision making of the Risk Committee and Internal Control Committee.

Also in context of risk management, DRI:

- Defines and proposes the adoption of normative and other support instruments to credit decision, namely, proposes the adjustment of Credit Concession Standards, having in count the activity evolution, market conditions and competition practices;
- Creates, develops and monitorizes the performance of internal rating and scoring models, in credit origination, such as the systems of credit risk follow up;
- Proposes guiding principles and intervention measures by credit portfolio, client segment, activity sector and credit line, as well as the pricing adjustment of operations for credit to risk, according to strategic guide lines pre-defined;
- Provide opinions about procedures standards, new credit products, financing lines and existents revision;
- Develops monitoring systems of credit, namely, behavioral scoring for particulars and watchlist for companies, and performs the monitoring;
- Develops risk rating systems for particulars and business's (reacting and behavioral scoring) and companies (internal ratings);
- Includes the internal systems of operational risk evaluation, adapted to the supervision requirements;
- Provides information to help in decision-making about the definition and implementation of strategies to risk management and definition of the "Room" regulation, according to the taken decisions in the context of Assets and Liabilities Management and the evolution estimative of the assets markets relevant to the activity of Group's entities, and offers technical support, when required;
- Provides information about CEMG's risk analysis, as well as the evolution on the assets market where the main risks are concentrated, for presentation to Rating agencies, to institutional investors, external auditors, supervision authorities and inclusion in the Financial Statements;

- Produces statistical analysis about credit risk of portfolios to be included in securitization operations, particularly addressing over frequencies related to default or loss severity.

Additionally, for credit risk management, "Direcção de Análise de Crédito", ensures the assessment of credit proposals from companies and retail.

DRI ensures the accomplishment of several prudential reports to the supervision authority, namely the domain of their own funds requirements, major risk control and related parties funding, liquidity risk, interest rate risk, country risk, counterparty risk, self-evaluation of Own Funds' adjustment, Market Discipline, Recovery Plan and Resolution Plan.

On the regulatory and Basel II, were developed reports referred in Pillar II - Capital adequacy, and Pillar III - Market Discipline. Under Pillar II were reported to Bank of Portugal reports Process Self-Evaluation of the Capital Market ("ICAAP"), Stress Testing and Risk Concentration as Instruction no. 5/2011, Bank of Portugal. The results of the reports point to the soundness of capital levels commensurate with the risks with greater materiality and the potential adverse developments in key macroeconomic indicators. At the level of risk concentration there is a positive development in the main types of concentration - Sectorial, Geographic and Individual with relevance to the progressive reduction in the construction sector. Under Pillar III, was made public the report of Market Discipline, detailing the types and levels of risk incurred in the activity, as well as the processes, structure and organization of risk management.

CEMG has been following and implementing the recommendations of Basel Committee concerning the new prudential legislation, usually designated by Basel III, referencing the implementation of the Regulation no. 575/2013 of European Parliament, namely the one who refers to liquidity levels, own funds evaluation and calculation of capital requirements. CEMG participated regularly on Quantitative Impact Studies (QIS) of Basel III, as well in CRR/CRD IV impact studies developed by Bank of Portugal according to the guidance of the European Bank Association (EBA), what made possible anticipate the impacts derived by the adoption of the new regulatory standards, whether on the liquidity level or prudential capital level. The referred documents relative to the new regulatory standards of Basel III were already partially transposed to the national legislation, being the first official report made with reference at March 2014, in accordance with the new rules, and offer in the following trimesters.

Main types of risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and the respective volatility.

Liquidity – Liquidity risk reflects CEMG's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Property – Property risk results from possible negative impacts on profit and loss, or at the CEMG's capital level, due to market prices fluctuation on real property.

Operational – Operational risk is the potential loss resulting from failures or inadequacies in internal procedures, persons or systems, and also the potential losses resulting from external events.

Internal organization

The Executive Board of Directors is responsible for risk management strategy and policies, and it is advised by the Risk Analysis and Management Division in these fields, that undertake the analysis and the risk management from the standpoint of CEMG, includes the coordination of the Risk Committee and Internal Control and reporting the level of the Asset and Liability Committee ("ALCO") and the Internal Control Committee.

The Internal Auditing function is ensured by the Internal Audit and Inspection Department and integrates the internal control monitorization process, through the execution of complementary independent evaluations over the performance of controls, identifying deficiencies and recommendations and submitting its conclusions to the Executive Board of Directors.

The Internal Audit and Inspection Department is also responsible for performing audits to the Risk Management processes, according with the guidance provided by the supervision entities, including the independent review of risk assessment internal models (Independent Review Function) and to calculate the equity minimum requirements for risk hedging. Based in the results obtained from the audits, measures are recommended and their implementation is followed in order to ensure that necessary measures are taken and managed properly.

The compliance function is performed by the Compliance Office that reports directly to the Executive Board of Directors, and has the main goal of managing the compliance risk which is the risk of incurring in legal or regulatory sanctions, financial or reputation loss as a consequence of non-compliance with laws, regulations, conduct code and good banking practices.

The compliance risk is mitigated encouraging a culture of compliance, fostering the respect of group's entities and their employees by the framework applicable through an independent intervention, together with all organic units.

It is part of compliance's functions to define the procedures and mechanisms of compliance control, and their monitoring, reporting immediately to the Executive Board of Directors information about any possible violation of statutory obligations, rules of conduct and client relationship or other duties that can lead the institution or the employees in penalties.

Depending on the nature and severity of the risk, plans, programs or actions shall be drawn up, supported by information systems, and procedures shall be devised that provide a high degree or reliably as to the risk management measures defined whenever necessary.

Risk evaluation

Credit Risk - Retail

Credit risk models play a significant role in credit decision process. Indeed, the decision process concerning the credit portfolio depends on a group of policies based on scoring models developed to individual and business clients and the rating for the corporate sector.

Credit decisions are dependent upon risk ratings and compliance with various rules governing financial capacity and applicants' behaviour. In order to support commercial strategies reactive scoring models are also used, namely in the main individual credit portfolios, such as mortgage and individual loans, distinguishing between customers and non-customers (or new customers). In the case of credit cards, the correspondent reactive scoring model is being reviewed. Additionally, in the individual credit portfolios, commercial performance and credit risk analysis are complementary supported by behaviour scorings.

In corporate credit internal rating models are used to medium and large companies, distinguishing the construction sector, and the third sector, from the other activity sectors, while for customers «Empresários em nome individual» and micro business is applied the scoring model business.

CEMG's credit risk exposure can be analysed as follows:

(Thousands of Euro)

	2014	2013
Deposits with Other credit institutions	54 868	84 578
Deposits with banks	780 988	291 644
Loans and advances to customers	14 655 838	15 139 969
Financial assets held for trading	77 438	54 722
Other financial assets at fair value through profit or loss	-	3 450
Available-for-sale financial assets	6 033 344	7 537 402
Hedging derivatives	60	503
Held-to-maturity investments	17 333	17 227
Other assets	198 719	123 294
Guarantees granted	434 475	430 159
Documentary credits	16 648	14 447
Irrevocable commitments	723 199	366 184
Credit default swaps (notionals)	-	9 000
	22 992 910	24 072 579

The analysis of the risk exposure by sector of activity, as at 31 December 2014, can be analysed as follows:

(Thousands of Euros)

	2014							
Activity sector	**Loans and advances to costumers**		**Financial assets held for trading**	**Other financial assets at fair value trough profit or loss**	**Available-for-sale financial assets**		**Held-to-maturity investments**	**Guarantees granted**
	Gross Amount	**Impairment (a)**	**Book Value**	**Book Value**	**Gross Amount**	**Impairment**	**Book Value**	**Book Value**
Agriculture	134 726	(9 536)	-	-	-	-	-	3 187
Mining	35 046	(1 452)	-	-	8 215	-	-	1 750
Food, beverage and tobacco	227 926	(18 253)	-	-	13 014	-	-	3 316
Textiles	88 421	(10 914)	-	-	-	-	-	1 782
Shoes	37 567	(4 367)	-	-	-	-	-	107
Wood and cork	49 766	(9 544)	-	-	-	-	-	1 176
Printing and publishing	91 852	(7 718)	-	-	-	-	-	521
Petroleum refining	92	(1)	-	-	72 937	-	-	-
Chemicals and rubber	128 979	(6 204)	-	-	389	-	-	2 064
Non-metallic minerals	57 784	(4 828)	-	-	-	-	-	2 584
Basis metallurgic industries and metallic products	157 938	(16 088)	-	-	63 886	-	-	11 194
Production of machinery	45 191	(3 223)	-	-	-	-	-	1 553
Production of transport material	34 518	(5 501)	-	-	2 212	-	-	677
Other transforming material	47 428	(6 635)	-	-	67 563	-	-	2 003
Electricity, gas and water	135 753	(3 383)	-	-	328 486	-	-	1 081
Construction	1 558 317	(387 856)	115	-	21 274	(997)	-	194 507
Wholesale and retail	1 203 018	(176 708)	-	-	5 311	-	-	79 300
Tourism	393 771	(72 841)	-	-	543	-	-	8 905
Transports	430 074	(87 462)	-	-	59 392	-	-	15 386
Communications and information activities	68 380	(7 684)	-	-	65 210	-	-	1 234
Financial activities	1 477 387	(174 320)	76 790	-	545 008	(22 548)	-	70 840
Real estates activities	777 541	(181 077)	-	-	541	-	-	19 249
Services provided to companies	586 470	(43 286)	533	-	-	-	-	11 237
Public services	140 174	(2 931)	-	-	1 773 047	(8 834)	17 333	541
Other activities of collective services	487 827	(16 626)	-	-	-	-	-	8 247
Mortgage loans	7 576 392	(187 799)	-	-	2 947 066	(43 835)	-	7 575
Others	21 246	(4 804)	-	-	135 464	-	-	1 107
Total	15 993 584	(1 451 041)	77 438	-	6 109 558	(76 214)	17 333	451 123

(a) includes provision for impairment in the amount of Euro 1 333 746 thousands (see note 21) and the provision for general banking risks amounting to Euro 113 295 thousands (see note 38).

The analysis of the risk exposure by sector of activity, as at 31 December 2013, can be analysed as follows:

(Thousands of Euro)

Activity sector	2013 Loans and advances to costumers Gross Amount	Loans and advances to costumers Impairment (a)	Financial assets held for trading Book Value	Other financial assets at fair value trough profit or loss Book Value	Available-for-sale financial assets Gross Amount	Available-for-sale financial assets Impairment	Held-to-maturity investments Book Value	Guarantees granted Book Value
Agriculture	62 157	(4 509)	-	-	-	-	-	1 572
Mining	17 862	(799)	-	-	1 970	-	-	2 617
Food, beverage and tobacco	183 959	(17 956)	-	-	14 576	-	-	4 154
Textiles	67 037	(16 017)	-	-	-	-	-	451
Shoes	22 187	(3 706)	-	-	-	-	-	129
Wood and cork	41 518	(13 469)	-	-	-	-	-	1 697
Printing and publishing	81 799	(6 639)	-	-	-	-	-	363
Petroleum refining	84	(1)	-	-	7 594	-	-	-
Chemicals and rubber	122 231	(5 124)	-	-	400	-	-	1 816
Non-metallic minerals	48 077	(4 606)	-	-	-	-	-	2 988
Basis metallurgic industries and metallic products	143 330	(13 884)	-	-	74 227	-	-	10 339
Production of machinery	37 514	(2 416)	-	-	-	-	-	1 499
Production of transport material	28 598	(5 626)	-	-	-	-	-	198
Other transforming material	34 472	(5 781)	-	-	91 895	-	-	1 634
Electricity, gas and water	131 690	(1 467)	-	-	202 563	-	-	2 608
Construction	1 764 534	(342 855)	102	-	21 289	(998)	-	175 796
Wholesale and retail	920 432	(148 433)	-	-	5 074	-	-	73 971
Tourism	320 408	(26 515)	-	-	-	-	-	8 149
Transports	340 011	(13 770)	-	-	22 282	-	-	15 683
Communications and information activities	44 501	(6 175)	-	-	36 774	-	-	815
Financial activities	1 237 409	(58 584)	54 138	3 450	988 229	(28 253)	-	79 593
Real estates activities	840 654	(114 600)	-	-	-	-	-	25 855
Services provided to companies	376 024	(32 514)	482	-	1 224	-	-	15 817
Public services	115 553	(2 269)	-	-	3 089 640	(8 415)	17 227	551
Other activities of collective services	372 574	(14 887)	-	-	-	-	-	6 828
Mortgage loans	8 371 455	(229 333)	-	-	2 898 523	(17 098)	-	-
Others	457 402	(62 561)	-	-	135 906	-	-	9 483
Total	16 183 472	(1 154 496)	54 722	3 450	7 592 166	(54 764)	17 227	444 606

(a) includes provision for impairment in the amount of Euro 1 043 503 thousands (see note 21) and the provision for general banking risks amounting to Euro 110 993 thousands (see note 38).

With regard to credit risk, the financial assets portfolio predominantly maintains its position in bonds of sovereign issuers, mainly from Portuguese Republic.

During 2014, credit default swaps in portfolio were settled, by maturity of several deals, with buying and selling of credit protection to be settled at Euro 9,000 thousands.

In terms of credit quality, there was a raise in the average level of counterparties associated to the improvement of Portuguese public debt rating.

Overall Risks and Financial Assets

Efficient balance sheet management also involves the Assets and Liabilities Committee («ALCO»), which examines interest rate, liquidity and exchange rate risks, namely as regards compliance with the limits set for the static and dynamic gaps calculated.

Normally the static interest rate and liquidity gaps are positive and moderate in size, with exception of those months when payments are made relating to bond issue debt service. As for exchange rate risk, the resources obtained in different currencies are hedged as assets in the respective monetary market and for periods not exceeding those of the resources, which means that any exchange rate gaps result mainly from possible unadjustments between the hedge and resource deadlines.

Concerning risk information and analysis, regular reports are provided on the credit and market risks on the company's financial assets and those of the other members of CEMG. For the company's own portfolio, the various risk limits are defined using the Value-at-Risk («VaR») method. There are different exposure limits such as global «VaR» limits, by issuer, by asset type/class and rating. There are also limits of Stop Loss. Investment portfolio is mainly concentrated in bonds which as at the end of 2014 represented 85.43% (2013: 83.63%) of the total's portfolio.

CEMG continuously calculates its own portfolios «VaR», given a 10-day horizon and a 99% confidence interval, by the method of historical simulation.

The following table presents the main indicators of these measures, as at 31 December 2014 and 2013:

(Thousands of Euro)

	2014				2013			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Interest rate Gap	(1 565 700)	(1 266 807)	(967 914)	(1 565 700)	(556 462)	(538 159)	(519 855)	(556 462)

Following the recommendations of Basel II (Pillar II) and Instruction no. 19/2005, of Bank of Portugal, CEMG calculates its exposure to interest rate risk based on the methodology of CEMG of International Settlements («BIS») which requires the classification of non-trading balances and off balance positions by repricing intervals.

(Thousands of Euro)

	Within 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years
31 December 2014					
Assets	11 060 213	4 313 890	411 776	1 452 762	1 124 728
Off balance sheet	8 715 156	135 950	268 916	152 487	-
Total	19 775 369	4 449 840	680 692	1 605 249	1 124 728
Liabilities	7 460 280	2 177 606	2 540 454	7 633 753	116 975
Off balance sheet	8 730 961	196 895	220 000	124 652	-
Total	16 191 241	2 374 501	2 760 454	7 758 405	116 975
Gap (Assets - Liabilities)	3 584 128	2 075 339	(2 079 762)	(6 153 156)	1 007 753
31 December 2013					
Assets	10 544 185	4 467 173	439 863	1 724 886	2 275 156
Off balance sheet	9 173 090	153 649	844 643	299 448	-
Total	19 717 275	4 620 822	1 284 506	2 024 334	2 275 156
Liabilities	8 304 429	1 692 245	2 372 290	7 776 637	-
Off balance sheet	9 216 635	182 510	535 820	270 947	-
Total	17 521 064	1 874 755	2 908 110	8 047 584	-
Gap (Assets - Liabilities)	2 196 211	2 746 067	(1 623 604)	(6 023 250)	2 275 156

Sensibility analysis

As at December 2014, based on the interest rate gaps observed, an instantaneous positive variation in the interest rates by 100 bp would cause an increase in the income statement in Euro 37,039 thousands (2013: Euro 27,868 thousands).

