INTERIM REPORT
FIRST SEMESTER 2014

Montepio

CAIXA ECONÓMICA

CONTENTS

GOVERNING BODIES

With the entry into force of the new Articles of Association, Caixa Económica Montepio Geral (hereinafter referred to as CEMG), governance structure, since 2013, comprises specific management and supervisory bodies, separate from those of Montepio Geral – Associação Mutualista (MGAM). However, since CEMG is an entity annexed to MGAM, the inherent connection is maintained between the members of the bodies as well as the articulation of strategic principles between the two institutions.

The governance structure of CEMG is formed by the General Meeting, which includes the Board of the General Meeting, the General and Supervisory Board, the Remuneration Committee, the Executive Board of Directors and the Statutory Auditor. The composition of the respective bodies for the three-year period 2013-2015 is as follows:

GENERAL MEETING

General Meeting Board

Vítor José Melícias Lopes – *Chairman*
António Pedro de Sá Alves Sameiro – *1st Secretary*
António Dias Sequeira – *2nd Secretary*

Remuneration Committee

Luís Eduardo Silva Barbosa – *Chairman*
José Eduardo Fragoso Tavares de Bettencourt
José Carlos Pereira Lilaia

Statutory Auditor

Jean-éric Gaign

General and Supervisory Board

José de Almeida Serra – *Chairman*

Members

Vítor 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 da Silva
António Gonçalves Ribeiro
Eugénio Óscar Garcia Rosa

Executive Board of Directors

António Tomás Correia – *Chairman*

Members

Jorge Humberto Cruz Barros Jesus Luís
Pedro Miguel de Almeida Alves Ribeiro
Fernando Paulo Pereira Magalhães

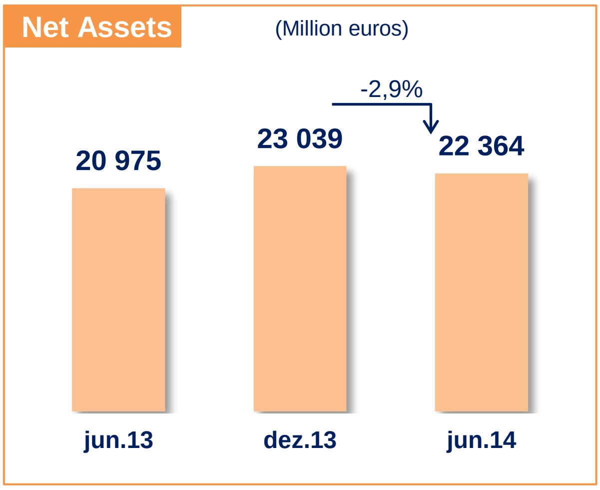
KEY INDICATORS

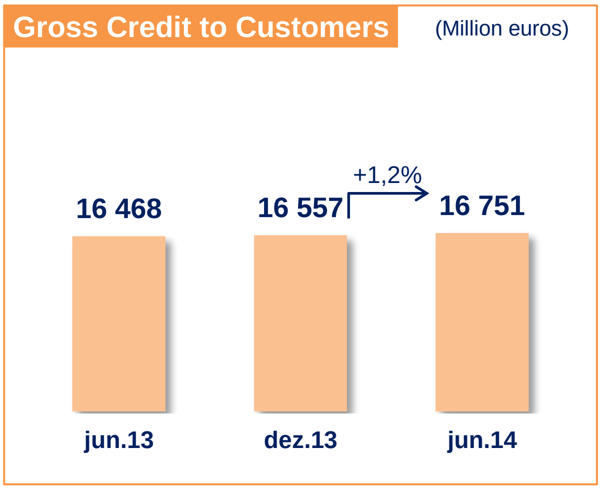
(thousand euros)

INDICATORS	Jun.14	Dec.13	Jun.13
ACTIVITY AND RESULTS			
Net Assets	22,363,992	23,039,203	20,975,276
Gross Credit to Customers	16,750,894	16,556,907	16,468,160
On-Balance Sheet Customers' Funds	16,556,645	16,310,031	15,861,462
Total Deposits	14,314,511	14,039,197	13,165,259
Securities Placed with Customers	2,242,134	2,270,834	2,696,203
Net Income	11,871	-298,626	-69,654
LEVERAGE AND LIQUIDITY			
Total Net Credit to Customers / Customers' Deposits (a)	108.03%	110.18%	117.36%
Total Net Credit to Customers / On-Balance Sheet Customers' Funds (b)	93.25%	94.70%	97.30%
Eligible Assets for Refinancing with the ECB	4,253,770	5,783,695	4,300,948
CREDIT RISK AND COVERAGE FOR IMPAIRMENTS			
Ratio of Credit and Interest Overdue by more than 90 days	5.96%	5.30%	5.56%
Non-performing Loans Ratio (a)	8.41%	7.12%	7.20%
Net Non-performing Loans Ratio (a)	0.66%	0.84%	1.15%
Coverage of Credit and Interest Overdue by more than 90 days	131.68%	119.85%	109.21%
Credit-at-Risk Ratio (a)	13.82%	12.25%	12.12%
Net Credit at Risk Ratio (a)	6.52%	6.32%	6.38%
Credit Risk Coverage Ratio	56.49%	51.70%	50.55%
Restructured Credit as a % of Total Credit (c)	9.59%	9.68%	5.37%
Restructured Credit not included in Credit-at-Risk as a % of Total Credit (c)	6.42%	7.30%	3.58%
EFFICIENCY AND PROFITABILITY			
Net Operating Income / Average Net Assets (a)	4.31%	1.76%	1.88%
Earnings before Tax / Average Net Assets (a)	0.23%	-1.73%	-0.94%
Earnings before Tax / Average Equity (a)	3.01%	-18.99%	-12.47%
Net Income for the period / Average Net Assets (ROA)	0.11%	-1.39%	-0.67%
Net Income for the period / Average Equity (ROE)	1.40%	-15.23%	-8.83%
Total Operating Expenses / Net Operating Income (cost-to-income)(a)	34.17%	90.05%	83.27%
Personnel Expenses / Net Operating Income (a)	19.71%	52.12%	49.03%
SOLVENCY			
Core Tier 1 Ratio (a)	10.70%	11.01%	10.38%
Tier 1 Ratio (a)	10.66%	10.99%	10.37%
Solvency Ratio (a)	12.21%	13.03%	13.20%
Common Equity Tier 1 Ratio (CRD IV phasing-in)	10.48%	n.a.	n.a.
Total Capital Ratio (CRD IV phasing-in)	12.04%	n.a.	n.a.
DISTRIBUTION NETWORK AND EMPLOYEES (Units)			
Total Number of Employees (CEMG Group)	4,212	4,213	4,223
CEMG			
Employees	3,894	3,903	3,929
Branches	436	456	457
Employees / Branches	8.9	8.6	8.6
International Branch Network - Angola (d)	17	14	11
Representation Offices	6	6	6

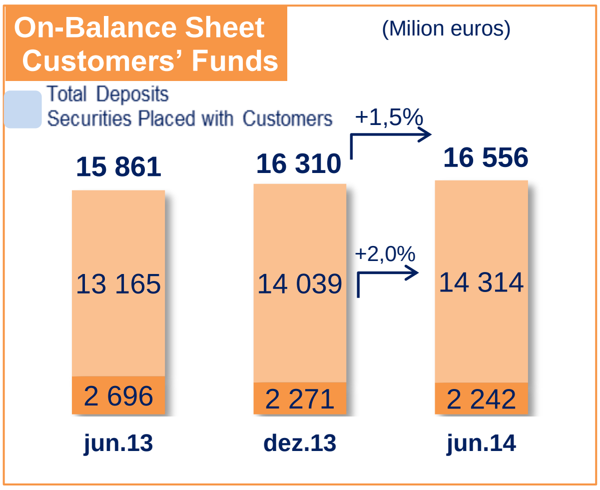
(a) Pursuant to Banco de Portugal Instruction 23/2012.
(b) Customers' Funds = Customer Deposits and Securities Placed with Customers
(c) In accordance with Banco de Portugal Instruction 32/2013.
(d) Includes Business Centres.
n.a. – not applicable.