The following table presents the average interests, in relation to CEMG major assets and liabilities categories for the years ended 31 December 2014 and 2013, as well as the average balances and income and expense for the year:

(Thousands of Euro)

	2014			2013		
Products	**Average balance for the year**	**Average interest rate (%)**	**Income / Expense**	**Average balance for the year**	**Average interest rate (%)**	**Income / Expense**
Assets						
Loans and advances to custo	16 214 123	3.57	579 361	15 657 077	3.62	566 968
Deposits	111 630	0.15	167	102 263	0.51	522
Securities portfolio	7 784 710	1.94	150 807	6 766 101	2.43	164 197
Inter-bank loans and advance	541 977	0.19	1 022	246 639	0.28	694
Swaps	-	-	110 316	-	-	116 499
Total Assets	24 652 440		841 673	22 772 080		848 880
Liabilities						
Deposits from customers	13 778 244	2.19	302 294	12 909 123	2.57	331 882
Securities deposits	5 869 912	2.11	123 825	6 783 751	2.62	177 981
Interbank deposits	3 628 546	0.41	14 732	2 819 931	0.87	24 454
Other liabilities	750	-	4	157	-	-
Swaps	-	-	106 546	-	-	108 453
Total liabilities	23 277 452		547 401	22 512 962		642 770

In relation to foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 31 December 2014 is analysed as follows:

(Thousands of Euro)

	2014							
	Euro	**United States Dollar**	**Sterling Pound**	**Canandian Dollar**	**Suisse Franc**	**Japanese Yen**	**Other foreign currencies**	**Total amount**
Assets by currency								
Cash and deposits at central banks	184 057	13 073	1 154	669	2 151	368	1 866	203 338
Loans and advances to credit institutions repayable on de	47 413	5 892	288	325	590	17	343	54 868
Loans and advances to credit institutions	673 372	107 616	-	-	-	-	-	780 988
Loans and advances to customers	14 545 397	109 617	-	-	824	-	-	14 655 838
Financial assets held for trading	49 820	33 733	-	-	-	-	-	83 553
Other financial assets at fair value trough profit or loss	-	-	-	-	-	-	-	-
Available-for-sale financial assets	7 387 495	3 175	34	10	782	-	-	7 391 496
Hedging derivatives	60	-	-	-	-	-	-	60
Held-to-maturity investments	17 333	-	-	-	-	-	-	17 333
Investments in associated companies and others	419 183	-	-	-	-	-	-	419 183
Non- current assets held for sale	779 504	-	-	-	-	-	-	779 504
Other tangible assets	36 924	-	-	-	-	-	-	36 924
Intangible assets	117 297	-	-	-	-	-	-	117 297
Current tax assets	-	-	-	-	-	-	-	-
Deferred tax assets	342 393	-	-	-	-	-	-	342 393
Other assets	171 496	536	15 064	42 354	-	-	5 638	235 088
Total Assets	24 771 744	273 642	16 540	43 358	4 347	385	7 847	25 117 863
Liabilities by currency								
Deposits from central banks	2 496 886	-	-	-	-	-	-	2 496 886
Deposits from other credit institutions	1 516 001	77 750	7 708	36 133	477	-	6	1 638 075
Deposits from customers	13 480 818	104 839	8 683	7 105	2 004	26	5 669	13 609 144
Debt securities issued	1 936 249	223	-	-	-	-	-	1 936 472
Financial liabilities associated to transferred assets	3 075 080	-	-	-	-	-	-	3 075 080
Financial liabilities held for trading	54 485	30 815	-	-	-	-	-	85 300
Hedging derivatives	1 494	-	-	-	-	-	-	1 494
Provisions	129 446	-	-	-	-	-	-	129 446
Current tax liabilities	-	-	-	-	-	-	-	-
Other subordinated debt	388 118	-	-	-	-	-	-	388 118
Other liabilities	228 319	60 777	36	20	2 314	-	20	291 486
Total Liabilities	23 306 896	274 404	16 427	43 258	4 795	26	5 695	23 651 501
Net asset / liability by currency	1 464 848	(762)	113	100	(448)	359	2 152	1 466 362

In relation to foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 31 December 2013 is analysed as follows:

(Thousands of Euro)

	2 013							
	Euro	United States Dollar	Sterling Pound	Canandian Dollar	Suisse Franc	Japanese Yen	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits at central banks	229 176	8 715	1 114	284	1 960	180	943	242 372
Loans and advances to credit institutions repayable on de	76 935	6 565	179	197	337	27	338	84 578
Loans and advances to credit institutions	276 680	14 964	-	-	-	-	-	291 644
Loans and advances to customers	15 109 256	29 920	-	-	795	-	(2)	15 139 969
Financial assets held for trading	60 002	2 529	-	-	-	-	-	62 531
Other financial assets at fair value trough profit or loss	3 450	-	-	-	-	-	-	3 450
Available-for-sale financial assets	8 938 315	2 937	31	19	793	-	192	8 942 287
Hedging derivatives	503	-	-	-	-	-	-	503
Held-to-maturity investments	17 227	-	-	-	-	-	-	17 227
Investments in associated companies and others	418 547	-	-	-	-	-	-	418 547
Non- current assets held for sale	663 231	-	-	-	-	-	-	663 231
Other tangible assets	44 316	-	-	-	-	-	-	44 316
Intangible assets	112 240	-	-	-	-	-	-	112 240
Current tax assets	10	-	-	-	-	-	-	10
Deferred tax assets	313 702	-	-	-	-	-	-	313 702
Other assets	(57 322)	133 652	11 905	37 150	863	-	4 081	130 329
Total Assets	26 206 268	199 282	13 229	37 650	4 748	207	5 552	26 466 936
Liabilities by currency								
Deposits from central banks	3 427 354	-	-	-	-	-	-	3 427 354
Deposits from other credit institutions	971 510	90 909	6 616	31 318	606	-	6	1 100 965
Deposits from customers	13 509 789	92 442	5 175	5 936	2 443	10	4 392	13 620 187
Debt securities issued	2 165 822	196	-	-	-	-	-	2 166 018
Financial liabilities associated to transferred assets	3 444 852	-	-	-	-	-	-	3 444 852
Financial liabilities held for trading	61 673	569	-	-	-	-	-	62 242
Hedging derivatives	1 849	-	-	-	-	-	-	1 849
Provisions	115 911	-	-	-	-	-	-	115 911
Current tax liabilities	1 353	-	-	-	-	-	-	1 353
Other subordinated debt	386 378	-	-	-	-	-	-	386 378
Other liabilities	420 074	15 020	1 436	396	1 542	197	1 156	439 821
Total Liabilities	24 506 565	199 136	13 227	37 650	4 591	207	5 554	24 766 930
Net asset / liability by currency	1 699 703	146	2	-	157	-	(2)	1 700 006

Liquidity risk

The purpose of liquidity management is to maintain adequate liquidity levels to meet short, medium and long term funding needs. Liquidity risk is monitored carefully, and prepared several reports for the purpose of prudential regulation and monitoring in place of ALCO Committee.

In addition, it is also carried out a follow-up of liquidity positions of a prudential point of view, calculated in the manner required by the Bank of Portugal (Instruction no. 13/2009 of 15 September).

As at 31 December 2014 the total collateral value available in the European Central Bank amounts to Euro 4,202,365 thousands (2013: Euro 5,783,695 thousands) with an usage of Euro 2,475,990 thousands (2013: Euro 3,395,000 thousands).

Operational risk

CEMG has implanted an Integrated Continuing Business Plan, which allows to ensure the continuity of the operations in a case of a rupture in the activity. DRI has the corporate function of operational risk management which is supported by the existence of responsible employees in the different organic units that ensure the proper implementation of Group's operational risk management.

Capital management and Solvency Ratio

In prudential matters, the Group is subject to Bank of Portugal supervision that, under the capital adequacy Directive from the CE (2013/36/UE), establishes the rules to be attended by the institutions under its supervision. These rules determine minimum solvency ratios of main own funds of level 1, own fund of level 1 and the total own funds related with the risk-weighted assets that institutions have to fulfil. Since 2014, prudential rules are based in the new Basel III according to the Instruction no. 575/2013 of the European Parliament.

According with prudential rule of Basel III, CEMG's Own Funds are divided in the Own Funds Core of Level 1 or Commom Equity Tier 1 (CET1), Own Funds of Level 1 or Tier 1 (T1) and Own Funds of Level 2 or Tier 2 (T2), with the following composition:

– **Own Funds Core of Level 1 or Common Equity Tier 1 (CET1):** this category includes the realized statuary capital, eligible reserves (including fair value reserves), accumulated results, results retained from the period when positives and certified or by its fullness if negatives. It is deducted the balance value of the amounts relative to goodwill, other intangible assets, unrealized gains in financial liabilities evaluated by its fair value through the results that represent own credit risk, negative actuarial deviations derived from responsibilities with post-employment benefits to employees (already included in accumulated results), as well the gap, if positive, between the asset and the pension fund responsibilities. Financial investments on financial sector entities and deferred tax assets have a different treatment, comparing to Basel II, on the new Basel III regulations. The values in these accounts are deducted when, individually, overcome 10% of CET1, or posteriorly 17.65% of CET1 when considered as aggregated (only on the non-deducted part on the first barrier of 10% and considering only significant participations). Non-deducted values will be subject to weight of 250% for the fullness of risk-weighted assets. Regarding investments in financial institutions, the eventual deduction is proportionally realized on the respective held capital levels. Between the implementation of this new prudential regulation in 2014 and 2018, a transitory period will be in force that will allow to gradually acknowledge the majors impacts of this new regulation. Emphasis for the transitory plan applied to deferred tax assets and negative actuarial deviations of the pensions fund that allow to acknowledge 20%/year of the eventual negative effects caused by the new standards. Fair value reserves will also be subject to a transitory plan of 20%/year, being however excluded from this plan the fair value reserves related to risk positions over Central Administrations. This exclusion will end after the adoption, by the European Committee, of a regulation based on Regulation (CE) no. 1606/2002 that approves the International Financial Report Standards, that will replace IAS 39.

– **Own Funds of Level 1 or Tier 1 (T1)**: includes capital equivalent instruments, whose conditions are in accordance with the article 52º from Regulation no.575/2013 and approved by the Bank of Portugal. From this capital is deducted the eventual detentions of capital T1 from financial institutions subjected to deduction are deducted from this capital.

– **Own Funds of Level 2 or Tier 2 (T2)**: includes capital equivalent instruments, whose conditions are in accordance with the article 63º from Regulation no.575/2013 and approved by the Bank of Portugal. The eventual detentions of capital T2 from financial institutions subjected to deduction are deducted from this capital.

The Totals Own Funds or Total Capital are constituted by the sum of the three levels previous referred.

As previously referred, until 2018 the effects of Basel III's new regulation will gradually being introduced. This process is usually named as Phasing-in. The full assumption of the new regulation, without considering transitory plans, is named as Full Implementation. Phasing-in is actually in process, being verified in this base if determined entity have the amount of own funds superior to the minimum requirement, and properly certifying its capital adequation. This relation is reflected on the different capital ratios, namely CET1 ratio, T1 ratio and total capital ratio (formerly designated by solvability ratio, represented by the percentage of capital level correspondent to the amount of 12.5 times the own funds requirements). For these ratios, the regulatory are minimums indicated by Bank of Portugal and that for 2014 are 7% for CET1 and 8% for Total Capital.

The capital adequacy of CEMG as at 31 December 2014 and 2013 is presented as follows:

	2014	2013
Basic own funds Core Tier 1 (Capital Common Equity Tier 1)		
Paid-up capital	1 700 000	1 700 000
Net profit, General reserves, Special reserves and Retained earnings	(312 029)	220 967
Other regulatory adjustments	(282 725)	(407 149)
	1 105 246	1 513 819
Basic own funds (Capital Tier 1)		
Other equity instruments	6 618	8 273
Deduction to basic own funds	(6 618)	(200 220)
	1 105 246	1 321 872
Complementary own funds (Capital Tier 2)		
Subordinated Loans	23 431	318 784
Regulatory adjustments	(21 170)	(86 470)
	2 261	232 314
Total owned funds	1 107 506	1 554 186
Own funds requirements		
Credit risk	1 003 604	975 088
Market risk	1 078	3 964
Operational risk	57 358	56 486
Other requirements	30 426	-
	1 092 466	1 035 537
Prudential Ratio		
Ratio Common Equity Tier 1	8,09%	11,69%
Ratio *Tier* 1	8,09%	10,21%
Total Capital Ratio	8,11%	12,01%

The amounts referred to 31 December 2013, were calculated according to the prudential rules in force as at 31 December 2013.

In order to reinforce the prudential situation, by adapting the prudential ratios to the requirements of the CEMG's strategic plan, the Executive Board of Directors has deliberated, on 25 March 2015, to set in motion the previous procedures towards a capital increase up to Euro 200 million, according with subparagraph 1) of Article no. 16 of Caixa Económica Montepio Geral Articles.

53 Accounting standards recently issued

Recently Issued pronouncements already adopted by the CEMG in the preparation of the financial Statements are the following:

IAS 27 (Revised) – Separate Financial Statements

The IASB issued on 12th May 2011, amendments to "IAS 27 – Separate Financial Statements", effective (with prospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation 1254/2012, 11th December.

Taking in consideration that IFRS 10 addresses the principles of control and the requirements relating to the preparation of consolidated financial statements, IAS 27 was amended to cover exclusively separate financial statements.

The amendments aimed, on one hand, to clarify the disclosures required by an entity preparing separate financial statements so that the entity would be required to disclose the principal place of business (and country of incorporation, if different) of significant investments in subsidiaries, joint ventures and associates and, if applicable, of the parent.

The previous version only required the disclosure of the country of incorporation or residence of such entities.

On the other hand, it was aligned the effective dates for all consolidated standards (IFRS10, IFRS11, IFRS12, IFRS13 and amendments to IAS 28.

The CEMG did not have any impact from the adoption of these changes in the financial statements.

IFRS 10 Consolidated Financial Statements

The IASB issued on 12th May 2011, "IFRS 10 Consolidated Financial Statements", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, from 11th December, which allowed the mandatory application of these amendments after 1st January 2014.

IFRS 10, revokes partially of IAS 27 and SIC 12, and introduces a single control model to determine whether an investee should be consolidated.

The new concept of control involves the assessment of power, exposure to variability in returns and a linkage between both. An investor controls an investee when it is exposed (or has rights) to variability of returns from its involvement with the investee and is able to affect those returns through its power over the investee (presumed control).

The investor considers whether it controls the relevant activities of the investee, taking into consideration the new concept. The assessment should be done at each reporting period because the relation between power and exposure to the variability of returns may change over the time.

Control is usually assessed over a legal entity, but also can be assessed over only specified assets and liabilities of an investee (referred to as *silo*).

The new standard also introduces other changes such as: i) accounting requirements for subsidiaries in consolidation financial statements that are carried forward from IAS 27 to this new standards and ii) enhanced disclosures requirements, including specific disclosures for consolidated and unconsolidated structured entities.

The CEMG did not have any impact from the adoption of these changes in the financial statements.

IFRS 11 – Joint Arrangements

The IASB, issued on 12th May 2011, "IFRS 11-Joint arrangements", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, from 11th December which allowed the mandatory application of these amendments after 1st January 2014.

IFRS 11 revoked IAS 31 and SIC 13, defines "joint control" by incorporating the same control model as defined in IFRS 10 and requires an entity that is part of a "join arrangement" to determine the nature of the joint arrangement ("joint operations" or "joint ventures") by assessing its rights and obligations.

IFRS 11 removes the option to account for joint ventures using the proportionate consolidation. Instead, joint arrangements that meet the definition of "joint venture" must be accounted for using the equity method (IAS 28).

The CEMG did not have any impact from the adoption of these changes in the financial statements.

IAS 28 (Revised) – Investments in Associates and Joint Ventures

The IASB, issued on 12th May 2011, "IAS 28 – Investments in associates and Joint Venture", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, from 11th December which allowed the mandatory application of these amendments after 1st January 2014.

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed as IAS 28 Investments in Associates and Joint ventures, and describes the application of the equity method to investments in joint ventures and associates.

The CEMG did not have any impact from the adoption of these changes in the financial statements.

IFRS 12 – Disclosures of Interest in Other Entities

The IASB, issued on 12th May 2011, "IFRS 12 Disclosures of Interests in Other Entities", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, from 11th December which allowed the mandatory application of these amendments after 1st January 2014.