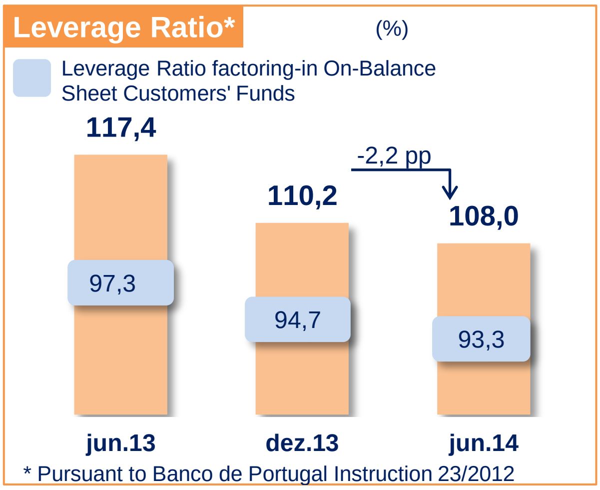
EVOLUTION OF THE MAIN INDICATORS

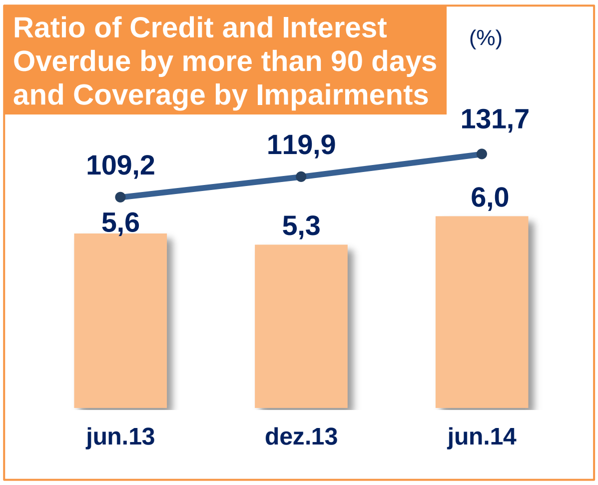


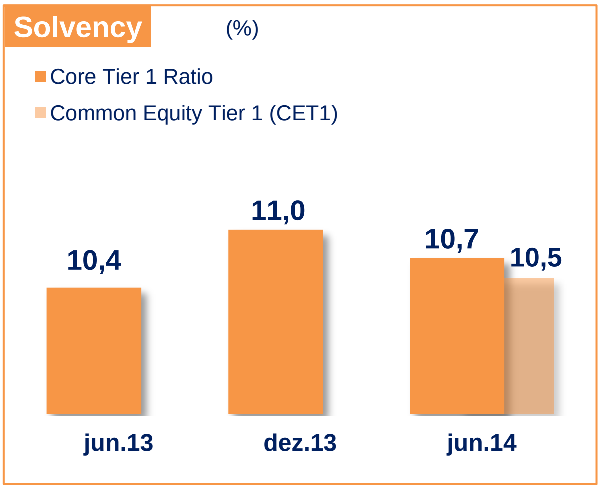


Total Deposits







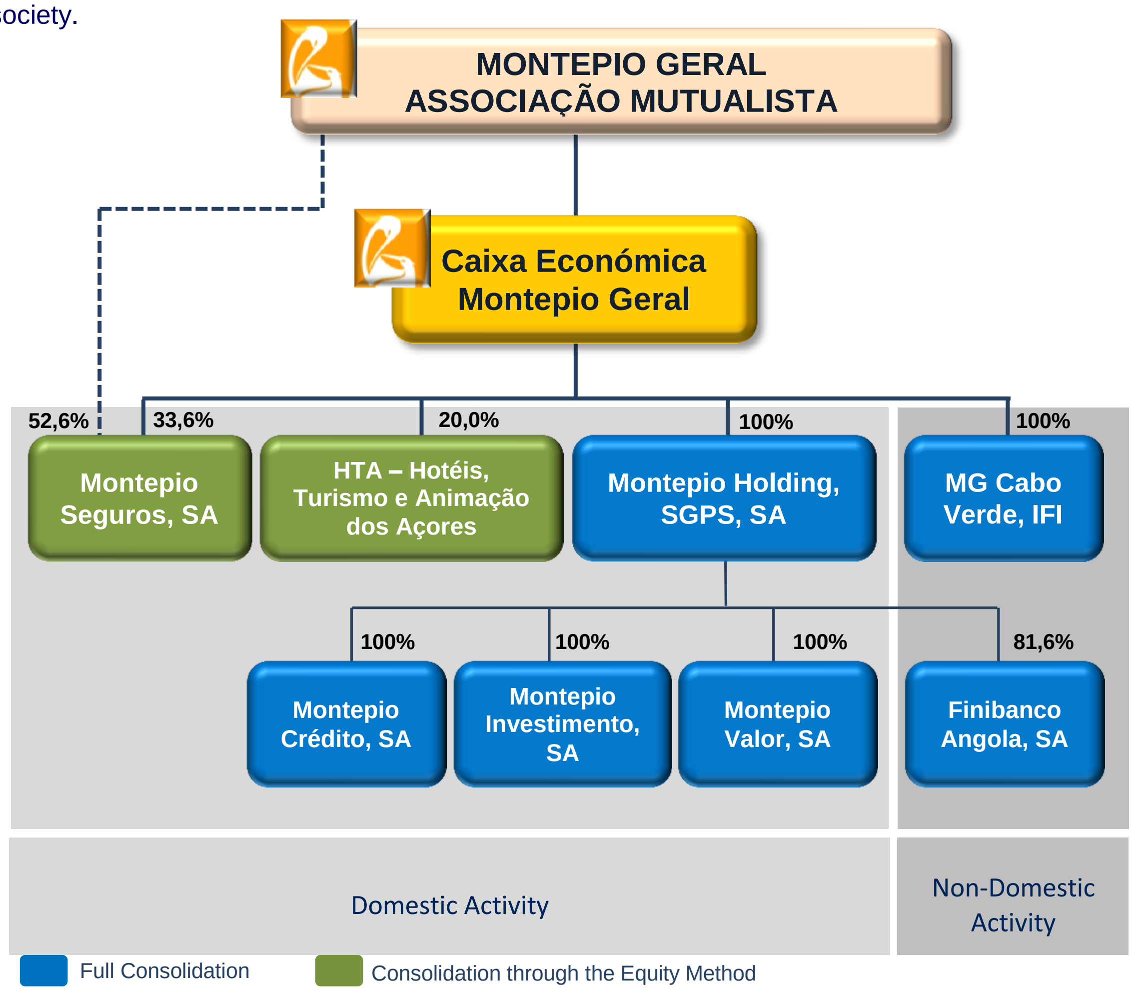


1. THE CAIXA ECONÓMICA MONTEPIO GERAL GROUP

1.1 Group Structure

This report presents the performance and the individual and consolidated accounts of Caixa Económica Montepio Geral - CEMG with the group of institutions in which it has majority holdings and management control, comprising the CEMG Group.

The CEMG Group is integrated in the MGAM Group - Montepio Geral Associação Mutualista, one of the most differentiated financial groups at a national and European level due to its mutual origin, nature and purposes, conferring unique characteristics and an unmatched position in its sector and in Portuguese society.



CEMG fully consolidates its accounts with the following entities:

- Finibanco Holding, SGPS, S.A., a holding company with 100% of Montepio Investimento, 100% of Montepio Crédito, 100% of Montepio Valor and 81.6% of Finibanco Angola;
- Montepio Cabo Verde, International Financial Institution;
- Credit Securitisation Vehicles Pelican Mortgages number 1 and number 2;
- Real Estate Investment Funds:
  - ✓ Montepio Arrendamento - Residential Rental Real Estate Investment Funds;
  - ✓ Polaris – Closed-End Real Estate Investment Fund;
  - ✓ Finipredial - Open-End Real Estate Investment Fund;

- ✓ Portugal Estates Fund – Closed-End Real Estate Investment Fund;
- ✓ Real Estate Portfolio - Open-End Real Estate Special Investment Fund.

In addition to the full consolidation of the entities referred to above, CEMG consolidates accounts through the equity method with two other entities, namely: HTA - Hóteis, Turismo e Animação dos Açores, in which it holds stakes of 20.0%, and Montepio Seguros, S.A., with a stake of 33.6%.

1.2 Brand and Sustainability

During the first semester of 2014, CEMG pursued its transparent, rigorous and dynamic action, underpinned by the Group's values which bolster its brand and participate in the construction of its positioning, as well as in the Group's sustainability.

Brand

The process of strengthening the Montepio brand in the national and international market was maintained, with the continued defence and dissemination of the values of mutual funds, the promotion of a broad range of products and services, striving for innovation and quality.

The Montepio brand has progressively highlighted the attractiveness and sustainability of the Group's offer, the institution's stability, which has been widely recognised by the market.

Foremost position in terms of reputation

The Montepio brand continues to be recognised for its work developed in the market, having achieved the first position of the Brandscore study's ranking of reputation, promoted by the Consultores Group. With a positive variation, the brand holds the top position of the ranking in the first semester of the year, surpassing the market in attributes such as transparency, customer attention, performance and competitiveness in the offer of products and services, as well as social and environmental responsibility.

Likewise, the brand reached the first places of the study *Global RepTrak™ Pulse 2014*, conquering the top place in factors of quality of the services rendered, social responsibility and corporate governance.

Distinction of the quality of the supplementary channels

Regarding the supplementary channels, the brand continued to conquer the market in the first half of 2013 and received distinctions placing it among the best.

The Contact Centre was distinguished with the International Award "Best Contact Centre Supervisor - Top Ranking Performers", in the EMEA region (Europe, Middle East and Africa), attributed by the Global Association for Contact Centre Best Practices & Networking. The homebanking channel Net24 was recognised for assuring, according to data of the CSI-Internet Banking Index of Marktest Banca - Internet Banking (first wave of 2014), the best overall positioning in the Portuguese banking sector in terms of security, swiftness and execution, loading of pages and user-friendliness.

Product diversification and innovation, and optimisation of human resources

Montepio was once again listed as a nominee for the *Marketeer Awards*. In the 6th edition of the award, attributed by the magazine *Marketeer*, the Institution was nominated in the "Banking" category, for the communication and marketing strategy developed in 2013, namely concerning product diversification and innovation.

In the 2014 edition of the *NYSE Euronext Lisbon Awards*, aimed at distinguishing the performance of the entities which most actively contributed to the development of the Portuguese capital market, the Montepio Group was nominated in the categories *Number 1 – IPO & Seasoned Equity Offer House*, *Number 1 – Corporate Bond House* and *Investment Fund / Open-End Pension Fund in Portuguese Stocks*, with the Group's holding company Montepio Gestão de Ativos having been short-listed in this category.

These nominations have recognised the CEMG Group's contribution to the development of the national capital market.

In terms of human resources policy, CEMG was distinguished by *Human Resources Portugal* as the company which presents the best policy of optimisation of senior human resources, in Portugal.

Sustainability

Throughout the first semester of 2014, Montepio continued its policy and measures encouraging socially responsible practices aimed at harmonious, balanced and sustainable growth and development in the medium and long term. In this regard, we highlight the support to the development of the Social Economy, cooperating in the promotion of the Third Sector, participating in innovative projects which foster entrepreneurship and in activities of cultural and social evolution.