The objective of this new standard is requiring the disclose of information by an entity to enable users of its financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special vehicles and other off balance sheet vehicles.

The CEMG assessed the impact of the full application of IFRS12, in line with IFRS 10 and IFRS11 adoptions and did not have any impact from the adoption of these changes in the financial statements.

Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (issued by IASB on 31st October 2012)

The amendments apply to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments were effective from 1 January 2014, with an early adoption permitted. This option allows investment entities to apply these new amendments along with the adoption of IFRS 10. These amendments were endorsed by EU Commission Regulation 1174/2013, from 20 November.

The CEMG did not have any impact from these changes in the financial statements.

IAS 36 (Revised) – Recoverable Amount Disclosures for Non-Financial Assets

The IASB, issued on 29th May 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. These amendments were endorsed by EU Commission Regulation 1374/2013, from 19th December.

The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets.

The CEMG did not have any impact from these changes in the financial statements.

IAS 39 (Revised) – Novation of Derivatives and Continuation of Hedge Accounting

The IASB, issued on 27th June 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. These amendments were endorsed by EU Commission Regulation 1375/2013, from 19th December.

The objective of these amendments was to provide relief in situations where a derivative, which has been designated as a hedging instrument, is novated from one counterparty as a consequence of laws or regulation. Such a relief means that hedge accounting can continue irrespective of the novation which, without the amendment, would not be permitted.

The CEMG did not have any impact from these changes in the financial statements.

IAS 32 (Amended) - Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The IASB, issued on 16th December 2011, amendments to "IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities", effective (with retrospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation 1256/2012, 11th December.

The amendment adding application guidance to address the inconsistent application of the standard in practice. The application guidance clarifies that the phrase 'currently has a legal enforceable right of set-off' means that the right of set-off must not be contingent on a future event and must be legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy, of the entity and all of the counterparties.

The application guidance also specifies the characteristics of gross settlement systems in order to be considered equivalent to net settlement.

The CEMG had no impact from the adoption of these changes in the financial statements considering that the accounting policy adopted by the CEMG is aligned with the issued clarification.

IFRIC 21 Levies

The IASB, issued on 20th May 2013, this interpretation, effective (with retrospective application) for annual periods beginning on or after 1st January 2014. This interpretation was endorsed by EU Commission Regulation 634/2014, from13th June (defining entry into force from the date of the first financial year beginning in or after 17th July, 2014).

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

The CEMG did not have any impact from these changes in the financial statements.

<u>CEMG decided to opt for not having an early application of the following standards endorsed by EU but not yet mandatory effective:</u>

IAS 19 (Revised) – Defined Benefit Plans: Employee Contributions

The IASB, issued on 21th November 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1st July 2014.

The amendment clarifies the guidance on attributing employee or third party contributions linked to service and requires entities to attribute the contributions linked to service in accordance with paragraph 70 of IAS 19 (2011). Therefore, such contributions are attributed using plan's contribution formula or on a straight line basis.

The amendment addresses the complexity by introducing a practical expedient that allows an entity to recognise employee or third party contributions linked to service that are independent of the number of years of service (for example a fixed percentage of salary), as a reduction in the service cost in the period in which the related service is rendered.

Improvements to IFRS (2010-2012)

The annual improvements cycle 2010-2012, issued by IASB on 12th December 2013, introduce amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS16, IAS24 and IAS38. These amendments were endorsed by EU Commission Regulation 28/2015, 17th December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1st February 2015).

IFRS 2 – Definition of vesting condition

The amendment clarifies the definition of 'vesting conditions' in Appendix A of IFRS 2 Share-based Payment separating the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clear.

IFRS 3 – Accounting for contingent consideration in a business combination

The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination, namely the classification of contingent consideration in a business combination, taking into account if such contingent consideration is a financial instrument or a non-financial asset or liability.

IFRS 8 – Aggregation of operation segments and reconciliation of the total of the reportable segments' assets to entity's assets

The amendment clarifies the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. To achieve consistency, reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker.

IFRS 13 – Short-term receivables and payables

IASB amended the basis of conclusion, in order to clarify that, by deleting IAS 39AG79 did not intend to change the measurement requirements for short-term receivables and payables with no interest, that should be discounted even if such discount is immaterial. It should be noticed that the paragraph 8 of IAS 8 already permits entities to not apply accounting policies set out in accordance with IFRS when the effect of applying them is immaterial.

IAS 16 & IAS 38 – Revaluation method – proportionate restatement accumulated depreciation or amortisation

In order to clarify the calculation of the accumulated depreciation or amortisation at the date of the revaluation, IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38 to clarify that:(i) the determination of the accumulated depreciation (or amortisation) does not depend on the selection of the valuation technique; and (ii) the accumulated depreciation (or amortisation) is calculated as the difference between the gross and the net carrying amounts.

IAS 24 – Related Party Transactions – Key management personal services

In order to address the concerns about the identification of key management personal (KMP) costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that, the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17.

Improvements to IFRS (2011-2013)

The annual improvements cycle 2011-2013, issued by IASB on 12th December 2013, introduced amendments, with effective date on, or after, 1st July 2014, to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40. These amendments were endorsed by EU Commission Regulation 1361/2014, from 18th December (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1st January 2015).

IFRS 1 – Meaning of "effective IFRS"

IASB clarifies that if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity's first IFRS financial statements.

IFRS 3 – Scope exceptions for joint ventures

The amendment excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3. The scope exception only applies to the financial statements of the joint venture or the joint operation itself.

IFRS 13 – Scope of paragraph 52 – portfolio exception

Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment was to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.

IAS 40 – Interrelationship with IFRS 3 when classify property as investment property or owner-occupied property

The objective of this amendment is to clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

Recently Issued pronouncements that are not yet effective for the CEMG.

IFRS 9 – Financial instruments (issued in 2009 and revised in 2010, 2013 and 2014)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces the hedging requirements. IFRS 9 (2014) introduces limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets.

The IFRS 9 requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains three measurement categories for financial assets: amortised, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL). A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding. If the debt instrument that are SPPI are held under a business model whose objective achieved both by collecting contractual cash flows and by selling, the measurement would be at fair value through other comprehensive income (FVOCI), keeping the revenue form interest presenting in profit or loss.

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI (FVOCI). Those amounts recognised in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment.

All other financial assets, either the financial assets held under a business model of trading, either other financial instruments that do not comply with SPPI criteria, would be measured at fair value through profit and loss.

This situation includes, includes Investments in equity instruments, in respect of which an entity does not elect to present fair value changes in OCI that would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety, confirming that exist embedded derivatives, it should be measured at fair value through profit and loss.

The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

IFRS 9 (2014) establishes a new impairment model base on "expected losses" that replaces the current "incurred losses" in IAS 39.

Therefore, the loss event will no longer need to be verified before an impairment allowance is recognised. This new model will accelerate recognition of losses from impairment on debt instruments held that are measured at amortized cost or FVOCI.

If the credit risk of financial asset has not increased significantly since its initial recognition, the financial asset will attract a loss allowance equal to 12-month expected credit losses.

If its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses thereby increasing the amount of impairment recognised.

As soon as the loss event occurs (what is current defined as "objective evidence of impairment"), the impairment allowance would be allocated directly to the financial asset affected, which provides the same accounting treatment, from that point, similar to the current IAS 39, including the treatment of interest revenue.

The mandatory effective date of IFRS 9 is for annual periods beginning on or after 1st January 2018.

The CEMG has started the process of evaluating the potential effect of this standard. Considering the nature of the CEMG´s operation, this standard is expected to have a material impact on the CEMG´s financial statements.

IFRS 15 – Revenue from Contracts with Customers

The IASB, issued on May 2014, IFRS 15 - Revenue from Contracts with Costumers, effective for annual periods beginning on or after 1st January 2017. The early adoption is allowed. This standard revokes IAS 11- Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue- Barter Transactions Involving Advertising Services.

IFRS 15 provides a model based on 5 steps of analysis in order to determine when revenue should be recognised and the amount. The model specifies that the revenue should be recognised when an entity transfers goods or services to the customer, measured by the amount that the entity expects to be entitled to receive. Depending on the fulfilment of certain criteria, revenue is recognised:

At the time when the control of the goods or services is transferred to the customer; or

Over the period, to the extent that represents the performance of the entity.

The CEMG did not have any impact from these changes in the financial statements.

Improvements to IFRS (2012-2014)

The annual improvements of the 2012-2014 cycle, issued by the IASB on September 25, 2014 made changes, with an effective date of application for periods beginning on or after July 1, 2016 to IFRS 5, IFRS 7, IAS 19, IAS 34.

The CEMG did not have any impact from these changes in the financial statements.

IAS 27: Equity Method in Separate Financial Statements

IASB issued on August 12, 2014, amendments to IAS 27, with an effective date of application for periods beginning on or after January 1, 2016, introducing an option for the measurement of subsidiaries, associates or joint ventures the equity method in the separate financial statements.

The Group has not taken any decision regarding the adoption of this option in its separate financial statements.

54 Sovereign debt of European Union countries subject to bailout

As at 31 December 2014, the exposure of CEMG to sovereign debt of European Union countries subject to bailout is as follows:

(Thousands of Euro)

	2014						
Issuer/portfolio	**Book value**	**Fair value**	**Fair value reserves**	**Impairment**	**Average maturity rate (%)**	**Average maturity (years)**	**Fair value measurement level**
Portugal							
Financial assets available for sale	1 645 832	1 645 832	48 946	-	4.83	3.64	1
Held to maturity financial assets	6 209	6 359	-	-	3.35	0.79	n.a.
	1 652 041	1 652 191	48 946	-			
Greece (*)							
Financial assets available for sale	9 525	9 525	-	(8 834)	1.26	23.16	1
	1 661 566	1 661 716	48 946	(8 834)			

The securities value includes the respective accrued interests.

At May 2014, the validity period of the Adjustment Program accorded in 2011 between the Portuguese Government and Troika (European Central Bank, International Monetary Fund and European Commission) has ended, and Portugal left since that date the bailout situation.

As at 31 December 2013, the exposure of CEMG to sovereign debt of European Union countries subject to bailout is as follows:

(Thousands of Euro)

	2013						
Issuer/portfolio	**Book value**	**Fair value**	**Fair value reserves**	**Impairment**	**Average maturity rate (%)**	**Average maturity (years)**	**Fair value measurement level**
Portugal							
Financial assets available for sale	3 053 183	3 053 183	33 404	-	4.67	5.48	1
Held to maturity financial assets	6 149	6 298	-	-	3.35	1.79	n.a.
	3 059 332	3 059 481	33 404	-			
Greece (*)							
Financial assets available for sale	10 066	10 066	123	(8 415)	1.26	24.16	1
	3 069 398	3 069 547	33 527	(8 415)			

55 Transfers of assets

CEMG performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets.

The financial assets sold under these transactions are derecognised from the balance sheet of CEMG, since the transactions result in the transfer to the Funds of a substantial portion of the risks and benefits associated with the assets as well as the control on the assets.

The specialized funds that acquire the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its investment throughout the useful life of the Funds.

These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of CEMGs holds more than 50% of the capital of the Funds.

The Funds have a specific management structure (General Partner), fully independent from CEMGs and that is selected on the date of establishment of the Funds.

The management structure of the Funds has as main responsibilities:

- determine the objective of the Funds;

- manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Funds.

The management structure is remunerated through management commissions charged to the Funds.

These funds, in the majority of the transactions (in which CEMG holds minority positions) establish companies under the Portuguese law in order to acquire the loans to CEMGs, which are financed through the issuance of senior and junior bonds.

The value of the senior bonds fully subscribed by the funds that hold the share capital of the companies match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company that holds the assets. The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the sale value.

These junior bonds, when subscribed by CEMG, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior bonds plus it related interest.

However, considering that these junior bonds reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the junior bonds are fully provided.

Therefore, following the transactions that occurred, CEMG subscribed:

- Participation units of the Funds, for which the cash-flows that allow the recovery arise mainly from a set of assets transferred from the participant banks (where CEMG has clearly a minority interest). These securities are booked in the available for sale portfolio and are accounted for at fair value based on the market value, as disclosed by the Funds and audited at year end.

- Junior bonds (with higher subordination degree) issued by the companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, CEMG, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, CEMG performed the derecognition of the assets transferred under the scope of IAS 39.20 c (i) and the recognition of the assets received as follows:

(thousands of Euro)

	Dec 2014			Dec 2013		
	Values associated with the transfer of assets			Values associated with the transfer of assets		
	Net assets transferred	Amount received	Result obtained with the transfer	Net assets transferred	Amount received	Result obtained with the transfer
Vallis Construction Sector Fund	18 794	20 889	2 095	18 794	20 889	2 095
Fundo de Reestruturação Empresarial, FCR	21 549	21 590	41	4 298	4 371	73
	40 343	42 479	2 136	23 092	25 260	2 168

(thousands of Euro)

	2014				
	Senior Securities	Junior Securities	Total	Junior Impairment	Net Value
Vallis Construction Sector Fund	16 441	6 153	22 594	(6 153)	16 441
Fundo de Reestruturação Empresarial, FCR	13 389	-	13 389	(219)	13 170
	29 830	6 153	35 983	(6 372)	29 611

s

(thousands of Euro)

	Dez 2013				
	Senior Securities	Junior Securities	Total	Junior Impairment	Net Value
Vallis Construction Sector Fund	15 619	6 153	21 772	(6 153)	15 619
Fundo de Reestruturação Empresarial, FCR	5 021	-	5 021	-	5 021
	20 640	6 153	26 793	(6 153)	20 640

The net assets disposed amounts to Euro 40,343 thousands (2013: Euro 23,092 thousands).

The junior securities refers to investment units on the amount of Euro 6,153 thousands (2013: Euro 6,153 thousands), as referred in note 24.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for, in accordance with note 15.

Although the junior bonds are fully provided, CEMG still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of assets transferred by all financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior bonds).

In 2014, CEMG transfered credits to Business Restructuring Fund ("Fundo de Reestruturação Empresarial, FCR") in the amount of Euro 17,251 thousands. Although it, was Montepio Investimento S.A. that acquired the participation units related to this transfer.

Still in 2014, CEMG acquired 10,000 participation units from Montepio Investimento S.A. related to Business Restructuring Fund, by Euro 8,779 thousands.

56 Subsequent events

After the balance sheet date and before the financial statements were authorized for issue, there were no relevant transactions and/or events that deserve relevance disclosure.

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AUDITORS' REPORT

(This Report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report, on the financial information included in the Annual Report of the Executive Board of Directors and in the accompanying financial statements as at and for the year ended 31 December, 2014 of **Caixa Económica Montepio Geral** which comprise the balance sheet as at 31 December, 2014 (showing total assets of 25,117,863 thousand Euros and total equity of 1,466,362 thousand Euros, including a net loss of 157,306 thousand Euros) the statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended and the corresponding notes.

Responsibilities

2 The Executive Board of Directors is responsible for:

a) the preparation of the financial statements in accordance with the Adjusted Accounting Standards ("NCA's") issued by the Bank of Portugal, that present fairly, the financial position of Caixa Económica Montepio Geral, the results of its operations, the comprehensive income, the changes in equity and the cash flows;

b) the historical financial information prepared in accordance with the NCA's that is complete, true, current, clear, objective and lawful as required by the Portuguese Securities Market Code ("CVM");

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant fact that may have influenced the activity, its financial position or results.

3 Our responsibility is to verify the financial information included in the documents referred to above, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

Scope

4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly, our audit included:

- verification, on a sample basis, of the information underlying the figures and disclosures contained therein, and an assessment of the estimates, based on judgments and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;

- evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;

- assessment of the applicability of the going concern principle;

- assessment of the appropriateness of the overall presentation of the financial statements; and

- assessment of whether the financial information is complete, true, current, clear, objective and lawful.

5 Our audit also included the verification that the financial information included in the Executive Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of article 451, of the Portuguese Companies Code ("Código das Sociedades Comerciais").

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the referred financial statements present fairly, in all material respects, the financial position of **Caixa Económica Montepio Geral**, as at 31 December, 2014, the results of its operations, the comprehensive income, the cash flows and the changes in equity for the year then ended, in accordance with NCA's as defined by the Bank of Portugal and the information contained therein is complete, true, current, clear, objective and lawful.

Report on Other Legal Requirements

8 It is also our opinion that the financial information included in the Executive Board of Directors report is consistent with the financial statements and that the Report on Corporate Governance includes the information required by article 245.º-A of the CVM.