Support to the Social Economy

The action developed in relation to the Social Economy sector continued the strategy of promoting various activities and agents of this sector, in particular:

- I Congress of IPSS (Private Social Solidarity Institutions) and Misericórdias of Madeira, dedicated to the theme "New Commitments, New Answers, Rethinking the Third Sector", organised by the IPSS Union of Madeira and the Regional Secretariat of Madeira of the Portuguese Misericórdias, held last February, with the objective of reflecting on the mission and role of these organisation in the current world, their sustainability and interaction with society and the nature of their intervention;

- XI National Congress of the Union of Misericórdias, held in May in the city of Évora, which was attended by approximately 650 people and analysed the theme "Social Economy – Hope for the Challenges of the Future";

- V Congress of the National Confederation of Social Solidarity Institutions (CNIS), the Almeida Garrett Auditorium in Porto, last June, which was attended by over 300 participants representing the IPSS members of the CNIS. Under the motto "Solidarity: New Paths - Values of Forever", topics were addressed such as Entrepreneurism, Social State, Innovation, Social Society, Sustainability of the Solidarity Sector and Solidarity Values.

During this event, a collaboration agreement was signed with the Union of Portuguese Misericórdias (UMP) aimed at deepening commercial relations with mutual members/partners and employees of the UMP through the attribution of specific conditions in access to products and services.

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

Support to Entrepreneurism

CEMG continued to promote its support to entrepreneurism, which has been widely recognised as a key aspect to fight unemployment, create jobs and contribute to economic productivity and buoyancy, where the following initiatives are of particular interest:

a) Recognition of Montepio as a partner institution of innovation and driver of new business and national entrepreneurship, through its partnership with Lisbon City Council (CML) and the Institute of Support to Small and Medium-Sized Enterprises and Innovation (IAPMEI) in the creation of "Startup Lisbon";
b) Stimulation of the Microinvest and Invest + Lines promoted in partnership with the Institute of Employment and Vocational Training (IEFP), a funding mechanism which has been used progressively in a recurrent form by entrepreneurs.

The Montepio Microcredit solution presents two truly unique factors which differentiate it: the existence of specialised managers, who accompany the entrepreneurs from the embryonic phase of the business idea onwards, and the equally important role played by specific tutors in the preparation of business plans and follow-up of the first project implementation phase.

Concerning Entrepreneurism, it is also important to note the initiative BIS – Social Innovation Bank, promoted by Santa Casa da Misericórdia de Lisboa, and Montepio's action as a partner of the BIS Fund, which marked its first anniversary with the inauguration of the BIS Experimentation and Social Innovation Centre, the place where the activities, initiatives and projects of the different BIS programmes will be developed. The analysis and selection of the first Enterprise projects of the BIS Entrepreneurial Community have also started.

Combat of financial illiteracy

The institution continued dedicated to tackle financial illiteracy, with a collaboration agreement having been signed with the Institute of Employment and Vocational Training (IEFP) which associated the Ei Financial Education Portal (ei.montepio.pt) to the training models taught to citizens followed by the IEFP.

Created with the objective of meeting youth qualification needs, improving conditions of employability and acquisition of financial knowledge, aimed at capacity-building in personal and family budget management, the agreement represents yet another support tool in the combat of financial illiteracy.

Support to culture

The strategy of support to national culture was continued during the first semester of the year, in particular in the areas of music and theatre, where we highlight the following:

- in the area of music, the support to the fado singer Camané who began, in January and with Montepio's support, a tour performing in various national establishments disseminating "The Best" of 18 years of recording. Over 16 concerts held in auditoriums, always full, in a tour covering the first 5 months of the year passing through cities such as Águeda, Beja, Ílhavo, Portalegre, Vila Real, Arcos de Valdevez, Castelo Branco and Figueira da Foz.

- in the sphere of representation, special note should be made of "Ode Marítima" and "Boeing Boeing", with the first by Álvaro de Campos, in which Diogo Infante interprets the poem of Pessoa's heteronym in a scenic version developed with Natália Luiza in scenic direction and João Gil in composition and live music, which was performed in Lisboa, Porto and São Miguel (Azores).

1.3 Human Resources

At the end of the first half of 2014, the staff of Caixa Económica Montepio Geral (CEMG) was composed of 3,894 employees. Compared with the same period of the previous year, there was a reduction of 35 employees. This decrease was essentially the result of early retirement and rescissions.

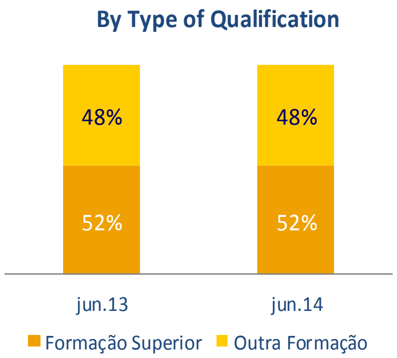
Considering all the entities comprising the CEMG Group, the total number of employees was 4,212 as at 30 June 2014, with the following distribution by the different entities:

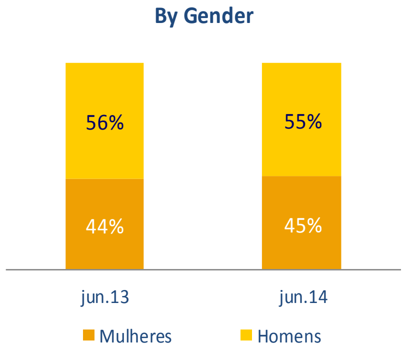
Employees	Jun.14	Jun.13	Variation Nr.	Variation %	Weight
Total for CEMG Group	**4 212**	**4 223**	**- 11**	**-0.3**	**100.0%**
Caixa Económica	3 894	3 929	- 35	-0.9	92.5%
MG Cabo Verde	3	3	0	0.0	0.1%
Montepio Holding, of which:	315	291	24	8.2	7.5%
Finibanco Angola	169	140	29	20.7	4.0%
Montepio Crédito	131	135	- 4	-3.0	3.1%
Montepio Valor	15	16	- 1	-6.3	0.4%

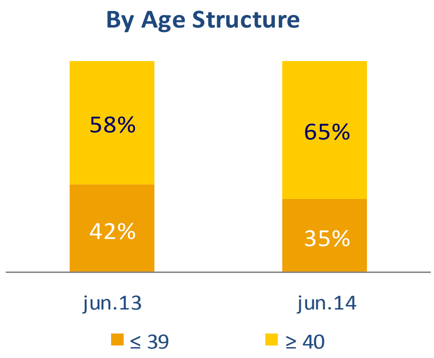
In terms of evolution, we highlight the increased number of employees in Finibanco Angola, since this is a young institution in a market undergoing expansion.

The downward evolution of staff numbers has been reflected in the increase of the highest age cohort, where employees aged 40 years old or above represent 65% (58% in June 2013). In terms of gender distribution, there has been a slight increase of the female component to 45%.

Regarding qualifications, it should be noted that over half of the total staff (52%) have higher education qualifications (including bachelor, licentiate, master, post-graduate and doctoral degrees).



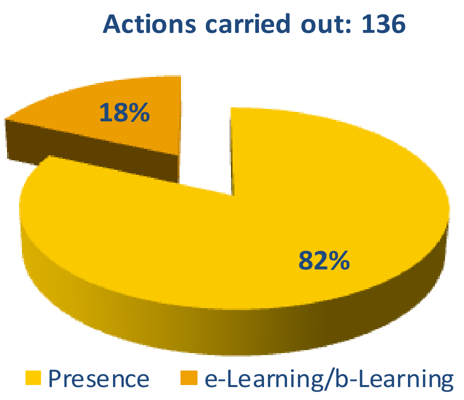




During the first six months of 2014, 136 training actions were carried out, the large majority being through physical attendance, corresponding to 6,471 participations and providing 34,012 hours of training.

The training arising from legal and regulatory requirements was, once again, especially important, both in terms of the level of contents directly related to all areas of banking activity and concerning occupational safety measures.

Note should also be made of the subject of international business, where the actions were ministered with the objective of reinforcing relational and trading skills, as well as sessions on corporate voluntary work.



The effort directed at saving and optimisation was maintained in the management of training activity, continuing to prioritise step-wise dissemination methodologies referred to as "blended-learning" and the construction of contents using the experience of employees with considerable knowledge of the matters addressed.

1.4 Distribution Network and Relations

CEMG has a network of 436 domestic branches distributed throughout the country, plus an international presence of 6 representation offices, close to the main emigrant communities, and 17 branches and business centres in Angola of Finibanco Angola.

The distribution network also includes a growing and specialised number of customer managers, organised according to the profile of each segment.

Number of Domestic Branches and International Presence

	Jun.14	Dec.13	Jun.13
Domestic Branch Network	436	456	457
International Branch Network - Angola	17	14	11
Representation Offices	6	6	6

The company segment is endowed with 281 managers, comprising 189 small business managers and 76 managers of small and medium-sized enterprises, providing continuity to the drive to specialise the service. The Individuals segment has 195 managers and the Third Sector is provided with 19 managers, of which two are dedicated to microcredit.

Number of Managers by Customer Segment

	Jun.14	Dec.13
Companies	**281**	**282**
Institutional	6	6
Large Companies	10	9
Small and Medium Companies	76	63
Small Businesses	189	204
Individuals	**195**	**192**
Top Premium	10	10
Premium	185	182
Third Sector (*)	**19**	**14**
TOTAL MANAGERS	**495**	**488**

(*) Includes Microcredit managers (two)

Supplementary Channels

At the end of the first semester, the **Montepio24 Service**, a multichannel platform which includes the Net24, Phone24, Netmóvel24 and Sms24 channels, recorded 5% growth of participant customers in relation to the same period of 2013, with 743 thousand users of the Individuals segment (4.4% increase) and 103 thousand Company users (year-on-year growth of 11%).

In the evolution of this service, particular note should be made of the launch of the Netmóvel24 application for Windows 8 devices, which enables consultation of accounts and movements, making transfers and payments and recharging mobile telephones or locating the closest Montepio Branch.

The Montepio public website (www.montepio.pt) also recorded a positive evolution of the number of accesses, consolidating its position as the main point of contact with an offer of products and services, and monthly average of over 3.1 million visits and 17.5 million page views.

In the **ATM service** (Automated Teller Machine service), the SIBS Global Network continued to undergo a readjustment of the number of machines available in the market during the first half of 2014: from 12,963 (installed machines at the end of December 2013) to 12,835 (installed machines at the end of June 2014), thus corresponding to a reduction of 128 ATM machines. Montepio contributed to this reduction with the withdrawal of 28 ATMs (22%), whose impact on market share was, however, insignificant, as merely a decline from 8.61% to 8.48% was observed.

At the end of the semester, Montepio's total number of ATMs was composed of 1,093 machines, 501 installed in branches and 592 available at external locations.

With regard to Montepio's own internal ATM network (Chave 24), the total number of ATMs remained stable, with 377 installed machines, which contributes directly to the externalisation of operations of a transactional nature, freeing the commercial network for sales activity.

The development of the Commercial Promoter channel, a supplementary instrument for the action of the different commercial networks, continued to accompany the strength of the Montepio brand in the first half of 2014. With 11.8% growth in turnover attracted through the 966 external promoters, this channel continues to show that it is strategic in the current particularly adverse circumstances.

2. MACROECONOMIC OVERVIEW

According to the forecasts of the IMF, published in July, the growth of the world economy should shift from 3.2% in 2013 to 3.4% in 2014, which was revised downward by 0.3 p.p., primarily reflecting the weak first quarter, particularly in the USA (hindered by the exceptionally adverse weather conditions), and also by the outlook on the emerging economies, whose growth rate should slow down from 4.7% in 2013 to 4.6% in 2014, and exceed 5% only in 2015.

However, the IMF predicts rather stronger growth than that previously expected for the advanced economies in the following year, with projected global growth for 2015 remaining around 4.0%. The IMF considers that, after various years of weak growth, the developed economies have finally reached a turning point. Most of the acceleration, although not the growth, should come from the developed countries, as they dissipate the effects that caused the weak growth of 2012 and 2013: the deleveraging of the private sector, restrictive budgetary policies, impasse in the resolution of the sovereign debt crisis in the Euro Zone, and the uncertainty in relation to the negotiations in the American Congress regarding limits on State debt. The growth in the developed countries should, therefore, shift from merely 1.3% in 2013 to 1.8% in 2014 and 2.4% in 2015. This acceleration marks a significant change compared to the period between the Great Recession of 2008/09 and 2013, when developing countries pulled the global economy forward, although they should, even so, be accountable for two thirds of world growth in 2014/15. The IMF considers that global financial conditions are less restrictive than at the end of 2013. However, downward risks continue to be a concern. Increased geopolitical risks might lead to much higher oil prices.

United States of America

During the first semester, **GDP** recorded annualised growth below 1%, after having grown at a rate of 4% in the last six months of the preceding year, the best semester in the current period of expansion which started in the third quarter of 2009. The 2.1% decline at the beginning of the year was largely due to the adverse weather conditions, which affected investment that fell for the first time in six quarters. The 4.0% increase in the second quarter led to the recovery of this decline, with GDP having reached a new historic peak (currently 6.6% above the peak of the end of 2007, prior to the Great Recession, in contrast to the Euro Zone). At its most recent meetings (June and July), the Fed recognised the signs of recovery of the economy, noting that private consumption appears to be growing moderately (in the last two quarters it grew at an annualised rate of less than 2%), business investment in fixed capital has resumed growth, while the recovery in residential construction remains sluggish, an appraisal that was corroborated by the GDP report of the second quarter, which showed only the first rise in three quarters of investment in residential construction, particularly constrained not only by the adverse weather conditions experienced at the end of 2013 and in early 2014, but also by the increase of mortgage reference rates and budgetary uncertainty which led the American administration to be shut down during approximately half of the month of October, due to the non-approval of the budget. In the second half of the year, the Fed expects that GDP grew around 3%, corresponding to the median growth of the economy over the last 40 years. GDP should grow by close to 2.1% in 2014, a little less than in 2013 (+2.2%) and 2012 (+2.3%).

Considering that year-on-year growth of the private consumption deflator shifted from 1.2% in December 2013 to 1.6% in June 2014, drawing close to the objective of 2%, it was hardly surprising that the Fed, in its

July meeting, noted that **inflation** was now moving in the direction of the long term target, thus reducing the probability of inflation standing persistently below 2%. In this context, the Fed decided to moderate, for the sixth consecutive meeting, the expansionary content of its monetary policy by reducing the rate of monthly purchases of public debt (from USD 20 billion to USD 15 billion) and debt linked to real estate (from USD 15 billion to USD 10 billion). The monetary authority has progressively indicated that the debt purchase programmes might be concluded in October and that the rate of FedFunds should begin to be increased in 2015, from the current 0.25% to close the year of 2015 at, at least, 1.00%.

Regarding **general conditions in the labour market**, and in view of the recent declines of the unemployment rate from 6.7% in December 2013 to 6.1% in June 2014 (a minimum since September 2008, but having in the meantime risen to 6.2% in July), the Fed no longer mentions that the unemployment rate continues "high", but that a series of labour market indicators suggest an underuse of the labour force.

Euro Zone

The region's **GDP** was disappointing in that it merely grew by 0.2% sequentially in the first quarter, reflected in a slowdown relative to the growth of 0.3% with which GDP had closed 2013, and subsequently stabilised in the second quarter, with industrial activity and construction showing a weaker performance than that initially expected. The Euro Zone thus ended the first semester with growth at a very modest rate, having recorded four step-wise increases in five quarters, after having left the technical recession position in which it had been submerged since the fourth quarter of 2011, albeit with GDP still remaining at 2.25% below the levels reached before the Great Recession of 2008/09. The geographic disparities continue to be very evident, inclusively between the largest economies of the region, with Germany having ended the first semester at an activity level markedly above that reached prior to the Great Recession (+2.9% above the levels of the first quarter of 2008), while Italy and Spain closed the semester at 9.1% and 6.3% below their historic peaks (observed, respectively, in the third quarter of 2007 and first semester of 2008). France also managed to beat its previous historic peaks in the second quarter of the year, but exhibiting one of its worst performances of activity in the first half of the year (having stagnated in both quarters). For the year as a whole, and after the 0.4% decline observed in 2013 by the region, an acceleration to 0.8% is expected.

The **rate of unemployment** continued along the trend of timid relief initiated in the last quarter of 2013, having fallen from 11.8% at the end of 2013, to 11.5%, but still standing at merely 0.5 percentage points (p.p.) from the historic maximum levels since the beginning of the series (in July 1990) observed between March and September 2013. Major geographic divergence is also highly visible between the largest economies of the region, with Germany standing out in positive terms (5.1% in June) and Spain in negative terms (24.5%).

Year-on-year **inflation** decreased from 0.8%, in December 2013, to 0.5%, in June, with a last minimum figure of -0.1%, in October 2009, having, in the meantime, been surpassed in July, with a new reduction, to 0.4%. Inflation continued to become increasingly distant from the barrier of 2.0% (the European Central Bank's objective), after having persistently stood above this figure, between December 2010 and December 2012. However, core inflation increased modestly, from 0.7% at the end of 2013 to 0.8% in June, which was above general inflation and, to a certain extent, enabled dismissing the more extremist scenarios of falling in a situation of deflation. Aimed at tackling the risk of low inflation during an overly extended period of time and stimulating credit flows to the real economy, the European Central Bank (ECB) decided, in June, to launch new monetary stimuli, both in terms of conventional measures (rate cuts) and non-conventional provisions. The ECB refinancing rate (refi rate) was cut from 0.25% to 0.15%, also placing the deposit rate at a negative value (-0.10%). Concerning non-conventional measures, note should be made of the targeted longer term refinancing operations (TLTRO, which are LTRO conditional to credit concession) and the preparatory work around the securitised debt purchase programme (involving asset-backed securities - ABS). The authority has upheld its commitment to maintain interest rates at the current low levels during a long period of time, although this entity no longer indicated, in its last meetings, that they might fall to even lower levels.

Portugal

Since the second quarter of 2013, the country has experienced an inversion of the decline of economic activity which had occurred since the end of 2010. However, the beginning of this year was marked by a reduction of **GDP**, which contracted sequentially by 0.6%. Nonetheless, underlying this evolution were several factors of temporary nature, which were reversed in the following quarter, with GDP expanding by 0.6% in the second quarter. Among the series of temporary factors which negatively affected economic activity in the first quarter, particular note should be made of: *i*) the exceptionally adverse weather conditions, which hindered various activities, such as fisheries, agriculture and construction; *ii*) the slowdown of the Euro Zone in the first quarter of 2014 (from +0.3% to +0.2%, and subsequent further reduction to 0.0%), constraining Portuguese exports; *iii*) the closure during half of the quarter (45 days) for maintenance of Galp Sines refinery, penalising the country's exports in view of its weight in national exports. For the year as a whole, it is forecast that the annual average growth of GDP should be 1.0% (-1.4% in 2013), albeit with this forecast showing downward risks, externally, due to the geopolitical uncertainty in the Middle East and Eastern Europe, and internally, due to the effects of the Espírito Santo Group's crisis on decision-making by economic agents and the need for new austerity measures in 2015, with probable impact in the fourth quarter of 2014, at the time of presentation of the State Budget for 2015.

The intense deterioration of the **labour market** over these last few years has reflected and subsequently amplified the country's economic recession, with the decline of investment giving rise to continuous aggravation of the unemployment rate. Although this trend was maintained over the first half of 2013, the unemployment rate also entered into a downward cycle as of the second quarter of 2013, accompanying the recovery of the economy. During the first half of 2014, the unemployment rate continued within this cycle, having shifted from 15.3% observed in the fourth quarter of 2013 to 13.9% in the second quarter of this year; thus remaining at high levels, but already at minimum figures, since the fourth quarter of 2011, and at a reasonable distance from the maximum peak of 17.5% of the quarterly series published by Banco de Portugal started in 1977, recorded in the first quarter of 2013.