Lisbon, 13 April 2015

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Jean-éric Gaign (ROC n.º 1013)

8.3. Statement of Compliance of Financial Information Submitted by the Executive Board of Directors

This statement has been issued under the terms of subparagraph c) of No. 1 of article 245 of the Market Securities Code (CVM).

The Executive Board of Directors is responsible for drawing up the management report, preparing the financial statements and ensuring that they provide a true view of the Institution's financial position, the result of its operations, as well as for adopting suitable accounting policies and criteria, and maintaining an appropriate internal control system that prevents and detects possible errors or irregularities.

We confirm, to the best of our knowledge and belief, that:

- all the individual and consolidated financial information in this accounting document with reference to 31 December 2014 was prepared in accordance with the applicable accounting standards, and gives a true and appropriate image of the assets and liabilities, financial situation and net income of the Institution and companies included in the consolidation perimeter;
- the management report provides an accurate indication of the evolution of the business, performance and position of the Institution and companies included in the consolidation perimeter, in conformity with the legal requirements.

THE CHARTERED ACCOUNTANT	**THE EXECUTIVE BOARD OF DIRECTORS**
Luís Miguel Lines Andrade	António Tomás Correia – Chairman
	Jorge Humberto Barros Luís
	Pedro Miguel de Almeida Alves Ribeiro
	Fernando Paulo Pereira Magalhães
	João Carlos Martins da Cunha Neves

8.4. COMPLIANCE WITH THE RECOMMENDATIONS OF THE FINANCIAL STABILITY FORUM (FSF) AND COMMITTEE OF EUROPEAN BANKING SUPERVISORS (CEBS), REGARDING TRANSPARENCY OF INFORMATION AND ASSET VALUATION

Bank of Portugal Circular Letter No. 58/2009/DSB, which establishes the need for institutions to continue to comply appropriately with the recommendations of the FSF and CEBS, relative to transparency of information and valuation of assets, taking into account the principle of proportionality, recommends that - while the effects of this crisis continue to manifest themselves - institutions prepare a specific annex to the documents presenting the accounts dedicated to the main impacts emerging therefrom, in order to maintain adequate transparency in the disclosure of information.

Some of the mentioned recommendations have already been addressed throughout the various chapters of this Annual Report or in the Explanatory Notes to the Financial Statements, hence, when this is the case, reference will be made to such chapters.

I. BUSINESS MODEL

1. Description of the business model

Point 3.3 of this Annual Report presents a description of the business model and evolution of the activities and business.

2. Description of strategies and objectives

This Annual Report contains a specific point (point 3.1) with reference to the description of the strategy and objectives, presenting the Strategic Guidelines for 2015-2017, with a view to achieving the strategic goals of reinforcement of the capital ratios, profitability and diversification of the business, continuation of increased efficiency and reinforcement of the internal control system.

3., 4. and 5. Activities developed and contribution to the business

Points 3.3 and 4 of the Annual Report provide a description of the development of the activities and their contribution to the business. The Notes to the Financial Statements relative to Segmental Reporting also present the contribution of each activity to the business.

II. RISKS AND RISK MANAGEMENT

6. and 7. Description and nature of risks and management practices

Point 5 and the Notes to the Financial Statements present a comprehensive description and analysis, including the quantification of the different risks to which the institution is exposed, as well as of the respective management practices, namely of control and of recovery adopted to mitigate them.

III. IMPACT OF THE PERIOD OF FINANCIAL TURBULENCE ON NET INCOME

8., 9., 10. and 11. Qualitative and quantitative description of net income, emphasising losses and impact of write-downs, and breakdown of write-downs

Points 4 and 5 of the Annual Report address the issue of impairments related to the evolution of the financial markets.

Point 4 and, in the context of the analysis of Net Income, Provisions and Impairments, also notes the value of impairment of the portfolio of securities.

The Notes to the Financial Statements also refer to the impact of impairments.

12. and 13. Breakdown of write-downs between realised and unrealised amounts and impact on the share prices of the entity

Not applicable.

14. Disclosure of the risk of maximum loss associated to the prolonging of the financial turbulence

Point 5 of the Annual Report refers to these issues in an overall form.

15. Disclosure of the impact that the evolution of the spreads associated to the institution's own liabilities had on net income

The Notes to the Financial Statements present sufficient information in view of the intended scope.

IV. EXPOSURE LEVELS AND TYPES DUE TO THE PERIOD OF TURBULENCE

16. Nominal amount (or amortised cost) and fair values of outstanding exposures

The Notes to the Financial Statements present the values broken down by notional, carrying value and fair value.

17. Information on mitigation of credit risk (e.g. through credit default swaps) and the respective effect on existing exposure

The Notes to the Financial Statements present information on credit risk mitigators relative to assets and liabilities at fair value through profit or loss.

18. Detailed disclosure on exposures

It is considered that the information presented in points 4 and 5 of the Annual Report fully address this issue.

19. Movements occurred in exposures between relevant reporting periods and the underlying reasons for these variations (sales, purchases, write-downs, etc.)

The information contained in the Notes to the Financial Statements covers this matter.

20. Explanation of exposure (including "vehicles" and, in this case, the respective activities) that have not been consolidated (or that have not been recognised during the crisis) and the associated reasons

In Point 4 and the Notes to the Financial Statements, the point relative to "Securitisation of assets" presents a detailed description on the different securitisation operations carried out and their respective "vehicles", that is, Special Purpose Vehicles (SPV).

21. Exposure to monoline insurers and quality of the insured assets

Not applicable.

V. ACCOUNTING POLICIES AND VALUATION METHODS

22., 23., 24. and 25. Classification of transactions and structured products for accounting purposes, consolidation of Special Purpose Vehicles (SPV), detailed disclosure of the fair value of financial instruments and description of the modelling techniques used to measure the value of financial instruments

The Notes to the Financial Statements include detailed information on these issues.

VI. OTHER RELEVANT ASPECTS IN DISCLOSURE

26. Description of the disclosure policies and principles used in the reporting of disclosures and in financial reporting

One of the objectives of the internal control system of the CEMG Group in this area is to ensure not only compliance with the legal rules in force, laws, regulations and codes, but also the following-up of best practices in terms of transparency, reliability, accuracy and promptness in the disclosure and reporting of financial information to the different entities and the market in general.

The CEMG Group has progressively pursued the practice of concentrating the responsibility for the reporting of information to external entities in its bodies specialised in the respective matters, taking into account their duties and activities and using for this effect, whenever possible, technologically evolved supporting tools, in order to minimise errors and omissions and ensure high levels of reliability and promptness of the information.

H

CAIXA ECONÓMICA MONTEPIO GERAL

OPINION OF THE GENERAL AND SUPERVISORY BOARD ON THE MANAGEMENT REPORT AND INDIVIDUAL AND CONSOLIDATED ACCOUNTS RELATIVE TO THE FINANCIAL YEAR OF 2014

Under the terms of the law and article 20 of the Articles of Association of Caixa Económica Montepio Geral (CEMG), the General and Supervisory Board is responsible for issuing an opinion on the management report and the individual and consolidated accounts of 2014, prepared by the Executive Board of Directors (EDB).

1. In preparing its opinion and having heard the EBD of CEMG, the GSB analysed and discussed the favourable opinion issued by the Financial Affairs Committee, which and within the scope of the closure of the accounts:

   a. assessed the work carried out by the Statutory Auditor and External Auditor, KPMG & Associados — Sociedade de Revisores Oficiais de Contas S.A., namely with respect to: i) Balance Sheets; ii) Income Statements; iii) Cash Flows; iv) Changes in Net Worth and Comprehensive Income for the financial year of 2014 and v) the corresponding Explanatory Notes;

   b. met with the Statutory Auditor and External Auditor, requesting all the relevant information for the performance of their duties, namely, the required verification regarding compliance with the legal requirements in force and with the recommendations of Banco de Portugal;

   c. examined the Legal Certification of Accounts and Audit Reports on the individual and consolidated financial statements relative to the financial year of 2014, both issued without reservations or emphases, dated 13 April 2015.

2. With regards to 2014, we highlight the following indicators that characterise CEMG's performance over the past year:

   a. Net loss of 187.0 million euros, compared to a net loss of 298.6 million euros in the previous year. Net trading income of 352.2 million euros (growth > 100%) contributed positively and net provisions and impairments of 643.2 million euros (variation of 61.1% relative to the previous year) contributed negatively to net income;

   b. The cost-to-income ratio came to 43.6%, which compares with 90.0% in 2013, reflecting the maintenance of costs and the significant improvement of net operating revenues (with the very positive contribution of the 49.4% increase in net interest income);

   c. Net assets stood at 22,473.5 million euros, having fallen 2.5% relative to the end of 2013, with emphasis on the reduction of the securities portfolio by 956 million euros;

   d. Net liabilities reached 21,059.0 million euros, corresponding to a decrease of 332.9 million euros relative to the end of the previous year. This decrease was influenced by the reduction in resources from credit institutions and central banks;

   e. The Common Equity Tier 1 (CET 1) Ratio, calculated in accordance with the CRD IV phasing in rules (transitional provisions) stood at 10.5% in June 2014 and at 8,5% at the end of December, both below the minimum of 7.0%.

3. As a result of the work undertaken and, as far as it is aware, the GSB considered that the financial information analysed was prepared in conformity with the applicable accounting rules, enables an adequate understanding of the net assets of CEMG and of its subsidiaries included in the consolidation as at 31 December 2014, and of the consolidated net income recorded in the financial year.

4. Taking into consideration the work undertaken, the General and Supervisory Board agrees with the content of the Legal Certification of Accounts issued by KPMG & Associados - Sociedade de Revisores Oficiais de Contas, SA, and agrees with the Management Report and the Individual and Consolidated Financial Statements of Caixa Económica Montepio Geral prepared by the Executive Board of Directors with reference to 31 December 2014.

5. In view of the above, the General and Supervisory Board gives its assent to the approval by the General Meeting of Caixa Económica Montepio Geral, of:

    a) The management report and the rest of the individual and consolidated financial documents, relative to the financial year ended on 31 December 2014;

    b) The proposal of the Executive Board of Directors to transfer the negative net income of the individual balance sheet relative to the financial year of 2014, in the amount of -157,306 thousand euros, to Retained Earnings.

Lisbon, 13 April 2015

10. CORPORATE GOVERNANCE REPORT

INTRODUCTION

Caixa Económica Montepio Geral (hereinafter referred to as «CEMG»), in addition to its organisational capacity resulting from over a century of experience, is required to adopt a set of rules and principles covering both management, with special relevance to prudence, competition, transparency and advertising, and professional ethics.

The Executive Board of Directors thus submits to the appreciation of the General Meeting and of the market the “Corporate Governance Report of CEMG” relative to 2014, drawn up not only in compliance with its duty of information and transparency, but also in conformity with the legal and regulatory rules in force and in accordance with its legal nature, in line with the "comply or explain" philosophy and statutory compliance.

This Governance Report is prepared in accordance with the structure laid down in CMVM Regulation No. 4/2013 which came into force on 1 January 2014, which made amendments to the version in force since 2010 ("Corporate Governance Code of 2013").

PART I – INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. SHAREHOLDER STRUCTURE

1. Capital structure

The capital of CEMG is divided between Institutional Capital, in the amount of 1,500,000,000 euros, fully paid in and allotted to Montepio Geral Associação Mutualista, and the Participation Fund, in the amount of 200,000,000 euros, represented by 200,000,000 Participation Units, with a nominal value of 1 euro each, which are admitted to trading on Lisbon Euronext (ISIN Code: PTCMHUIM0015).

In accordance with article 6 of the Articles of Association of CEMG, the institutional capital and the Participation Fund are capital and funds items of CEMG.

In accordance with the statutory requirements, "the institutional capital is permanent, not enforceable and does not give rise to the payment of interest or dividends" (article 7, No. 1).

Likewise, "the institutional capital is set up both through the deposit of values by Montepio Geral for that purpose and which form part of the assets of Caixa Económica, and through the incorporation of reserves of Caixa Económica" (article 7, No. 2).

2. Restrictions on the transfer of Participation Units

The Public Subscription Offer for the Participation Fund resulted in the opening of the capital of CEMG to public investment, such that the Participation Units have, since 17 December 2014, been admitted to trading on a regulated market (NYSE Euronext Lisbon). This complex financial instrument is an (atypical) equity security, for the purposes of article 1, sub-paragraph g), of the Market Securities Code (CVM).

The transfer of Participation Units, between accounts integrated in the Central de Valores Mobiliários (CMV), are undertaken in conformity with the procedures for this purpose in force at Interbolsa. The initial and subsequent registrations in accounts of individual registration are made based on the written request from the transferor or in documents sufficient to prove the registration.

When the petitioner does not deliver any written document and this is not required to validate or to prove the transmission, the Financial Intermediary affiliated to Interbolsa, responsible for the registration, should provide a written note to justify the registration.

3. Participation Units held indirectly by CEMG

On 31 December 2014, CEMG held through its subsidiary Montepio Investimento S.A., a total of 3,280,322 Units of the Participation Fund of CEMG, corresponding to 1.64% of such Participation Fund. This value includes 3,080,011 Units, corresponding to the ownership of 1.54% of the Fund, under the liquidity contract concluded, such that only 200,311 Units, corresponding to the ownership of 0.10% of be Fund, are considered own Participation Units according to CMVM Regulation No. 5/2008. It is also hereby disclosed that, in accordance with article 8 of the Articles of Association of CEMG, these securities do not grant their unitholders any voting rights.

B. SHAREHOLDINGS AND BONDS HELD

4. Qualified Holdings

The institutional capital of CEMG is characterised as a capital endowment fund regarding which only Montepio Geral – Associação Mutualista has economic interests.

However, following the public offer and admission to trading on a regulated market of the Participation Units representing the Participation Fund of CEMG, it became subject to a specific legal regime and is now identified as a "publicly listed company".

In this context, the list of qualified unitholders, relative to the Participation Units (PU´s) representing the Participation Fund of CEMG, with reference to 31 December 2014, is the following:

Name	PU´s	% of total amount of issued PU´s
Paulo Jorge Veríssimo Guilherme	13,887,968	6.94
Eurico Helder Reis Sousa Brito	10,834,076	5.42

Note: Stakes bearing Units representing more than 2% of the Participation Fund of CEMG registered at the CVM.

5. Shares and Bonds held by members of the management and supervisory bodies

The members of the management body, made up of executive members, do not hold, similarly to members of the supervisory body, any qualified holdings in the institutional capital, given the nature of the Institution, or in the Participation Fund.

6. **Special powers of the management body, especially as regards resolutions on capital increases**

In accordance with the Articles of Association of CEMG, the competence for deliberating on the increase of the institutional capital of an amount in excess of 1,500 million euros lies with the General Meeting, on a proposal from the Executive Board of Directors and following an opinion from the General Supervisory Board.

In accordance with the Articles of Association, deliberation on the issue of securities representing the Participation Fund up to the amount equivalent to the institutional capital comes under the competence of the Executive Board of Directors, upon advice from the General Meeting.

7. **Information on any significant business relationships between the qualified unitholders and the company**

The conclusion of business between CEMG and the qualified unitholders in the Participation Fund or with entities in a controlling or group relationship with the latter, under the terms of article 20 of the Securities Code, is always previously submitted to the Executive Board of Directors for an opinion irrespective of the amount.

C. CORPORATE BODIES AND COMMITTEES

I. GENERAL MEETING

8. **Details and position of the members of the Board of the General Meeting and respective term of office**

Following the statutory reform of CEMG, which occurred in January 2013, the CEMG bodies elected for the three-year period 2013-2015 were: the General Meeting; the Supervisory Board; the Executive Board of Directors; the Remuneration Committee and the Statutory Auditor.

The following people were elected as members of the Board of the General Meeting:

Board of the General Meeting	
Chairman	Vitor José Melícias Lopes
1st Secretary	António Dias Sequeira
2nd Secretary	Maria Leonor Loureiro Gonçalves de Oliveira
Alternate	António Miguel Lino Gaio

In order to perform his duties, the Chairman of the Board of the General Meeting is provided with the necessary human and logistic resources, as well as the support of the General Secretariat and respective services.

9. **Any restrictions on the right to vote**

In accordance with article 6 of the Articles of Association of CEMG, the institutional capital and the Participation Fund are capital and funds items of CEMG.