The first semester of 2014 was marked by the conclusion of the **Economic and Financial Assistance Programme** (PAEF) agreed in May 2011 with the *Troika*, a conclusion which occurred formally on 17 May and which constituted an important moment in the evolution of the Portuguese economy. During the period of implementation of the PAEF there was notable progress in the correction of a series of macroeconomic imbalances and measures of a structural nature were put in place in many areas. Notwithstanding this progress, the return of the Portuguese economy to market funding under normal conditions will have to be based on sustained product growth, which is also a necessary condition for a reduction of the persistently high level of unemployment observed in the economy, clearly one of the most serious aspects of the adjustment process. Regarding **budget implementation**, the National Accounts data for the first quarter of 2014 showed a deficit of 6.0% of GDP (data not adjusted for seasonality). This value is still above the target deficit of 4.0% defined by the *Troika* for the entire year of 2014 (-4.9% in 2013), but represents a considerable improvement in relation to the deficit recorded in the same period of the previous year (-10.0%) and indicates, together with the other available budget implementation data (monthly and already available for the entire first semester), compatibility with a scenario of accomplishment of the annual deficit goal. Close to the end of the semester, the Constitutional Court considered that three State Budget measures for 2014 were unconstitutional. However, the rating agency Moody's noted that it believed that the Government would find alternative measures to comply with the budget objectives for this year.

Inflation, measured by the year-on-year variation of the consumer price index, decreased intensely in the first half of the year, shifting from 0.2% in December 2013 to -0.4% in June, while core inflation declined from 0.2% to 0.0%, standing at minimum levels since December 2009 (0.6%). The continued slowdown of inflation reinforces the view that the former pressures on prices were temporary and essentially derived from commodities (specifically energy) or fiscal alterations and increases of regulated prices. The dissipation of these temporary effects throughout 2013, combined with the decline of the annual average price of oil, marginal growth of the import prices of non-energy goods and maintenance of strong salary moderation were reflected in a reduction of annual average inflation in 2013, from 2.8% to 0.3%. Forecasts point to an inflation rate of around zero percent in 2014, a value which is the second lowest among the existing records, only surpassed by the 9% fall observed in 2009, following the collapse of the price of oil. This contained evolution of prices reflects the maintenance of low inflationary pressures, both external and internal, in a context of moderate recovery of the world economy and continuation of the process of adjustment of the Portuguese economy. Along with the improvement of the situation in the labour market, there has been a moderate acceleration of private sector salaries, contributing to a low increase of the respective unit labour costs.

Other Countries

In the **United Kingdom**, the sudden improvement of the unemployment level forced the Bank of England to change its forward guidance policy, conveying to the market expectations of later increases of the reference rate, having been the first of the main central banks of the developed economies to have increased this rate. The **Bank of Japan** has not made any changes to its policy of substantially increasing its monetary base. The **People’s Bank of China** only intervened indirectly, with a view to controlling the liquidity in the system and controlling the shadow banking system. Investor fears in relation to the emerging economies, and the consequent depreciation of the currencies of these countries, have forced some central banks to intervene, with the authorities of **India**, **Russia** and **Brazil** having increased interest rates during the first semester, although in the case of Brazil, primarily due to the high inflation.

Regarding **Angola**, the IMF estimated growth of only 4.1% in 2013, which should slow down to 3.9% in 2014 and grow at an average rate of around 5.5% during 2014-2019, underpinned not only by the increased oil production, but also by stronger investment in infrastructures and the diversification of the economy away from natural resources.

In **Mozambique**, GDP recorded growth of 7.4% in 2013, which is expected, according to the IMF, to accelerate to 8.3% and grow at an average rate of 7.8% during 2015-2019.

Financial Markets

Market confidence improved overall during the first half of the year in most risk categories, supported by: *i*) the expected acceleration of economic activity, as of the second half of the year; *ii*) the accommodative attitude of the main central banks, with the ECB possibly launching new stimuli and in spite of the FED, in the USA, having decided to continue with moderation of the expansionary content of its monetary policy, started in December 2013, namely reducing the rate of monthly debt purchases; *iii*) the gradual increased optimism in relation to the resolution of the euro crisis, with the return to growth of the economies included in the single currency, and compliance with budget targets, leading to strong decreases of the yields of the peripheral economies.

This improved confidence was particularly reflected in positive movements in most **stock market indices**, which also benefited from the good results disclosed by North American companies (relative to the fourth quarter of 2013 and first quarter of 2014).- The accommodative monetary policy implied that buoyant stock market indices in the developed economies coexisted alongside the compressed German and US public debt yields, with the exception of short term treasury bills, whose yields increased slightly, benefiting from the Fed's decisions to progressively withdraw the stimuli to the economy. In turn, the Fed's decision continued to cause additional fears concerning the emerging economies, for which the outlook on growth, in general, deteriorated slightly during the semester, although the expected launch of new stimuli by the ECB led to a recovery of the investment flows directed at these economies, allowing various countries to close the year with appreciation and recovering the losses of the beginning of the year. Concerning geopolitical risks, the crisis between the Ukraine and Russia, which led to an intensification of investors' fears during the first quarter of the year, in particular in relation to the situation in the Crimea, ended by not showing major developments by the end of the semester, but rather a relative maintenance of the tension in the region (which the markets appear to have continued to downplay, to a certain extent). In contrast, instability increased in the Middle East region. Among asset categories, the **yields of reference public debt** recorded downward movements in Germany, and mixed in the USA. In Germany, the reductions (-19 b.p., for 2-year yields and -68 b.p., for 10-year yields) were associated to the expectations and subsequent confirmation (beginning of June) of the launch of more stimuli by the ECB and the prospects of maintenance of low inflation rates during a long period of time. However, the improved economic prospects in the medium term and the (expected) continuation of the progressive withdrawal of the stimuli to the economy by the Fed led to increases in short-term interest rates in the USA (with 2-year yields increasing by 8 b.p.) and decreases in long-term ones, albeit more modest than those recorded in Germany (10-year treasury yields fell by 50 b.p.). Notwithstanding the falling 10-year *bund* yields, , they closed the semester at 1.245%, above the historic minimum value reached in May 2013 (1.17%), and with treasury yields at 10 years closing at 2.530%, remaining distant from the historic minimum value of July 2012 (1.38%).

The spreads, relative to the *bund*, of the public debt of the peripheral countries narrowed, overall, both in the long and short terms, benefiting from a trend of improvement of the economic circumstances of these economies, favourable indications derived from the budget implementation data of these countries, embodied, in general, in the continued increase of investor confidence in the settlement of the euro crisis. Portugal recorded the largest decrease in the spread of debt at 10 years, both in absolute (-180 b.p.) and relative terms, with the spread having ended the first semester at 240 b.p., practically at the minimum value of May 2010. In Greece, the reduction in the spread of debt at 10 years was also very intense (-178 b.p.), although it ended the semester with close to double the spread of Portuguese debt. Decreases of the spreads of debt at 10 years were also observed in Spain (-81 b.p.), Italy (-60 b.p.) and Ireland (-53 b.p.).

In the interbank money market (IMM), the 3, 6 and 12 months **Euribor rates** fell during the semester, reflecting the aforesaid expectations, the accomplishment of the cut of ECB rates, in June, and the launch of non-conventional stimulus measures. *Euribor* rates closed the semester at 0.207%, 0.303% and 0.488%, respectively, having drawn slightly close to the lowest levels ever recorded in mid December 2012 in *Euribor* at 3 months, and in mid May 2013 in *Euribor* at 6 and 12 months. *Libor* rates of the dollar at 3, 6 and 12 months ended the semester at 0.231%, 0.327% and 0.545%, respectively, having fallen less than the *Euribor* rates, but continuing the downward trend which has been visible since early 2013.

The performance of **shares** during the semester was positive in the different geographic regions, with some exceptions in Europe and Asia. Particular note should be made of the *Sensex 30* (India), which was the only one of the main Asian indices to record an appreciation (+20.0%) and the highest of all the indices as a whole. In Europe, especially positive performance was recorded by the Italian *FTSE MIB* (+12.2%) and Spanish *IBEX* (+10.2%) indices with *Eurostoxx 50* having appreciated by 3.8%, and negative performance by the Russian *RTSI* with -5.3% (highly penalised in the first quarter, at the time of the intensification of the crisis in Crimea) and British *FTSE* 100 (-0.1%). Over the first quarter, the probability that Portugal would leave the PAEF without a precautionary programme, deciding on a "clean bailout exit", unfolded as progressively stronger, which contributed to the appreciation of Portuguese financial assets, namely the rise of the *PSI-20* (+3.7%), notwithstanding its decline in the second quarter. In the USA, the highest increase was recorded in the *S&P 500* (+6.1%).

For private debt, **credit spreads** accompanied the improved market confidence and lower pressure of investors on the peripheral countries, with downward movements being observed in CDS (Credit Default Swaps) indices and private debt indices in the Euro Zone in the spot market. The *Itraxx* index (5 years), the reference index for the Euro Zone of CDS, in the Investment Grade category, whose liquidity is far higher than that of the spot market, constituting the benchmark of the credit market, fell by 14 b.p. to 62 b.p. *Itraxx Financials* (the most exposed to the sovereign debt crisis) declined by 19 b.p. to 68 b.p., while the strongest reduction was recorded by *Itraxx Cross-Over* (relative to Speculative Grade assets, especially sensitive to market confidence an economic cycle), which fell by 76 b.p. to 241 b.p.

In the foreign exchange market, the **nominal effective exchange rate of the euro** decreased by 0.9% during the semester, where this depreciation was essentially associated to the launch of new monetary stimuli by the ECB and consequent reduction of rates in the interbank money market. The single currency depreciated in relation to the pound (-3.8%), yen (-4.5%) and dollar (-0.7%). The euro/dollar rate closed the semester at 1.37, relatively close to the maximum values since October 2011 observed in mid March and close to the psychological barrier of 1.4 EUR/USD. Regarding the dollar, its appreciation in relation to the euro was more than offset by its depreciation relative to other currencies (-3.1% relative to the pound and -3.8% relative to the yen), with the *Dollar Index* down by 0.3%.

Finally, the value of ***commodities*** appreciated over the semester, with the single exception of agricultural products (-0.5%), with the composite indices *Reuters/Jefferies CRB* and *S&P GSCI* having increased by 10.0% and 4.2%, respectively, and with the rises having been particularly strong in categories such as cattle (+27.4%) and precious metals (+9,8%).

Precious metals were driven by gold (+10.0%), whose performance counteracted the strong reductions recorded in 2013, when many analysts stated that the upward trend of this commodity, which had lasted since the beginning of the 2008/2009 recession, was under a process of reversing that trend.

Oil in London (*brent*) ended the semester on a high (+1.4%), as well as *WTI crude* in New York (+7.1%), with the spread between the *WTI* and *brent* having closed the semester at 7 dollars, continuing above the historic trend (USD -5/+5), although maintaining a distance from the peak of USD 28 in October 2011. The spread had expanded towards the end of 2010, due to changes in the energy market in the USA, above all linked to the increased supply, arising from new methods of exploration.

3. STRATEGY AND BUSINESS MODEL

The strategy followed by CEMG primarily focuses on attenuating the impacts of the risks arising from the crisis and austerity policies, supporting the country's economic activity and resuming the course of value creation, with the achievement of positive results so as to enable complying with the demanding prudential requirements of solvency and their purposes.

The main measures of action are related to increased diversification of activities, in order to mitigate the impacts of the cost of risks concerning impairment, principally credit impairment, which were negatively reflected in net income and, consequently, in capital requirements, in view of the required solvency levels, as well as the strengthening of liquidity, optimisation of resources and increased efficiency.

The fundamental strategic areas of action also include the improvement of risk management processes and development of the internal control system, areas which have specific Committees dedicated to the diagnosis and analysis of solutions and proposal of measures to improve and develop these matters.

Due to the strategic measures taken, the business profile reveals the following evolution:

- In overall terms, CEMG's balance sheet shows a lower level of asset concentration, as a result of the increased financial assets and higher liquidity, giving rise to a diversification of the sources of income and risks;
- Focus has been maintained on retail banking activity, but with stronger weight of banking involving small and medium-size enterprises.
- Diversification of the credit portfolio, through alteration of the profile of new operations which has been directed at the business segment outside the real estate sphere, enabling a reduction of exposure to real estate risk and increased income;
- CEMG has continued to reaffirm its differentiation as a credit institution at the service of mutualism and the social economy, thus continuing to develop its connection with Third Sector entities, stimulating the specific offer for this sector, the commercial and cooperation partnerships and relations with the different entities of this sector;
- Increased relevance of international activity, through Finibanco Angola, with significant growth of deposits and credit, and new investment opportunities being studied, with potential generation of value and suited to the financial capacities and institutional values of the Montepio Group;
- Maintenance of the funding profile, continuing to strengthen the attraction of retail customer savings, of greater stability and maturity, keeping funding and leveraging levels that are adjusted to market conditions and the preservation of financial sustainability.

Particular note should be made of the strategic measure in the following areas, during the first six months of the year:

- Readjustment of the organisation and management of the CEMG Group entities, in the context of the alterations in the governance model, following the entry into force of the new Articles of Association, which led to the alteration of the name of some of the Group's entities, in particular that of Montepio Holding, SGPS, the reorganisation of Montepio Investimento, S.A., and the creation of the insurance holding Montepio Seguros, SGPS;

- Continued rationalisation and optimisation of resources, aimed at the reduction of operating expenses;
- Optimisation of the process of management of non-performing loans, under the preventative assessment and monitoring of credit risk, and credit recovery; with a functional reorganisation having been carried out in the structures allocated to credit recovery;
- Improvement of the operational management of the institution's portfolio of real estate assets aimed at its reduction and increased profitability, through the creation of specific functional structures.

In the context of the new reporting requirements (COREP and FINREP) to which CEMG and all the other institutions of the financial sector are subject in 2014, projects for the development of the institution's technological structure were started, with a view to improving the entire procedural flow and reporting to external and supervisory entities, with positive consequences on the institution's management information system capacity already being evident in 2014.

4. EVOLUTION OF ACTIVITY BY BUSINESS AREAS

The evolution of Montepio's activity in the first semester of 2014 continued to be constrained by the accomplishment of the objectives and measures in the Funding and Capital Plan (FCP), which has been requested from the eight principal national banking groups since June 2011, under the country's Economic and Financial Assistance Programme (PAEF), which is controlled and reviewed quarterly by the competent authorities (Banco de Portugal and the *Troika*). The CEMG Group has continued to comply with the FCP's requirements and targets in terms of liquidity, with the reduction of the commercial gap, the leverage ratio, refinancing at the ECB, the stable funding ratio and solvency level (Core Tier 1 and Common Equity Tier 1).

However, in the first half of 2014, CEMG continued to provide its contribution to the development of the country's economic activity, remaining, for such, faithful to its retail banking mission, by focusing on banking activity operations with customers, credit concession, attracting savings and providing financial services to individuals, small and medium-sized enterprises and social economy entities, with which it has maintained and established new commercial relations of growing proximity, while at the same time taking advantage of business opportunities in financial markets.

The first semester of 2014 was marked by the implementation of a strategy directed at reinforcing Montepio's positioning as a partner institution and dedicated to supporting companies and the growth of the Portuguese business structure, while upholding its commitment to other market segments.

4.1 Retail Banking (Consolidated Activity)

The CEMG Group, especially directed to retail banking activity, primarily operates in the domestic market, although with a growing presence in the international market through Montepio Geral Cabo Verde and, above all, Finibanco Angola, S.A.

The activities of attraction of customers' deposits and credit granting have increased, most significantly in the international market, in line with the cycle of economic growth of these countries.

(thousand euros)

	Jun.14			Dec.13			Jun.13			Year-on-Year Variation		
	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total	Domestic	International	Total
Deposits	13 268 624	1 045 886	14 314 511	13 141 280	897 917	14 039 197	12 437 535	727 724	13 165 259	6.7%	43.7%	8.7%
Credit	16 482 607	268 287	16 750 894	16 386 781	170 125	16 556 907	16 348 794	119 366	16 468 160	0.8%	124.8%	1.7%

Customers' Funds

During the first semester of 2014, CEMG continued to show strong capacity to attract and retain savings, with balance sheet customers' funds (deposits and securities placed with customers) reaching a total of 16,556.6 million euros, corresponding to year-on-year growth of 4.4%, and accounting for 74% of total Liabilities and Equity. This evolution was significantly influenced by the 8.7% increase in total deposits.

(thousand euros)

	Jun.14	Dec.13	Jun.13	Year-on-Year Variation	
	Value	Value	Value	Value	%
Deposits by Individuals and Small Businesses	**10,182,395**	**10,149,647**	**9,935,430**	**246,965**	**2.5**
Individuals	9,173,909	9,151,330	8,909,684	264,225	3.0
Small business owners and Independent Professionals	49,572	50,029	49,339	233	0.5
Non-profit making institutions	958,914	948,288	976,407	-17,493	-1.8
Company Deposits	**3,113,588**	**2,756,639**	**2,373,102**	**740,486**	**31.2**
Deposits from Other Segments	**1,018,528**	**1,132,911**	**856,727**	**161,801**	**18.9**
Total Deposits	**14,314,511**	**14,039,197**	**13,165,259**	**1,149,252**	**8.7**
Securities Placed with Customers	2,242,134	2,270,834	2,696,203	-454,069	-16.8
Total On- Balance Sheet Funds	**16,556,645**	**16,310,031**	**15,861,462**	**695,183**	**4.4**
Off-balance Sheet Funds	1,071,451	**1,008,139**	994,054	**77,397**	**7.8**
Total Funds	**17,628,096**	**17,318,170**	**16,855,516**	**772,580**	**4.6**

Credit to Customers

The gradual economic recovery of the country in the context of its recent exit of it the Economic and Financial Assistance Programme, which took place during the second quarter of the year, although still under implementation of austerity measures, led to a slight year-on-year increase in credit to customers, by the end of the first half of 2014.

Total credit to customers reached 16,750.9 million euros, representing growth of 1.7% relative to June 2013. This evolution fundamentally reflected an increase in credit granted to companies of other sectors, especially Small and Medium-Sized Enterprises (SME), to the tradable sectors under agreed lines, of 906.3 million euros (+17.0%), which now accounts for 37.3% of the total credit portfolio, and a 5.6% reduction of

Real Estate Loans (mortgage and construction), showing the results of the strategy of diversification of the credit portfolio and support to the sustainable growth of the economy, which has been pursued.

(thousand euros)

	Jun.14	Dec.13	Jun.13	Year-on-Year Variation	
	Value	Value	Value	Value	%
Individuals and small businesses	**9 580 831**	**9 872 879**	**10 035 905**	**-455 074**	**-4.5**
Individuals, of which:	**9 158 870**	**9 349 584**	**9 509 196**	**-350 326**	**-3.7**
Housing	7 538 276	7 688 667	7 840 943	-302 667	-3.9
Personal	643 491	639 818	610 378	33 113	5.4
Small Businesses	**421 961**	**523 295**	**526 709**	**-104 748**	**-19.9**
Corporate Banking	**7 110 496**	**6 643 013**	**6 400 610**	**709 886**	**11.1**
Construction	859 211	956 942	1 055 620	-196 409	-18.6
Other Purposes	6 251 285	5 686 071	5 344 990	906 295	17.0
Other Segments	**59 567**	**41 015**	**31 645**	**27 922**	**88.2**
Total Credit (gross)	**16 750 894**	**16 556 907**	**16 468 160**	**282 734**	**1.7**

Corporate Banking

The business strategy has been directed to supporting companies of international nature, focusing on exports as an essential path for the development of the Portuguese economy.