According to the Prospectus of the Public Offering for Subscription and Admission to Trading made available, at the time of the initial offer, to the potential subscribers of the Participation Units of the Participation Fund of CEMG, "The Participation Units do not entitle their holders to intervene in the CEMG bodies". As a result, Montepio Geral Associação Mutualista, as the sole holder of the institutional capital of CEMG, holds the exclusive right to intervene in the previously mentioned institutional bodies of CEMG, through an ex officio system embodied in the Articles of Association.

In the General Meeting of CEMG, voting rights are exercised in person, with each member having one vote, on the resolutions that deal exclusively with the issues included in the call notice and are adopted by simple majority, except in cases of resolutions on the reform or amendment to the Articles of Association, merger, demerger, transformation, dissolution and other special cases provided in article 15 of the Articles of Association.

10. **Maximum percentage of voting rights that may be exercised by a single shareholder**

Not applicable.

11. **Details of shareholders' resolutions that, imposed by the Articles of Association, may only be taken with a qualified majority**

In accordance with article 51, No. 2 of the Articles of Association of CEMG, the resolutions adopted at an extraordinary meeting, implying increases in costs or decreases in revenues or with reference to the reform or amendment of the Articles of Association, merger, demerger, dissolution and incorporation of or in Caixa Económica, or that authorise it to make demands on the members of the corporate bodies, are only valid if approved by two thirds of the votes of those present and their efficacy depends on ratification by the General Meeting of Montepio Geral. The same applies with reference to transformation projects, according to articles 15, 32 and 33.

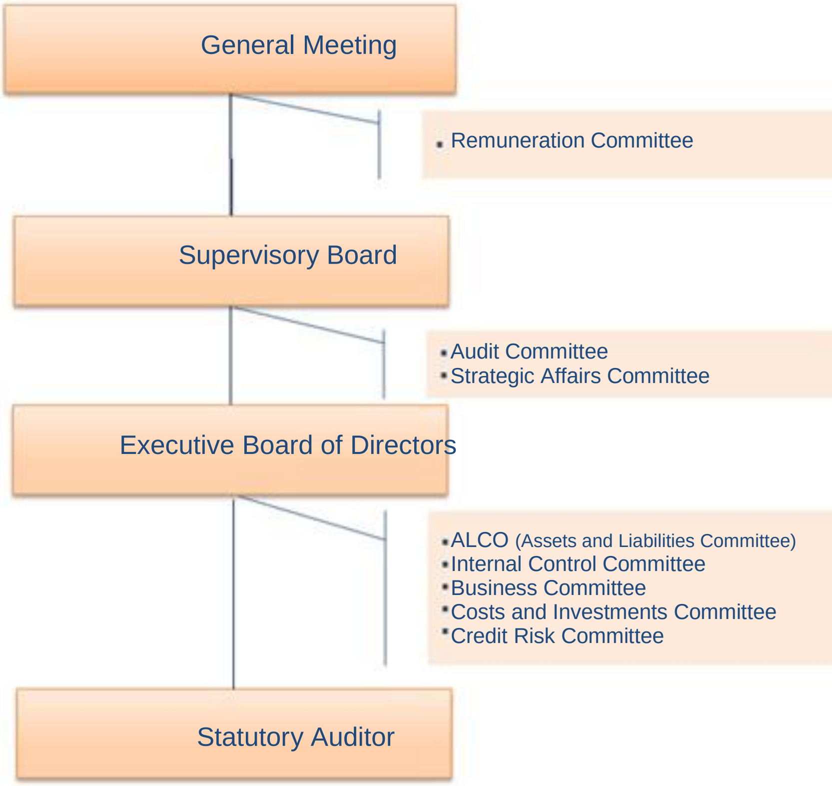
II. MANAGEMENT AND SUPERVISION

12. **Details of corporate governance model adopted**

The two-tier governance model of CEMG, in force since 2013, following the amendment to the Articles of Association, comprises the following bodies:

- The General Meeting;
- The General and Supervisory Board;
- The Executive Board of Directors;
- The Remuneration Committee;
- The Statutory Auditor.

The governance model of CEMG may be presented in schematic terms as follows:



13. Articles of Association rules on the procedural requirements and issues governing the appointment and replacement of members of the Executive Board of Directors and of the General and Supervisory Board.

At the extraordinary General Meeting held on 19 February 2013, the Executive Board of Directors was elected for the three-year period 2013-2015. The following members of the General and Supervisory Board, which also make up this body, as part of their corresponding functions, are: The Chairman of the Board of the General Meeting, the members of the Board of Directors (with the exception of the Chairman for having been elected to the Executive Board of Directors) and of the Supervisory Board, all the members of Montepio Geral Associação Mutualista and the first representatives of each of the lists elected for the General Council of Montepio Geral Associação Mutualista.

According to the Articles of Association, the Executive Board of Directors (EBD) functions as a body, being able to deliberate provided the majority of its members is present. The EBD resolutions are adopted by a majority of the members present, and the Chairman has a casting vote. It may also establish proxies to represent CEMG in any acts and contracts, defining the extent of their powers.

Prior to taking up office, the members of the Executive Board of Directors must become associates of Montepio Geral Associação Mutualista and the number of members of the EBD can be altered by a qualified majority of two thirds of the General Meeting. It is also important to note that the candidates to membership of this body who, in addition to having to comply with some prior requirements defined in the Articles of Association and in the General Regime of Credit Institutions and Financial Companies, are subject to prior assessment by Banco de Portugal, must declare, in the application for membership, that they will terminate any functions considered incompatible with the performance of their duties.

In relation to the General and Supervisory Board, its Chairman is elected from among its members, during its first session and, in his absence or when otherwise engaged, he may be temporarily substituted by a member he shall have designated, upon advice from the other members.

Finally, the members of the institutional bodies perform their duties for three-year periods, and may be elected for successive three-year terms, without prejudice to the legal limitations.

14. Composition of the General and Supervisory Board (GSB) and the Executive Board of Directors (EBD)

The General and Supervisory Board (GSB), as already mentioned, is composed of the Chairman of the Board of the General Meeting of Montepio Geral Associação Mutualista, and members of the Board of Directors and of the Supervisory Board of Montepio Geral Associação Mutualista, whose election to Montepio Geral Associação Mutualista determines, as part of their corresponding functions, the taking up of duties in the General and Supervisory Board of Caixa Económica Montepio Geral.The GSB also includes, as part of their corresponding functions, the first representative of each of the lists elected for the General Council of Associação Mutualista, if any.

The members of this body are as follows:

GENERAL AND SUPERVISORY BOARD	
Chairman	José de Almeida Serra
Members	Vitor José Melícias Lopes Eduardo José da Silva Farinha Carlos Vicente Morais Beato Álvaro João Duarte Pinto Correia Gabriel José dos Santos Fernandes Luísa Maria Xavier Machado Maria Manuela Silva António Gonçalves Ribeiro Eugénio Óscar Garcia Rosa

The Executive Board of Directors is composed of a Chairman and a maximum of four Voting Members.

The General Meeting of CEMG, at an extraordinary meeting, held on 10 December 2014, elected Dr. João Carlos Martins da Cunha Neves, as member of the Executive Board of Directors and as an addition to the 2013-2015 mandate. The members of the Executive Board of Directors, elected for the 2013-2015 mandate are, as at 31 December 2014, the following:

EXECUTIVE BOARD OF DIRECTORS	
Chairman	António Tomás Correia
Members	Jorge Humberto Barros Luís Pedro Miguel de Almeida Alves Ribeiro Fernando Paulo Pereira Magalhães João Carlos Martins da Cunha Neves

15. Distinction between executive and non-executive members and details of members that may be considered independent

All the members of the EBD are executive members.

16. Professional qualifications and other relevant curricular information of each member of the General and Supervisory Board and Executive Board of Directors

The *curricula* of each of the members referred to is presented in Annex I of this Report.

17. Customary and meaningful family, professional or business relationships of members of the General and Supervisory Board and Executive Board of Directors with shareholders that are assigned qualified holdings that are greater than 2% of the voting rights.

Not applicable.

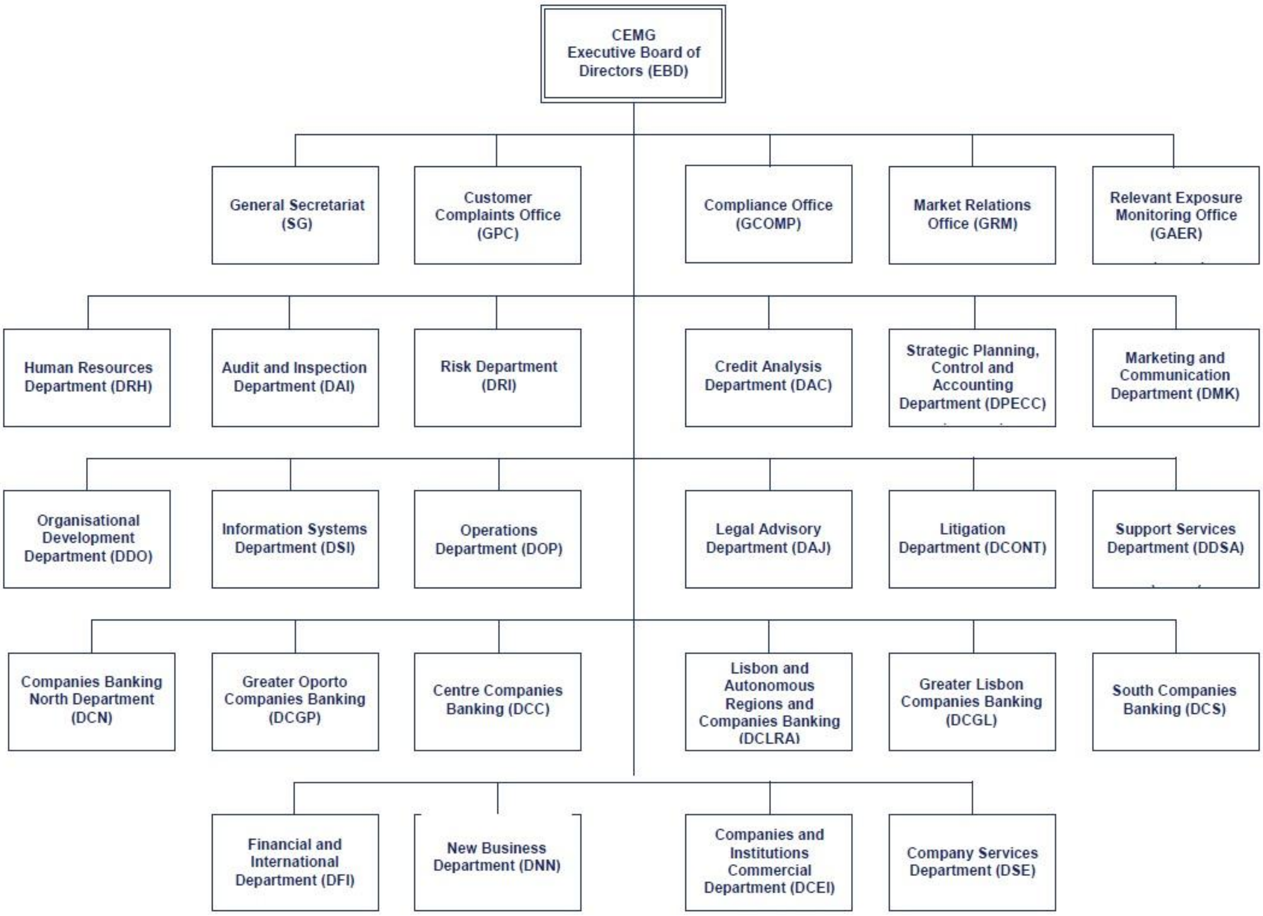
18. Organisational charts or flowcharts concerning the allocation of powers between the various corporate bodies, committees and/or departments within the company

The Executive Board of Directors is the body responsible for the management of CEMG, and namely:

- Annually preparing the report and accounts for the financial year and the proposed distribution of net income;
- Preparing the proposed three-year Strategic Guidelines and their reviews to be submitted to the General Meeting, as well as the Action Programme and the annual budget;
- Deliberating on the increase in institutional share capital and on the issue of securities representing units of the participation fund, within the limits set by the Articles of Association;
- Deliberating on the opening and closing of branches and of any other form of representation;
- Deliberating on the acquisition, disposals and encumbrance of immovable property;
- Setting, in general terms, the interest rates, commissions and prices for banking operations and provision of services.

The organisational model and the allocation of functions and duties between the different organic units is the responsibility of the Executive Board of Directors, which defines the organisational structure model and the allocation of functions between the various organisational units. In turn, the organisational units form first-line bodies, Departments, Offices and Divisions that report directly to the Executive Board of Directors (EBD).

Whenever necessary, adjustments are made to the organic structure, with the adaptations and improvements deemed essential.



In accordance with the organic structure, the responsibilities of the management body are distributed as follows:

António Tomás Correia

Audit and Inspection Department; Marketing and Communication Division; Compliance Office; Customer Complaints Office; General Secretariat.

Jorge Humberto Barros Luís

Credit Analysis Department, Risk Department, Relevant Exposure Monitoring Office.

Pedro Miguel de Almeida Alves Ribeiro

Legal Advisory Department; Litigation Department, Organisational Development Department, Development and Support Systems Department; Operations Department; Information Systems Department; Company Services Department; Human Resources Department.

Fernando Paulo Pereira Magalhães

Centre Commercial Department; Greater Lisbon Commercial Department; Greater Porto Commercial Department; Companies and Institutions Commercial Department: Lisbon and Autonomous Regions Commercial Department; North Commercial Department; South Commercial Department; New Business Department.

João Carlos Martins da Cunha Neves

Financial and International Department; Strategic Planning, Control and Accounting Department; Market Relations Office.

In turn, each area of responsibility has alternate members. Whenever an organic reorganisation occurs, responsibilities are redistributed.

The General and Supervisory Board is responsible for, namely:

a) Playing an advisory role and ensuring the ongoing assessment of the Institution;

b) Analysing the financial reporting documents and the minutes of the meetings of the Executive Board of Directors;

c) Supervising the risk and financial reporting policies;

d) Monitoring the financial performance and the budget implementation;

e) Analysing and discussing the reports of the external auditors;

f) Controlling and ensuring the effectiveness of the internal audit function;

g) Issuing an opinion on the Report and Accounts for the financial year to be submitted for deliberation at the General Meeting;

h) Presenting the proposal of the Statutory Auditor for deliberation at the General Meeting;

i) Providing an opinion on the action plan and budget;

j) Controlling the non-conformities with the legal rules, Articles of Association and established policies.

The Chairman of the General and Supervisory Board represents this body, namely in the relations with other institutional bodies, such as with the statutory auditor and the external auditor, in addition to convening and presiding over the meetings and ensuring the correct execution of its decisions.

19. Availability and place where the rules on the functioning of the General and Supervisory Board and the Executive Board of Directors may be consulted.

In addition to the provisions applicable under the law, the Articles of Association and regulations, all the activities undertaken by the Institution also comply with the resolutions of the corporate bodies, internal rules, rules of conduct and ethical standards.

On the internal portal, Intranet, the Internal Standards, disclosed to all employees, contain an entire set of documents classified in accordance with objectives and corresponding contents, as well as a set of rules regarding professional and ethical uses. With reference to compliance with the prudential standards in force and the respective reporting periods for external entities, there are Internal Regulations with a view to ensuring compliance with the duty of information.

On the Institution's website www.montepio.org general information on the Institution can be consulted, including the regulations on the functioning of the General and Supervisory Board and of the Strategic Affairs Committees and the Financial Affairs Committee.

20. Number of meetings held and the attendance report for each member of the General and Supervisory Board and the Executive Board of Directors.

The Articles of Association of CEMG establish that the General and Supervisory Board must hold meetings at least once a month and, in addition, in accordance with its internal regulations, any time a meeting is convened by the Chairman or a request for a meeting is made to the Chairman by any member for justified reasons.

During 2014, the General and Supervisory Board held meetings fourteen times and the respective attendance was almost 100%.

The Executive Board of Directors, on the other hand, held meetings once a week over the course of 2014, with an attendance rate for each director of close to 100%. The minutes of the meetings are made available to the General and Supervisory Board whenever requested.

21. Details of the bodies which are competent to carry out the performance assessment of the executive directors

Without prejudice to the powers of the General and Supervisory Board, the body that is competent to carry out the performance assessment of the executive directors is the General Meeting. An amendment to the Articles of Association is planned which contemplates, among other things, the establishment of an Appointments Committee.

22. Pre-defined criteria for the assessment of the performance of the executive directors

The assessment of the performance of the management body, as well as the other members of the institutional bodies, has been founded on a careful judgement criteria based on the experience of the actual institution, on the observation of what occurs in analogous entities, and in line with the global strategy of the Institution approved by the General Meeting.

The pre-determined criteria which cover the remuneration policy of members of the institutional bodies are subject to approval, in their broad outlines, by the General Meeting and then implemented by the Remuneration Committee elected by that same body.

23. The availability of each member of the General and Supervisory Board and Executive Board of Directors, and details of the positions held at the same time in other companies within and outside the Group, and other relevant activities undertaken by members of these boards throughout the financial year.

The positions held by the Executive Board of Directors in subsidiary companies are described in detail in Annex I of this Report.

24. Details of the committees created within the General and Supervisory Board and the Executive Board of Directors

The General and Supervisory Board, within the scope of its competencies, appointed from among its members the Financial Affairs Committee and the Strategic Affairs Committee.

Within the Executive Board of Directors, with a view to support this body in the strategic management process of the Institution, five Committees were created:

COMMITTEE	Area of intervention/ Targets and measures
Alco (Assets and Liabilities Committee)	Management of Capital, Balance Sheet and Income Statement
Internal Control	Internal Control System
Credit Risk	Risk Management, Impairments and Settlement of Credit Overdue
Business	Commercial Activity, respective Rates and Margins
Costs and Investments	Operating Costs and Investments

25. Description of the powers of each of the committees and a summary of activities undertaken in exercising said powers

The Financial Affairs Committee is responsible for, namely, and in accordance with its operating regulations, monitoring and assessing the internal procedures with reference to audit, internal control, risk control and accounting; monitoring the activity of the statutory auditor and the external auditor.

The Strategic Affairs Committee is responsible for, namely, and in accordance with its operating regulations, assessing the situation of CEMG within the sectorial context; assessing the annual and pluriannual plans; monitoring the application of regulatory measures and the analysis of the prudential ratios.

In relation to the Committees, with regards to matters within the scope of their intervention, each Committee must: draw up an operational action plan to achieve objectives and pursue guidelines; determine action priorities; align operational measures with strategic measures; resolve any conflicts between measures; guide and monitor the execution of measures.

Each Committee prepares and submits proposals and periodic activity reports to the EBD for a decision.

III. SUPERVISION

26. Details of the supervisory body representing the adopted model

According to the Institution's governance model, the General and Supervisory Board is the body responsible for the supervision, monitoring and counselling of the Institution's activity.

27. Composition of the General and Supervisory Board and the Committees

In relation to the composition of the General and Supervisory Board, see Part II - Management and Supervision, point 14.

With regards to the Financial Affairs Committee, composed of a minimum of three and a maximum of five Members, its members are designated by the General and Supervisory Board, and the respective terms of office have the same duration as the term of office of the General and Supervisory Board that appoints them.

With regards to the Strategic Affairs Committee, composed of a minimum of three and a maximum of five elements, its members are also appointed by the General and Supervisory Board, and the respective terms of office coincide, in terms of duration, with the terms of office of the Board that appointed them.

The composition of each of the Committees is as follows:

COMPOSITION OF THE FINANCIAL AFFAIRS COMMITTEE	
Coordinator	Álvaro João Duarte Pinto Correia
	Gabriel José dos Santos Fernandes
	Luísa Maria Xavier Machado
	Eugénio Óscar Garcia Rosa

COMPOSITION OF THE STRATEGIC AFFAIRS COMMITTEE	
Coordinator	António Gonçalves Ribeiro
	Maria Manuela Silva
	Vitor José Melícias Lopes
	Carlos Vicente Morais Beato

28. Details of the independent members of the General and Supervisory Board and the Committees

All the members are independent, and comply with the rules on incompatibility.

29. Professional qualifications of the members of the General and Supervisory Board and the Committees

The qualifications and curricula of the members of the General and Supervisory Board and the Committees are presented in Annex I of this Report.

30. Availability and place where the rules on the functioning of the General and Supervisory Board and the Committees may be consulted.

The Rules on the functioning of the General and Supervisory Board and the Committees is available for consultation on the website of the Institution (www.montepio.org).

31. Number of meetings held and the attendance report for each member of the General and Supervisory Board and the Committees

During 2014, the General and Supervisory Board held fourteen meetings and the respective attendance was almost 100%.

The Financial Affairs Committee held fifteen meetings and the respective attendance was almost 100%.

The Strategic Affairs Committee held ten meetings over the course of 2014.

32. The availability of each member of the General and Supervisory Board and the Committees, and details of the positions held at the same time in other companies within and outside the Group, and other relevant activities undertaken by members of these bodies throughout the financial year

This information is available in Annex I of this Report.

33. Description of the procedures and criteria applicable to the intervention of supervisory body for the purposes of hiring additional services from the external auditor

The various audit services are hired under authorisation granted by the Executive Board of Directors, upon advice from the General and Supervisory Board.

34. Other duties of the supervisory bodies and, if applicable, of the Financial Affairs Committee

The General and Supervisory Board can also issue a prior opinion, when requested by the Executive Board of Directors, on any matter that is deemed convenient and urgent. The Committees already mentioned in this Report are available to the General and Supervisory Board, which may, on the initiative of its Chairman, organise working groups for the analysis and supervision of specific matters.

The General and Supervisory Board is the supervisory body that controls and ensures the effectiveness of the internal audit function, of the action plans and respective budgets and controls the non-conformities with the legal rules, Articles of Association and established policies, pursuant to article 20, No. 4, subparagraphs f) and i) of the Articles of Association of Caixa Económica Montepio Geral.

The Financial Affairs Committee is responsible for, namely, monitoring and assessing the internal audit, internal control, risk control and accounting procedures; monitoring the activity of the statutory auditor and of the external auditor and assessing the internal control, Compliance, audit, certification of accounts reports and their presentation to the General and Supervisory Board accompanied by the corresponding draft opinion.

In turn, the Strategic Affairs Committee assesses the situation of the Institution in the sectorial context and the hiring or expansion policies, among others.

IV. STATUTORY AUDITOR

35. Details of the statutory auditor and the partner that represents the same

The Statutory Auditor of CEMG is KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA, represented by Jean-Éric Gaign, ROC No. 1013.

36. Indication of the number of years that the statutory auditor consecutively carries out duties with the Institution

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA was appointed as Effective Statutory Auditor of CEMG, for the three-year period 2013-2015, represented by Jean-Éric Gaign (ROC No. 1013).

37. Description of other services that the statutory auditor provides to the Institution

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA, as Statutory Auditor of CEMG performs the duties of external auditor at this Institution. The services provided in addition to the statutory auditor services are presented in the points below.

V. EXTERNAL AUDITOR

38. Identification of the external auditor

The External Auditor of CEMG is KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA, registered at the CMVM under No. 9083, represented by the partner Jean-Éric Gaign, ROC No. 1013.

39. Indication of the number of years that the statutory auditor consecutively carries out duties at the institution

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA, consecutively carries out duties at CEMG since 2002 (inclusive).

40. Rotation policy and schedule of the external auditor

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA, provides external audit services to CEMG under contracts for the provision of services, since 2002. The provision of services by KPMG, governed by general terms and conditions, under a specific contract letter “Engagement Letter"”, has been extended.

In spite of the fact that KPMG & Associados – Sociedade de Revisores Oficiais de Contas has provided audit services since that date, its representation has been changed, i.e. the Statutory Auditor is regularly substituted. The last substitution took place in 2013.

In line with the practice followed in previous years, the contract for the provision of services is celebrated annually.

41. Assessment of the external auditor

At CEMG, the General and Supervisory Board is the institutional body that analyses and discusses the reports of the external auditors, controls and ensures the relations with the external auditor. Within GSB it is the Financial Affairs Committee that, within the scope of its duties, monitors the activity of the external auditor.

42. Details of services, other than auditing, carried out by the external auditor for the Institution

The services provided by KPMG are entirely functionally and hierarchically independent in relation to CEMG, in accordance with the applicable regulatory and professional standards.

The tax consultancy services and other services other than legal accounts review services, which were previously approved by the Executive Board of Directors, refer to services within the scope of tax advisory services provided to the Group for the review of the tax obligations of the various entities, and within the scope of services that are permitted in accordance with the rules of independence.

43. Details of the annual remuneration paid to the auditor and the percentage breakdown relating to each type of services

During 2014, the fees charged by KPMG & Associados – SROC, SA, in relation to the services provided to CEMG, mainly audit services, came to 3,249,750.00 euros.

The table below contains the services provided by the external auditor to the CEMG Group in 2014:

SERVICES	AMOUNT (€)	%
Legal accounts review services	1,284,950	40
Other guarantee and reliability services	1,090,550	33
Tax consultancy services	552,750	17
Services other than accounts legal review services	321,500	10
GENERAL TOTAL	**3,249,750**	**100**

D. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

44. Rules applicable to the amendment of the Articles of Association of the Institution

Depending on the type of amendment to the Articles of Association, the favourable deliberation of the General Meeting or the simple deliberation of the Executive Board of Directors may be sufficient.

The Articles of Association of CEMG may only be amended in accordance with the provisions of chapter VII, article 36 of said Articles of Association, whose requirements stem from CEMG's foundational and not corporate nature.

As such:

- If the General Meeting of Montepio Geral Associação Mutualista approves by a majority of at least two thirds of the members present, the proposal presented, duly substantiated, a Committee composed of 5 members shall be elected to prepare the respective project or issue an opinion on the specific terms of the proposal.
- The project or opinion of the Committee shall then be submitted to the chairman of the Board of the General Meeting of Caixa Económica within a maximum of three months, who will convene the extraordinary General Meeting, within a period of no longer than one month.
- Once the process has been concluded, the General Meeting of Caixa Económica will deliberate on the proposed amendment.

Following the conclusion of the process, the General Meeting of Montepio Geral Associação Mutualista will ratify the approved amendments.

II. REPORTS OF IRREGULARITIES

45. Reporting means and policy on the reporting of irregularities in the Institution

The Audit and Inspection Department is responsible for supporting the management body in exercising disciplinary power, as a consequence of practices that involve employees that contravene rules in force, and identifying the areas of most relevance and risk, aimed at achieving efficient governance.

The mission of the Compliance Office is to assist the management bodies, the organisational structure and all the employees in fully complying with the legislation, rules, codes and external and internal standards in force.

Since there is no formal circuit for the reporting of irregularities by staff members, the above services are normally available to receive reports of irregularities.

III. INTERNAL CONTROL AND RISK MANAGEMENT

46. Individuals, bodies or committees responsible for the internal audit and/or the implementation of the internal control systems

The Executive Board of Directors, in performing its duties, approves and annually reviews the objectives and strategic guidelines for the following three-year period and permanently controls the global evolution of the Institution, the risks inherent to the activity and the performance and execution of various activities and projects.

There are specific units of the organic structure responsible for internal control functions in the risk management and information systems areas.

The bodies, committees and organic units responsible for internal control and risk management are:

- Executive Board of Directors
- General and Supervisory Board
- Financial Affairs Committee
- External Auditor
- Audit and Inspection Department
- Risk Department
- Compliance Office

One of the guiding management principles for 2015 will be based on the implementation of a coherent internal control system between the various companies that make up the CEMG

Group, promoting the alignment of their strategies, systems, processes, policies and procedures with those defined for CEMG.

47. Details of hierarchical and/or functional dependency in relation to other bodies or committees

The management body is responsible for preparing the report on the Internal Control System, and for the implementation and maintenance of an adequate and effective system, which respects the defined principles, as a fundamental component of the business and organisational culture.

On the other hand, the General and Supervisory Board ensures that the management body establishes and maintains an adequate and effective internal control, and that it ensures and controls the effectiveness of the internal audit function. For this purpose, it has a Financial Affairs Committee which, within the scope of its duties, monitors and assesses the internal audit, internal control, risk control and accounting procedures, and the respective reports and submits them to the General and Supervisory Board accompanied by the corresponding draft opinion.

Also for the purposes of assessment, based on the mechanisms of assessment of the suitability and efficacy of the established internal control system, it is supported by the following functional areas: Audit and Inspection Department, Risk Department and Compliance Office, as well as by the complementary work undertaken by KPMG & Associados – Sociedade de Revisores Oficiais de Contas, SA, as External Auditor.

As such, the internal audit function is an integral part of the continuous monitoring system of the Institution's internal control, verifying the suitability and compliance of the defined policies and acting as an assistant to senior management.

The Audit and Inspection Department, in addition to assessing the suitability and efficacy of the internal control system, is responsible for the analysis and assessment of procedures, in accordance with the legislation in force and the defined standards and criteria, and for verifying the correct compliance with the standards in force.

With the collaboration and in articulation with the External Auditors, the Audit and Inspection Department coordinated the preparation of the Annual reports of Internal Control on an individual and consolidated basis submitted to Banco de Portugal, and prepared the Annual report of Supervision and Control of the Financial Intermediation Activity sent to the CMVM.

48. Other functional areas responsible for risk control

The Risk Department supports the Executive Board of Directors in decision-making associated to the management of the different types of risk inherent to the activity, within the CEMG Group.

Similarly, it ensures risk analysis and management, from a Group perspective, whenever decided by top management, including the identification, assessment, monitoring and control of market, liquidity, interest rate, credit and operational risks.

The organic statute of the Risk Department includes in its structure: the Global Risks Department, the Business Risks Department and the Risks Modelling Department, in accordance with the management of liquidity, market and interest rate risks and of solvency levels; the management of credit and operational risk, and the development of risk classification systems to support the credit analysis and decision and of its validation independently from the development function.

With respect to compliance risk, the Compliance Office is responsible for its control and for guaranteeing the execution of the policies approved by the Board of Directors in the area of this type of risk and of prevention of money laundering.

The compliance function is exercised in a permanent and effective manner, autonomously and independently, aimed at ensuring that the management bodies, organisational structure and all the employees fully comply with the existing internal and external requirements.

Within this scope, in 2014, it continued to guarantee the disclosure of relevant information and the participation in specific transposition of external legislation processes, as well as in the review of mandatory reporting processes with external authorities.

49. Description of the procedure for identification, assessment, monitoring, control and management of risks

There is a detailed description of the principles, methodologies and instruments adopted in the management of the various risks in a separate chapter, in the Management Report.

50. Core details on the internal control and risk management systems implemented in the Institution regarding the procedure for reporting financial information

One of the commitments of the Executive Board of Directors is to guarantee an efficient and profitable performance of the activity, thus ensuring the existence of financial and management information that is complete, relevant and reliable and the observance of the applicable legal and regulatory requirements.

The internal control system relative to the preparation and disclosure of financial information is monitored by the management and supervisory bodies, as well as by the organic units responsible for their preparation.

Prior to any disclosure, the documents are approved by the bodies referred to above, with any press releases containing financial information being approved only by the management body, regardless of being submitted to the supervisory body.

In this regard, it is also important to mention the role of the supervisory body, the General and Supervisory Board that monitors the risk and financial reporting policies, in addition to monitoring the financial performance.

IV. INVESTOR RELATIONS

51. Department responsible for investor relations

The mission of the Investor Relations Office (GRM) of CEMG, the body that reports directly to the Executive Board of Directors, is to ensure compliance with the duties of communication and provision of information to investors, to rating agencies and to the market in general, within the scope of the legal and regulatory obligations applicable to publicly traded companies.

The main functions of GRM are to comply with the duty to provide information to the Regulators and to the market, arising from the legal and regulatory obligations applicable to CEMG, respond to the requests of investors, financial analysts and other agents with respect to financial information and other public information on the activity of CEMG and support the Executive Board of Directors within the scope of events related to its condition as an entity listed on the Stock Exchange.

52. Investor Relation Officer

In 2014, the Representative of CEMG for Market Relations was João Carlos Martins Cunha Neves, responsible for the Investor Relations Office.

53. Data on the extent and deadline for replying to the requests for information received throughout the year or pending from previous years

Within the scope of its duties, GRM ensures a speedy response to the requests for information made by unitholders of the Participation Fund of CEMG, rating agencies and investors in general. GRM received and responded, since its entry into operation in mid-2014, a very low number of requests for information, whose maximum response time was 4 days.

Within the scope of the Complaints Management Policy, only 1.7% and 0.5% of complaints filed in 2014 are in reference to financial instruments and the Participation Fund of CEMG, respectively. The average complaint response time was 11 days, taking into account the nature and complexity of the request and the number of contributions to be obtained from organisational units of the CEMG Group.