In line with the strategic objective of affirming CEMG's position as a partner entity of the corporate segment, increasing its market share in this market and continuing to diversify the activity, a multimedia communication was carried out targeting companies in the first semester of 2014, disseminating the strategic message.

The campaign's objective was to position CEMG among the segment using a positive and constructive narrative based on a domino logic confirming that the entrepreneur's gain, the gain of an innovative project, the gain of a good idea or an enterprising team is everyone's gain.

Through the motto "When your company wins, we all win", Montepio reveals that, just as the difficult times experienced by the country were shared by all, now is the time to build and share the success and growth.

In addition to the principal means of publicising the campaign, TV, radio, large-scale outdoor posters, internet, press and branches, various novelties were also included in this campaign, such as:

- the participation of Montepio employees, who were involved in the preparation up of the message and associated their faces to the project, being present in the campaign's communication formats and confirming that when we become involved, when we believe, when we make ideas and projects happen, we all benefit;
- invitation of the Vista Alegre (Visabeira Group), Barraqueiro and FullServices companies to, in direct discourse, convey the energy,

growth, ambition and capacity of accomplishment arising from the excellent partnerships between these companies and Montepio, constituting another factor of innovation;

- association to the project of revival of Mercado da Ribeira, promoted by Lisbon City Council and the company Time Out, with a canvas screen having been placed around the gable of this market, printed with messages allusive to the new space and creative dynamics of the entrepreneurs who will inhabit the market.

In the first semester of 2014, Montepio prioritised proximity to the national business fabric and, in order to create conditions for companies that seek to grow in a sustainable manner, promoted five meetings with entrepreneurs. In Aveiro, Guimarães, Sintra, Porto and Faro, CEMG's Executive Board of Directors brought together entrepreneurs, local government authorities and senior managers of CEMG, establishing contacts and supporting innovation and business ventures. Also in the Autonomous Region of Madeira, in the city of Funchal, the Board of Directors promoted a meeting with entrepreneurs, mutual members and employees of the Group. The initiative represented a dedicated space for dialogue between the Institution and its stakeholders, aimed at bringing Montepio closer to local communities, exchanging ideas, collecting suggestions and sharing experiences.

Concerning its Offer, Montepio has progressively strengthened its projects aimed at the internationalisation of companies not only through the provision of a vast range of products and services with preferential conditions, but also through actions to stimulate contact with the export market, through strategic partnerships with entities that enable the expansion of international business.
Note should be made to the presence of Montepio, for the third consecutive year, at SISAB (International Fair of the Food and Beverages Sector), the largest international business platform for export of the agro-food and beverage sector in Portugal. Once again, Montepio stood alongside its corporate customers, as a business partner, displaying its brand and offer of products and services for export companies.

Throughout the first semester of 2014, special attention was dedicated to supporting the financing needs of companies, in particular SMEs, in a financial context which is especially adverse for these entities. As a result of this strategy, Montepio maintained and strengthened its participation in public sector initiatives which seek to stimulate the supply of corporate funding, such as agreed 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 also includes specific support to export companies for funding treasury needs relative to commercial transactions which imply temporary needs of extra working capital;

- Invest Trade Credit Line – aimed at supporting the financing of projects approved under the initiative developed by IAPMEI - Invest Trade, aimed at boosting innovation in processes, organisation and marketing in companies of the trade sector;

- Mutual Guarantee Line – FEI 2013-2015 – financing of investment developed by SMEs for acquisition of tangible and intangible assets, equity stakes, working capital, research and development, and licensing;

- EIB 2014 Credit Line – created as a result of the signing of a financing contract between CEMG and EIB to support SME investment, middle-sized capitalisation companies and public sector entities.

The SME LEADER Montepio Solution was created in 2104, targeting companies with SME LEADER status attributed by IAPMEI or Turismo de Portugal. The companies subscribing to this Solution may benefit from a package of banking products and services under advantageous and highly competitive conditions.

Continuing the connection of the Montepio brand's values to the Economy of the Sea, we highlight Montepio's support, for the second consecutive year, to the Forum of the Sea, which was held in May at Exponor.

The Sea Forum, at Exponor, was aimed at companies and other institutions involved with matters linked to the Sea, in the most diverse aspects, and included business meetings, exhibition/display of products, services and technologies applicable to the Sea, international conferences and workshops on internationalisation and development of the economy of the Sea.

Montepio's presence at this forum was also used to formalise the signing of the agreement with ANOPCERCO (National Association of Purse-Seine Fishery Organisations), which represents ten associations from the north to the south of the country.

In order to offer solutions suited to the specific needs of each sector of the economy, the Montepio Sea Offer has been made available, underpinned by the national strategy for the sea presented by the Government in November 2013 which considers fisheries one of the central aspects for the objective of "increasing the weight of the economy of the sea in GDP by 50% up to 2020". Over the last three years, the economy of the sea has grown from 2.4% to 2.7%.

Portugal has strong historical and cultural ties to the sea, with over 2800 Km of coastline and 620 Km of interior basins. The most significant activities directly related to and favoured by the Sea involve the trade of fisheries products, accommodation and restaurants in coastal zones. Coastal purse-seine fishing constitutes one of the most important fisheries activities of Portugal.

With a view to supporting business and the development of synergies which contribute to the promotion of a common and integrated strategy for the activities related to the Economy of the Sea, we have developed, in close collaboration with ANOPCERCO, the Montepio Sea Offer, an offer that is transversal to fisheries activity and meets the investment, treasury and insurance needs of the sector.

Individuals Banking

During the first half of 2014, the strategy of the offer for the Individuals segment maintained its primary objective of encouraging family saving, particularly through the attraction of term deposits, with maturity periods up to 3 years. Note should be made of the launch of the Montepio Eco Saving Deposit with maturity period of 1 year and quarterly interest, available for customers participating in the Montepio 24 Service and providing the incentive of adherence, free of charge, to a digital statement.
In order to meet market requirements and diversify the offer, over the first semester, deposits were provided with remuneration indexed to underlying financial assets, with maturity periods between 6 months and 2 years.

During the first semester of 2014, Montepio once again participated in the Credit Line for Higher Education Students with Mutual Guarantee, supporting families in their expenditure related to education/training.
Furthermore, the attribution of differentiated conditions in Housing Loans operations was maintained, intended for the acquisition of real estate properties held in portfolio. This action was reinforced, at the end of the semester, with the launch of the respective campaign and with the provision of the Montepio Real Estate Portal, aggregating, in a single portal *(montepioimoveis.pt)*, the Group's available stock of real estate property for sale and rental. Since the Group wishes to promote what is best done in Portugal and is proud to support the arts and culture, the real estate campaign invited the illustrator Gonçalo Viana to design the image. In this way, we attribute colour, life and art to a project associated to the real estate sector.

In the area of Bancassurance, CEMG responded, in partnership with the Group's insurers, to the demands imposed by the current circumstances and needs of its customers and mutual members. Hence, the offer was strengthened with the launch of Professional Civil Liability Insurance and the practice of concession of discounts to mutual members in Real Branch insurance, marketed in the network, was expanded.

Banking for the Third Sector

In line with the strategy followed in previous years, the first semester of 2014 represented for CEMG an opportunity to reaffirm its positioning as a reference credit institution of the Social Economy, namely in supporting the implementation of social projects and sustainable projects in the entrepreneurial area.

For this purpose, CEMG reinforced the team of its specialised area of Institutional Relations with the Third Sector, which currently has 19 managers (16 for the Third Sector and 3 for Microcredit) who are not only involved in the implementation of the financial plans but also in the organisation, innovation and sustainability of Social Economy entities and microcredit projects.

Montepio's dedication in its affirmation as a strategic partner, greatly beyond the financing needs of Third Sector entities, has configured the constant challenge of obtaining new partnerships in a variety of areas of interest from funding sources to energy efficiency, crowdfunding, the assessment of social impact and capacity-building of management staff.

In the financial component, the use of integrated solutions of products and services has been increased, namely the Third Sector Solution which enables access to banking services at a better price and intragroup synergies, in particular with Lusitania – Companhia de Seguros S.A., in adjusting the offer and price to the specificities of Social Economy organisations.

A collaboration agreement for supporting products and services, microcredit and corporate responsibility was signed with the Union of Portuguese Misericórdias (UMP), the entity representing national Misericórdias.

As noted above, support to the development of entrepreneurship and own-job creation, as a vehicle to combat unemployment, continued to be a priority for Montepio through stimulation of the existing agreements with Social Economy partners such as, for example, SCML and EAPN.

4.2 Investment Banking

The strategic vision for Montepio Investimento, S.A. was defined in 2013, based on an autonomous legal model, with a dedicated commercial focus on the SME segment.

In terms of the product and service offer, the primary objective will be achieved through investment banking instruments, key for the SME segment, namely Mergers and Acquisitions/M&A and Corporate Finance, as well as Capital Market and Debt products, Venture Capital and Private Equity. Moreover, Montepio Investimento, S.A. will seek to support the development and promotion of Corporate Banking products with lower current penetration in the customer base of CEMG, in particular, Trade Finance and Risk Management.

In June 2014, the net assets of Montepio Investimento, S.A. stood at 530.9 million euros, with "financial assets available for sale" and "credit to customers" accounting for 66.2% and 16.5% of this total, respectively.