All the public information on the CEMG Group may be requested from GRM, by:

- telephone (+351 213 249 841),

- fax (+351 213 248 195),
- email (investors@montepio.pt) or
- post (Rua do Carmo, 42, 9.º A, 1200-094 Lisboa).

V. INTERNET SITE

54. Address(es)

Information on the institution is available in both Portuguese and English on CEMG's Internet site, whose address is www.montepio.org.

55. Place where information on the firm, public company status, registered office and other details referred to in article 171 of the Commercial Companies Code is available

The Units of the Participation Fund of CEMG (ISIN PTCMHUIM0015) have been, since 17 December 2013, admitted to trading on a regulated market (NYSE Euronext Lisbon), which resulted in the opening of the capital of CEMG to public investment.

CEMG makes available information through the addresses www.montepio.pt\investidores (version in Portuguese) and www.montepio.pt\investors (version in English), which is essential to ensure an adequate knowledge of its activity.

56. Place where the Articles of Association and regulations on the functioning of the bodies and/or committees are available

This information may be consulted at the following address:
www.montepio.pt/SitePublico/pt_PT/institucional/grupo/sobre/governacao.page?altcode=900GOVERN

57. Place where information is available on the identity of the members of the institutional bodies

This information may be consulted at the following address:
www.montepio.pt/SitePublico/pt_PT/institucional/grupo/caixa-economica/informacao-investidores/orgaos-sociais.page?altcode=CEMGIV07

58. Place where the documents relating to financial accounts reporting are available, and which should be accessible for at least five years, as well as the calendar on company events

CEMG makes available information through the addresses www.montepio.pt\investidores (version in Portuguese) and www.montepio.pt\investors (version in English), which is essential to ensure an adequate knowledge of its activity.

59. Place where the notice convening the general meeting and all the preparatory and subsequent information related thereto is disclosed

This information may be consulted at the following address:
https://www.montepio.pt/SitePublico/pt_PT/institucional/grupo/sobre/governacao/assembleias-gerais.page?altcode=AGERAIS

The convening notice and information included in the agenda are also disclosed in the area designated as "news".

60. Place where the historical archive on the resolutions passed at the company's General Meetings is available

This information may be consulted at the following address:
https://www.montepio.pt/SitePublico/pt_PT/institucional/grupo/sobre/governacao/assembleias-gerais.page?altcode=AGERAIS

E. REMUNERATION

I. POWER TO ESTABLISH

61. Details of the powers for establishing the remuneration of the corporate bodies, members of the executive committee or chief executive officer and directors of the institution

The duties of the Remuneration Committee include defining the remuneration policy of the members of the institutional bodies, as well as setting remunerations in accordance with the duties performed.

Every year, the Committee submits to the General Meeting for approval, a declaration on the remuneration policy of the members of the management and supervisory bodies and there shall always be at least one member of the Remuneration Committee present at the General Meeting.

II. REMUNERATION COMMITTEE

62. Composition of the Remuneration Committee and independence of each of its members

The Remuneration Committee, elected at the General Meeting for the three-year period 2013-2015, is composed of the following members:

Chairman: Luís Eduardo Silva Barbosa

Member: José Eduardo Bettencourt

Member: Carlos Lilaia

None of the members of the Committee is a member of the management body, his/her spouse, relative or related in line of descent until the third degree.

And, in accordance with the Articles of Association, the members of the Remuneration Committee are independent relative to members of the management body.

In addition, CEMG did not contract any natural or legal person to support the Remuneration Committee and neither did the Committee choose to do so.

63. Knowledge and experience of members of the Remuneration Committee regarding remuneration policy issues.

The members of the Remuneration Committee have knowledge and experience in remuneration issues and hold or held management positions.

They have no employment, service provision, supply or credit contract with Montepio, with the exception of any credits for the purchase of private housing or for the payment of health expenses.

III. REMUNERATION STRUCTURE

64. Description of the remuneration policy of the management and supervisory bodies

As a result of the amendment to the Articles of Association and the entry into force of the new corporate governance model of CEMG, the remuneration policy was drawn up for the three-year period 2013-2015, with its maintenance being reconfirmed, or not, each year.

The remuneration policy of the management and supervisory bodies is approved by the Remuneration Committee which presents, every year, for approval by the General Meeting, the "declaration on the remuneration policy".

This Declaration thus constitutes a «mandate» conferred upon the Remuneration Committee to set the remunerations of the members of the management and supervisory bodies, as well as of the other institutional bodies.

The "declaration relative to the remuneration policy of the members of the management and supervisory bodies relative to 2015", to be submitted to the General Meeting of April 2015, is presented in annex to this report (Annex II).

In addition, the Committee is also responsible for analysing the situation in order to assess compliance with the approved remuneration policies and procedures.

65. Information on how remuneration is structured so as to permit the alignment of the interests of the members of the management body with the long-term interests of the institution, and how it is based on the assessment of performance and discourages excessive risk taking

The remuneration policy is structured taking into consideration the objectives, structure and dimension of the Institution, nature of duties and market practices.

Remuneration consists of the following components:

i. Fixed component paid on a monthly basis;

ii. A variable component which may or may not be attributed.

These two remuneration components are based on objective and transparent criteria, consistent with the remuneration practice of the Institution and in keeping with the remuneration structure and chain of responsibilities, as well as compatible with national remuneration standards.

In addition to these two remuneration components, remuneration may be attributed in the form of attendance fees and subsistence expenses to be paid to the Executive Board of Directors in the same terms in which they are due to employees.

Although the payment of a variable remuneration to executive directors is provided for in the Articles of Association, the Institution has adopted a more restrictive policy, setting a maximum ceiling of variable remuneration dependent on the result of the individual performance appraisal and on the Institution's performance, thus preventing excessive risk taking behaviour.

66. Reference, where applicable, to there being a variable remuneration component and information on any impact of the performance appraisal on this component

The remuneration structure of the executive directors has, in addition to a fixed component, a possible variable component based on specific measurable criteria and predetermined assumptions.

The Remuneration Committee, with reference to the financial year of 2014, maintained its decision to not attribute any variable remuneration.

67. Deferral of the payment of the variable component of remuneration, mentioning the period of deferral

Although no variable remuneration has been attributed, remuneration policy stipulates that 70% of that remuneration is to be deferred for a period of 3 years.

68. Criteria on which the allocation of a variable remuneration in units is based

The variable remuneration is composed of 30% in cash and 70% in Units of the Participation Fund, with reference to its nominal value, but the securities representing this payment shall only be delivered to the respective beneficiary at the end of the third year following the date of the decision regarding its delivery.

69. The main parameters and grounds for any annual bonus scheme and any additional non-financial benefits

In 2014, there were no prizes, annual bonuses or non-financial benefit schemes.

70. Main characteristics of the supplementary pension or early retirement schemes for directors and date when said schemes were approved at the general meeting, on an individual basis.

The members of the executive board of directors are entitled to a retirement pension, in addition to whatever else is due by application, by analogy, of the regime in force for employment contracts.

IV. REMUNERATION DISCLOSURE

71. Indication of the amount relating to the annual remuneration paid as a whole and individually to members of the Institution's management bodies, including fixed and variable remuneration and as regards the latter, reference to the different components that comprise the same

The remuneration earned by the members of the Executive Board of Directors, in 2014, was the following:

(euros)

	Fixed Remuneration	Variable Remuneration	Total Remuneration
António Tomás Correia - Chairman (*)		-	
Jorge Humberto Barros Luís	254,222.82	-	254,222.82
Pedro Miguel de Almeida Alves Ribeiro	254,257.50	-	254,257.50
Fernando Paulo Pereira Magalhães	254,257.50	-	254,257.50
João Carlos Martins Cunha Neves (**)		-	
Total (**)	**762,737.82**		**762,737.82**

(*) According to the decision of the Remuneration Committee and the powers that he was assigned by the General Meeting, the remuneration of the Chairman of the Executive Board of Directors, in the amount of 447,897.58 euros, is paid exclusively by Montepio Geral – Associação Mutualista.

(**) Took up the post of executive director in December 2014, but the inclusion in the monthly payroll processing, as a member of the management body, was not feasible.

The Remuneration Committee also decided not to attribute any variable remuneration (whether as "gratification” and "bonus" or as an "extraordinary bonus").

72. Any amounts paid, for any reason whatsoever, by other companies in a control or group relationship, or that are subject to a common control

No remuneration is due for the exercise of duties in subsidiary companies, whether paid by said subsidiaries or by CEMG.

73. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded

No variable remuneration was attributed.

74. Compensation paid or owed to former executive directors relative to their termination of office during the financial year

In the case of termination of a term of office, through expiration of the contract period or with just cause, the members of the Executive Board of Directors are entitled to receive the amounts corresponding to the holiday and Christmas bonuses due and not paid, in addition to the part proportional to the length of service of those bonuses, with respect to the year in which they ceased their functions.

75. Indication of the annual remuneration paid, as a whole and individually, to the members of the company's supervisory boards for the purposes of Law No. 28/2009, of 19 June.

During 2014, the fixed monthly remuneration of the General and Supervisory Board of CEMG came to 5,000.00 euros for each member, paid in double in the months of January (holiday bonus) and November (Christmas bonus), except those that have been elected as directors of Montepio Geral- Associação Mutualista.

The remuneration earned by the Statutory Auditor has already been referred to in point 43.

76. Indication of the remuneration in said year of the Chairman of the Board of the General Meeting

The Chairman of the Board of the General Meeting earned remuneration in the form of attendance fees for participation in specific acts, which came to 813.75 euros per participation in 2014, the same value as in the previous year.

V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

77. Reference to the contractual restraints for compensation payable for unfair dismissal of a director and the relevance thereof to the variable component of the remuneration

Under the terms of the remuneration policy of the members of the Executive Board of Directors, in case of termination of office without just cause, the director is entitled to compensation, whose maximum value corresponds to the fixed monthly remunerations that he is currently earning from the date of dismissal until the end of the planned term of office.

78. Reference to the existence and description, with details of the sums involved, of agreements between the Institution and members of the board of directors and managers, which envisage compensation in the event of resignation, unfair dismissal or termination of employment following a takeover bid

There are no agreements with members of the board of directors or managers that envisage compensation in the event of resignation, unfair dismissal or termination of employment following a takeover bid.

F. RELATED PARTY TRANSACTIONS

I. CONTROL MECHANISMS AND PROCEDURES

79. Mechanisms implemented for the purpose of controlling transactions with related parties (for said purpose, reference is made to the concept resulting from IAS 24)

The conclusion of business deals between the institution and holders of qualified holdings, or with entities with which they have some kind or control or group relationship, under the terms of article 20 of the Securities Code, is always previously submitted to the Executive Board of Directors for an opinion.

The Institution, in its central system, maintains the following:

- An updated list of the entities covered by the concept of related party, as defined by IAS 24;
- Information on exposure by customer;
- The integrated position of customers.

The Planning, Research and Accounting Department (DPECC) prepares information in the notes to the consolidated financial statements with details on the exposures held by CEMG in related parties included in the Annual Report and Accounts of 2014 (see the note to the financial statements).

80. Details of transactions that were subject to control in 2014

During 2014, there were no business deals or operations between CEMG and the members of its Executive Board of Directors, General and Supervisory Board, holders of qualified holdings or Group companies, which were carried out other than under market conditions (applicable to similar operations) or beyond the scope of the Institution's normal day-to-day business operations.

81. Description of the procedures and criteria applicable to the intervention of the supervisory board for the effects of the prior evaluation of the business to be carried out between the institution and owners of the qualified holdings or entities which are in any relationship with them, under the terms of article 20 of the Securities Market Code

The conclusion of business deals between the institution and holders of qualified holdings, or with entities with which they have some kind of relationship, under the terms of article 20 of the Securities Code, is always previously submitted to the Executive Board of Directors for an opinion.

The opinion of the Executive Board of Directors is issued in accordance with the information presented for assessment of the operations by the Credit Committee.

II. DATA ON BUSINESS DEALS

82. Details of the place where the financial accounts reporting documents including information on business deals with related parties are available, in accordance with IAS 24, or alternatively a copy of said data

According to IAS 24, related entities are considered those where CEMG exercises, directly or indirectly, a significant influence on their management and financial policy - associated and jointly-controlled companies and Pension Fund - and the entities which exercise a significant influence on CEMG's management.

The debits and credits and the income and costs of CEMG relative to related party operations are presented in the note to the respective financial statements.

PART II - CORPORATE GOVERNANCE ASSESSMENT

A. DETAILS OF CORPORATE GOVERNANCE CODE ADOPTED

This Report on the Institution's Corporate Governance mirrors the corporate governance structure followed by the Institution, directly associated to its organisational performance and in conformity with the corporate governance principles and practices adopted by the Institution, complying, in general, with the recommendations of the CMVM, and in accordance with its specific legal nature.

In addition to the provisions applicable under the law, the Articles of Association and regulations, all the activities undertaken also comply with the resolutions of the corporate bodies, internal rules, rules of conduct and ethical standards.

Lastly, it is important to point out that this document must be read as an integral part of the Annual Report relative to the financial year of 2014.

B. ANALYSIS OF COMPLIANCE WITH THE ADOPTED CORPORATE GOVERNANCE CODE

Under the terms of article 245-A, No. 1, sub-paragraph o) the level of compliance with the recommendations of the Corporate Governance Code is presented:

Recommendations	Adopted	Not Adopted or Not Applicable	Observations/Reference in the Institutional Corporate Governance Report
I. VOTING AND CORPORATE CONTROL			
I.1. Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically.		Not applicable	Point 9.
I.2. Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.		Not applicable	Points 9. to 11.
I.3. Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.		Not applicable	Points 9. to 11.
I.4. The company's Articles of Association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without super quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction.		Not applicable	Points 9. to 11.
I.5. Measures that require payment or assumption of fees by the company in the event of change of control or change in the composition of the management body and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of management body members, shall not be adopted.		Not applicable	
II. SUPERVISION, MANAGEMENT AND OVERSIGHT			
II.1. SUPERVISION AND MANAGEMENT			
II.1. Within the limits established by law, and except for the small size of the company, the board of directors shall delegate the daily management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.	x		Point 18.
II.1.2. The Board of Directors must ensure that the company acts in accordance with its objectives, and must not delegate its competence, namely, with respect to: i) the definition of the strategy and general policies of the company; ii) the definition of the Group's business structure; iii) decisions which should be considered strategic due to their amount, risk or special characteristics.	x		Point 18.
II.1.3. The General and Supervisory Board, in addition to its supervisory duties supervision, shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall enshrine the requirement for this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the Group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company.	x		II. MANAGEMENT AND SUPERVISION
II.1.4. Unless as a result of the small size of the company, the Board of Directors and General and Supervisory Board, according to the adopted model, should create the committees which prove necessary for: a) Ensuring a competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees; b) Reflecting on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their improvement.	x		Points 24. and 25.
II.1.5. The Board of Directors or the General and Supervisory Board, depending on the applicable model, should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	x		D.INTERNAL ORGANISATION III.INTERNAL CONTROL AND RISK MANAGEMENT
II.1.6. The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the management body.		Not applicable	There are no non-executive members

II.1.7. Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to: a. Having been an employee at the company or at a company holding a controlling or group relationship within the last three years; b. Having, in the past three years, provided services or established commercial relationship with the company or company with which it is in a control or group relationship, either directly or as a partner, board member, manager or director of a legal person; c. Being paid by the company or by a company with which it is in a control or group relationship besides the remuneration arising from the exercise of the functions of a board member; d. Living with a partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualified holdings; e. Being a qualified shareholder or representative of a qualified shareholder.			Not applicable in relation to non-executive directors, since all directors are executive directors There is no Executive Committee
II.1.8. When requested by other members of the corporate bodies, the directors performing executive duties should provide, in due time and in a form appropriate to the request, any information requested by them.	x		Points 13. to 15.
II.1.9. The Chair of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chair of the Board of Directors, the Chair of the Supervisory Board, the Chair of the Audit Committee, the Chair of the General and Supervisory Board and the Chair of the Financial Affairs Committee, the convening notices and minutes of the relevant meetings.			Point 20.
II.1.10. If the chair of the board of directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that these can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.		Not applicable	There are no non-executive members
II.2. SUPERVISION			
II.2.1. Depending on the applicable model, the Chair of the Supervisory Board, the Audit Committee or the Financial Affairs Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.	x		Points 26. to 29.
II.2.2. The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	x		Point 33.
II.2.3. The supervisory body shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.	x		Point 41.
II.2.4. The supervisory body shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	x		Points 46. to 48.
II.2.5. The Audit Committee, the General and Supervisory Board and the Supervisory Board decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential improprieties.	x		Point 34.

II.3. REMUNERATION SETTING			
II.3.1. All members of the Remuneration Committee or equivalent should be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.	x		Points 62. and 63.
II.3.2. Any natural or legal person that provides or has provided services in the past three years, to any structure that is directly responsible to the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	x		Point 62.
II.3.3A statement on the remuneration policy of the management and supervisory bodies referred to in article 2 of Law No. 28/2009 of 19 June, shall also contain the following: a) Identification and details of the criteria for determining the remuneration paid to the members of the corporate bodies; b) Information regarding the maximum potential, in individual terms, and the maximum potential, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable; c) Information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.	x		Points 64. and 65. and Annex II to the Institutional Corporate Governance Report
II.3.4. Approval of plans for the allotment of shares and/or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said plan.		Not applicable	
II.3.5. Approval of any retirement benefit scheme established for members of corporate members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said scheme.		Not applicable	Point 70.
III.REMUNERATION			
III.1. The remuneration of the executive members of the board shall be based on actual performance and shall discourage excessive risk-taking	x		Point 65. and remuneration policy
III.2. The remuneration of non-executive board members and the remuneration of the members of the supervisory board shall not include any component whose value depends on the performance of the company or of its value.		Not applicable	There are no non-executive members
III.3. The variable component of remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits should be set for all components.	x		Point 65. and remuneration policy
III.4. A significant part of the variable remuneration should be deferred for a period of not less than three years, and the right of way payment shall depend on the continued positive performance of the company during that period.		Not applicable	
III.5. Members of the Board of Directors shall not enter into contracts with the company or with third parties which intend to mitigate the risk inherent to remuneration variability set by the company.		Not applicable	Point 72.
III.6. Executive board members shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on the gains of said shares, until the end of their term of office.		Not applicable	
III.7. When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years.		Not applicable	
III.8. When the removal of a board member is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is yet due on inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable.	x		Point 77.

IV.AUDITING			
IV.1. The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems of the corporate bodies as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company.	**x**		Point 42.
IV.2. The company or any entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. Where there are motives for the contracting of such services - which should be approved by the supervisory body and explained in its Annual Corporate Governance Report - they cannot represent a figure above 30% of the total value of the services provided to the company.	**x**		Points 33. and 42.
IV.3. Companies shall support auditor rotation after two or three terms whether four or three years, respectively. Its continuance beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of the auditor's independence and the benefits and costs of its replacement.	**x**		Point 40.
V. **CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS**			
V.1. The company's business with holders of qualified holdings or entities with which they are in any type of relationship pursuant to article 20 of the Portuguese Securities Code, shall be conducted during normal market conditions.			E. TRANSACTIONS WITH RELATED PARTIES
V.2. The supervisory or oversight board shall establish procedures and criteria that are required to define the relevant level of significance of business with holders of qualified holdings - or entities with which they are in any of the relationships described in No. 1 of article 20 of the Portuguese Securities Code – thus significant relevant business is dependent upon prior opinion of that body.			E. TRANSACTIONS WITH RELATED PARTIES
VI. INFORMATION			
VI.1. Companies shall provide, via their websites in both the Portuguese and English languages, access to information on their progress as regards the economic, financial and governance state of play.	**x**		V. INTERNET SITE
VI.2. Companies shall ensure the existence of an investor support and market liaison office, which responds to requests from investors in a timely fashion, and a record of the submitted requests and their processing shall be kept.			Points 51. to 53.

C. OTHER INFORMATION

With regards to other quantitative information and following the approval, by the Executive Board of Directors, of the remuneration policy of the "employees" which covers the senior managers that perform duties that can have an impact on the risk profile of the Institution, officers in control functions and other employees which, in remuneration terms, are assimilated to senior managers, the remunerations earned in 2014 by these employees is presented below:

Manager	27
Assistant Manager	4
Total Fixed Rem.	4,218,659.45 €
Total Variable Rem.	0.00 €
Total Remuneration	**4,218,659.45 €**
Weight Variable Rem.	0.00 €

This remuneration policy is the one that is applied to the Employees of CEMG in general and is based on the existence of remuneration composed of two components: a fixed component and a variable component.The variable remuneration attributed to senior managers, and those that in remuneration terms are assimilated to them, complies with specific rules and limits.

ANNEX I

ACADEMIC QUALIFICATIONS AND POSITIONS HELD BY MEMBERS OF THE GENERAL AND SUPERVISORY BOARD AND OF THE EXECUTIVE BOARD OF DIRECTORS

General and Supervisory Board

José de Almeida Serra

Academic qualifications:

Licentiate Degree in Economics from ISCEF and post-graduation from the Massachusetts Institute of Technology

Professional activities performed over the last few years:

Member of the Board of Directors of Montepio Geral - since 2004;

Chairman of the General and Supervisory Board of Caixa Económica Montepio Geral - since 6 May 2013.

Positions held in subsidiary companies, as at 31 December 2014

Chairman of the Board of Directors of Montepio Gestão de Ativos – SGFI, SA

Chairman of the Board of Directors of Futuro – Soc. Gestora de Fundos de Pensões, SA

Chairman of the Board of Directors of Lestinvest, SGPS, SA

Chairman of the Board of Directors of Montepio Imóveis – Soc. Imobiliária de Serv. Auxiliares, SA

Chairman of the Board of Directors of Montepio Gestão de Ativos Imobiliários, A.C.E.

Member of the Remuneration Committee of SAGIES – Segurança, Higiene e Saúde no Trabalho, SA

Member of the Remuneration Committee of Clínica CUF Belém, SA

Vitor José Melícias Lopes

Academic qualifications:

Licentiate Degree in Canon Law and Civil Law

Professional activities performed over the last few years:

Chairman of the Board of the General Meeting of Montepio Geral – since 2008;

Chairman of the Board of the General Meeting of Caixa Económica Montepio Geral, as part of his functions - since 6 May 2013.

Eduardo José da Silva Farinha

Academic qualifications:

Licentiate Degree in Finance from ISCEF

Professional activities performed over the last few years:

Member of the Board of Directors of Montepio Geral - since 2004;

Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions - since 6 May 2013.

Positions held in subsidiary companies, as at 31 December 2014

Chairman of the Board of the General Meeting of Montepio Gestão de Ativos – SGFI, SA

Chairman of the Board of Directors of MG Investimentos Imobiliários, SA

Chairman of the Board of Directors of Bolsimo – Gestão de Ativos, SA

Chairman of the Board of Directors of Lusitania – Companhia de Seguros, SA

Chairman of the Board of Directors of Lusitania Vida – Companhia de Seguros, SA

Chairman of the Board of Directors of Montepio Seguros, SGPS, SA

Member of the Board of Directors of Clínica CUF Belém, SA

Member of the Board of Directors of Lestinvest, SGPS, SA

Member of the Board of Directors of SAGIES – Segurança, Higiene e Saúde no Trabalho, SA

Chairman of the Remuneration Committee of Bolsimo – Gestão de Ativos, SA

Member of the Remuneration Committee of Futuro – Soc. Gestora de Fundos de Pensões, SA

Member of the Remuneration Committee of Montepio Valor – Soc. Gestora de Fundos de Investimento, SA

Member of the Remuneration Committee of Montepio Gestão de Ativos, SGFI, SA

Carlos Vicente Morais Beato

Academic qualifications:

Licentiate Degree in Management from Instituto Superior de Gestão

Professional activities performed over the last few years:

Member of the Board of Directors of Montepio Geral - since 2013;

Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions - since 6 May 2013.

Positions held in subsidiary companies, as at 31 December 2014

Chairman of the Board of Directors of Residências Montepio, Serviços de Saúde, SA

Álvaro João Duarte Pinto Correia

Academic qualifications:

Civil Engineer

Professional activities performed over the last few years::

Chairman of the Supervisory Committee of Instituto de Seguros de Portugal;

Chairman of the City of Lisbon Foundation;

Chairman of the Supervisory Board of Montepio Geral - since 2013;

Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions - since 6 May 2013.

Gabriel José dos Santos Fernandes

Academic qualifications:

Licentiate Degree in Economics

Is a Statutory Auditor

Professional activities performed over the last few years:

Chairman of the Supervisory Board of Finangeste;

Member of the Supervisory Board of Montepio Geral - since 2007;

Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions - since 6 May 2013.

Luísa Maria Xavier Machado

Academic qualifications:

Licentiate Degree in Management

Professional activities performed over the last few years::

Head of the Budget and Control Department of Caixa Económica Montepio Geral – from 2010 to May 2014;

Responsible for the Compliance Office since June 2014;

Member of the Supervisory Board of Montepio Geral - since 2013;

Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions - since 6 May 2013.

Maria Manuela Silva

Academic qualifications:

Licentiate Degree in Economics

Professional activities performed over the last few years:

Member of the General Board of Montepio Geral - since 2007;

Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions - since 6 May 2013.

António Gonçalves Ribeiro

Academic qualifications:

Lieutenant General

Professional activities performed over the last few years:

Member of the General Board of Montepio Geral - since 2013;

Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions - since 6 May 2013.

Eugénio Óscar Garcia Rosa

Academic qualifications:

Licentiate Degree in Economics and Doctorate from ISEG

Professional activities performed over the last few years:

Member of the Research Office of CGTP-IN and of the Technical Office of the National Federation of Public Sector Trade Unions, representative of CGTP in the Monitoring Committees of the Human Potential and Competitiveness Factors Operational Programmes;

Member of the General Board of Montepio Geral - since 2013;

Member of the General and Supervisory Board of Caixa Económica Montepio Geral, as part of his functions - since 6 May 2013.

Executive Board of Directors

António Tomás Correia

Academic qualifications:

Licentiate Degree in Law from Universidade Clássica de Lisboa

Professional activities performed over the last few years:

Chairman of the Board of Directors of Montepio Geral - since 2008;

Chairman of the Executive Board of Directors of Caixa Económica Montepio Geral - since 18 March 2013.

Positions held in subsidiary companies, as at 31 December 2014

Chairman of the Board of Directors of Finibanco Angola, SA

Chairman of the Board of Directors of Montepio Holding, SGPS, SA

Chairman of the Board of Directors of Montepio Investimento, SA

Member of the Remuneration Committee of Montepio Valor – Soc. Gestora de Fundos de Investimento, SA

Member of the Remuneration Committee of Futuro – Soc. Gestora de Fundos de Pensões, SA

Member of the Remuneration Committee of Montepio Gestão de Ativos, SGFI, SA

Jorge Humberto Barros Luís

Academic qualifications:

Licentiate Degree in Economics from ISEG

Master's in Economics (specialisation in Monetary and Financial Economics) from ISEG

Advanced Management Program (AMP), Harvard Business School

PhD in Economics from University of York

Professional activities performed over the last few years::

Manager of the Risk Department of Caixa Económica Montepio Geral from 2004 to 2013;

Member of the Executive Board of Directors of Caixa Económica Montepio Geral - since 18 March 2013.

Positions held in subsidiary companies, as at 31 December 2014

Chairman of the Board of Directors of Montepio Valor – Soc. Gest. de Fundos de Investimento, SA

Chairman of Montepio Crédito – Instituição Financeira de Crédito, SA

Member of the Board of Directors of Montepio Holding, SGPS, SA

Member of the Board of Directors of Montepio Gestão de Ativos Imobiliários, A.C.E.

Pedro Miguel de Almeida Alves Ribeiro

Academic qualifications:

Licenciate Degree in Economics from the School of Economics of Universidade de Coimbra

PAGESF – Post-graduation from Universidade Católica de Lisboa

Professional activities performed over the last few years:

Director of Accenture – 2001 to 2013;

Member of the Executive Board of Directors of Caixa Económica Montepio Geral - since 18 March 2013.

Positions held in subsidiary companies, as at 31 December 2014

Member of the Board of Directors of Montepio Holding, SGPS, SA

Member of the Board of Directors of Montepio Investimento, SA

Member of the Board of Directors of SIBS – Soc. Interbancária de Serviços, SA

Member of the Board of Directors of UNICRE – Instituição Financeira de Crédito, SA

Member of the Board of Directors of Montepio Crédito – Instituição Financeira de Crédito, SA

Fernando Paulo Pereira Magalhães

Academic qualifications:

University Degree in Marketing Management from Instituto Superior de Gestão e Marketing

Professional activities performed over the last few years::

Sales Manager of Caixa Económica Montepio Geral from 2009 to 2013;

Member of the Executive Board of Directors of Caixa Económica Montepio Geral - since 18 March 2013.

Positions held in subsidiary companies, as at 31 December 2014

Chairman of the Board of Directors of Banco Montepio Geral – Cabo Verde, Soc. Unipessoal, SA

Member of the Board of Directors of Montepio Holding, SGPS, SA

Member of the Board of Directors of Montepio Crédito – Instituição Financeira de Crédito, SA

João Carlos Martins da Cunha Neves

Academic qualifications:

Licentiate degree in Economics from Universidade Católica Portuguesa

PhD in Economics from University of York

Master's in Applied Economics from Universidade Nova de Lisboa

Professional activities performed over the last few years::

Manager of Corporate Credit Analysis of Caixa Económica Montepio Geral from 2006 to 2010;

PMO – Banca Invest at Caixa Económica Montepio Geral between 2009 and 2010;

Manager of Strategic Planning, Control and Accounting of Caixa Económica Montepio Geral from 2010 to 2014;

Member of the Executive Board of Directors of Caixa Económica Montepio Geral - since 10 December 2014.

ANNEX II

STATEMENT ON THE REMUNERATION POLICY OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES OF CEMG FOR 2015

1. The general and fundamental rules of remuneration policy are set by the General Meeting and applied to specific situations by a Remuneration Committee, elected under the terms of article 16 c) of the Articles of Association of CEMG, in force since 14 January 2013, with no use being made of external consultants in these matters.

2. The Articles of Association of CEMG, in article 11 No. 1, provide that the following are institutional bodies of Caixa Económica: the General Meeting; the Supervisory Board; the Executive Board of Directors; the Remuneration Committee and the Statutory Auditor.

3. The performance of the management and supervisory body is assessed by the General and Supervisory Board and ultimately by the General Meeting.

4. The remuneration statute of the members of the Executive Board of Directors is composed of:

   a) Monthly fixed remuneration, paid in double in the months of January (holiday bonus) and November (Christmas bonus);

   b) Subsistence expenses, in the event of travel, paid under conditions identical to those for staff members;

   c) The fixed component can be increased up until 10%, based on the fixed monthly remuneration, depending on the relevant professional experience of each of the members, after a proposal in this regard is made by the Remunerations Committee;

   d) The members of the Executive Board of Directors are entitled to receive a remuneration up until 10% of monthly fixed remuneration for the exercise in subsidiary companies, that integrate perimeter of CEMG Group or qualified holdings;

   e) This variable remuneration may never exceed 20% of the annual fixed remuneration and will be paid in accordance with the provisions of No. 6.4 of the document "Remuneration Policy of the management and supervisory bodies of CEMG and of the members of other institutional bodies";

f) The remuneration referred to in a) and b) may be reviewed annually under the same conditions applicable to the review of the remuneration of staff members;

g) The members of the General and Supervisory Board and of the Executive Board of Directors are entitled to the following benefits:

   1. A retirement pension, assigned in accordance with the Retirement Plans of the Executive Board members, as approved by the General Meeting;
   2. Compensation for any damage resulting from work accidents and professional diseases, as per clause 38 of the ACT;
   3. A health insurance policy with a coverage similar to the one provided for in clause 144 of the ACT, if they do not have direct access to this protection.

h) The rights to use credit cards, mobile phones and service cars are also conferred, according to the terms and conditions approved by the General Meeting following a proposal by the Remunerations Committee, and based on the experience of other credit institutions of similar size.

5. The members of the General and Supervisory Board, except those that have been elected as directors of Montepio Geral - Associação Mutualista, earn a monthly fixed remuneration, paid in double in the months of January (holiday bonus) and November (Christmas bonus).

6. The members of the Board of the General Meeting, pursuant to No. 1 of article 17 of the Articles of Association, earn a fixed remuneration paid as a single lump sum, in June of each year.

7. The Statutory Auditor earns a fixed remuneration set annually.