The "financial assets available for sale" reached a total of 351.5 million euros, reflecting year-on-year growth of 309.6 million euros, of which 261.8 million euros had already been recorded in the first semester of 2014. This growth was due to the acquisition of 215.2 million euros of Portuguese public debt, the underwriting of 50% of a commercial paper issue, in partnership with another bank operating in the national financial system, of the value of 25 million euros, and the remaining increase derives from the subscription of participation units in venture capital funds and a real estate investment fund. The performance of this heading reflects the first steps given in the use of investment banking instruments, key to the SME segment.

"Credit to customers (gross)" composed, up to date, exclusively for movable and immovable leasing operations, stood at 104.9 million euros, having decreased by 17.0 million euros (-13.9%), since this involves an amortising portfolio.

The financing of the activity of Montepio Investimento S.A. is no longer based on commercial paper issues, as "resources from other credit institutions" amounting to 288.6 million euros, in June 2014, represented approximately 82.3% of total liabilities. In June and December 2013, commercial paper issues represented 48.7% and 78.3% of total liabilities, respectively.

The "operating income" of Montepio Investimento amounted to 27.4 million euros in June 2014, showing year-on-year growth of 25.7 million euros. "Net interest income" stood at 4.4 million euros, against 2.1 million euros in the same period of the previous year, and the "financial assets available for sale" recorded a profit of 22.8 million euros in June 2014. Both impacts were derived from the Portuguese government debt portfolio held by Montepio Investimento S.A.

Provisions for the year came to 4.1 million euros, of which 2.5 million euros are related to the credit portfolio and 2.2 million euros to the securities portfolio.

In view of the above, the net income of Montepio Investimento S.A., in June 2014, was 20.0 million euros.

4.3 Investment Funds Management

Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A., formerly named Finivalor, adopted, in early 2014, its current name, as a final corollary of its integration in the CEMG Group. The object of Montepio Valor is the management of real estate investment funds, in particular, in this context, Finipredial (Open-End Fund), three residential rental funds (FIIAH) and various privately subscribed closed-end funds.

The national market of real estate investment funds ended the first semester of 2014 with a total value of 12,080.9 million euros, corresponding to an increase of 5.2% (+593.0 million euros) in relation to the same period of 2013, as a result of the launch of new funds at the end of the year. The structure remains based on Closed-End Funds (52.2%), with no significant alterations having occurred.

In June 2014, the value of the assets managed by Montepio Valor stood at 1,103.9 million euros, corresponding to an increase of 159.6% (+678.6 million euros) in relation to June 2013, explained by the strengthening of the Montepio Rental fund and the launch of new funds (Montepio Rental II and Montepio Rental III) at the end of the preceding year. After the alteration which took place at the end of the year, the structure is now stabilised, with the FIIAH (rental funds) predominating (67.3% of the total).

Montepio Valor has a market share of 9.1%, attributed third place in the ranking of holding companies. By categories, Montepio Valor has a share of 45% in FIIAH (rental funds), 13.5% in Accumulation Open-End Funds and 1.1% in Closed-End Funds. In terms of the residential rental market, Montepio Valor is one of the principal players of the market.

The Finipredial fund closed the first semester of 2014 with a 1-year annualised yield of -0.46%. Although negative, this is the second best yield of its category, as the average yield of the Accumulation Open-End Funds was -4.67%.

In the first semester of 2014, Montepio Valor's Net Operating Income amounted to 4.6 million euros, up by by 285.8% (+3.4 million euros) year-on-year. This increase is explained by the commissioning generated by the FIIAH (+3.4 million euros), namely by the Montepio Rental II and Montepio Rental III funds, which started their activity in September 2013.
Operating Expenses (1.1 million euros) grew 0.1 million euros (+11.4%), explained by General Administrative Overheads (+0.2 million euros, +34.8%). This heading predominates in the Operating Cost structure (65.9%) and absorbs 15.0% of Operating Income. The rise in Operating Expenses is diluted in the increased Operating Income, which enabled a reduction of the Cost-to-Income ratio of 56.0 p.p., to 22.8%.
The Net Income of Montepio Valor, in the first semester of 2014, stood at 2.7 million euros, with the profitability indicators recording very significant figures: ROA of 71.8%, +64.7 p.p., and ROE of 89.4%, +80.4 p.p.

4.4 Specialised Credit

Montepio Crédito - Instituição Financeira de Crédito, S.A. is the entity within the CEMG Group that provides the offer of specialised credit to individuals, companies and third sector institutions.

Montepio Crédito has progressively carried out a repositioning of the institution, since the core business of automobile financing has been expanded to include the areas of specialised financing for companies, through relations with business partners which are suppliers of vehicles and industrial equipment.
According to the data published by ACAP (Automobile Association of Portugal), during the first half of 2014, 89,058 motor vehicles were sold in Portugal, which represented a year-on-year increase of 40.5 %. Even with this positive net change, the market continues to remain below the levels recorded in years before 2012.

The classic credit granted by members of the Association of Specialised Credit Institutions (ASFAC) recorded an overall growth of 19.5% in the first semester of 2014 in relation to the same period of the previous year, having reached 922.2 million euros.

The production of Montepio Crédito recorded a minor reduction of 3.7%, reaching a value of 55.1 million euros in June 2014, compared with 57.3 million euros in the same period of the previous year. This lower production, combined with the overall growth of the market, led to a reduction of market share of 1.64 p.p., which stood at 6.0% at the end of the semester.

In June 2014, the net assets of Montepio Crédito amounted to 439.7 million euros, showing year-on-year growth of 6.2 million euros (+1.4%). Net credit to customers and financial assets available for sale account for 61.5% and 28.1% of net assets, respectively.
In spite of the slight reduction of production, the portfolio of gross loans recorded modest growth of 2.7 million euros (+0.7%), reaching 300.1 million euros at the end of the semester.
The heading of financial assets available for sale only records securities relative to Class A, B and C Notes of the Aqua Finance Number 3 securitisation operation.
The activity is currently totally financed by funds obtained from other credit institutions, amounting to 259.2 million euros, thus explaining the growth of 160.3 million euros registered in this heading, which offset the repayment of the issues of 100 million euros of Bonds and 40 million euros of Commercial Paper, recorded under liabilities represented by securities, in the same period of the previous year.

Operating income amounted to 7.2 million euros, corresponding to a year-on-year reduction of 8.5% (-0.6 million euros), explained by the lower net interest income.
Structural costs increased by 1.7 million euros (+27.8%), standing at 7.7 million euros, via general administrative overheads and amortisation which, combined with the reduction of operating income, led to a 30.3 p.p deterioration of the cost-to-income ratio (106.7%).
In spite of the slowdown of activity, the net adjustments of provisions of the credit portfolio generated a positive impact on the profit and loss account of 0.7 million euros.

In view of the above, in the first semester of 2014, the net income of Montepio Crédito was positive by 0.12 million euros (year-on-year reduction of 0.4 million euros).

4.5 International Activity

The activity developed by the two entities abroad, Banco Montepio Geral Cabo Verde - IFIC and Finibanco Angola, S.A., continued to show notable growth in the first half of 2014.

With respect to Montepio Geral Cabo Verde (MGCV), customer deposits reached 625.1 million euros in the first semester of 2014 (555.8 million euros in the first semester of 2013), with year-on-year growth of 12.5%. The Net Income of MGCV came to 0.1 million euros, lower than the 0.3 million euros obtained in the first semester of 2013, mainly driven by the increase in Operating Expenses of 0.4 million euros, arising from the strengthening of human and technical resources supporting the bank's activity.

Concerning Finibanco Angola, S.A. (FNB-A), reference should be made to the strong growth of Customer Deposits by 144.8%, reaching 420.8 million euros, as well as Credit to Customers by 124.8%, whose balance stood at 268.3 million euros, when compared with the figures as at 30 June 2013.

This increased activity of FNB-A was directly reflected in net interest income, which reached 9.0 million euros (+47.1%) and commissioning, which stood at 4.6 million euros (+7.1%), resulting in growth of net operating income by 14.2%, which came to 20.4 million euros. Net income from foreign exchange transactions continued to contribute strongly to the operating income of FNB-A in the first semester of 2014, reaching a total of 7.8 million euros (+9.2% year-on-year).

In view of the phase of the institution's life cycle, marked by strong growth and additional investment needs, the operating expenses of FNB-A recorded an increase of 44.9%, amounting to a total of 8.0 million euros, with the cost-to-income efficiency ratio reaching 39.1%.

In June 2014, there was a net reinforcement of the impairments of the credit portfolios of FNB-A, relative to the same period of the previous year, of + 4.6 million euros, reaching 13.7 million euros.

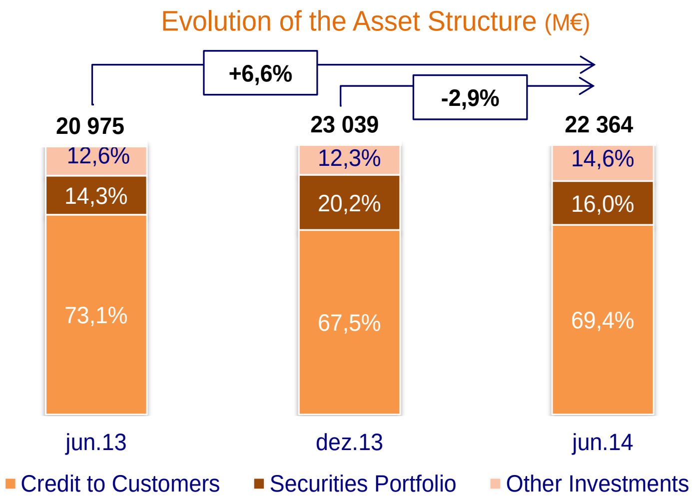
FNB-A's net income for the first semester of 2014 came to 5.3 million euros, reflecting a 14.1% reduction relative to the 6.1 million euros recorded in the same period of the previous year, and representing 44.4% of consolidated net income.

5. BALANCE SHEET AND PROFIT ANALYSIS

5.1 Balance Sheet

Asset Structure

Net assets reached 22,364.0 million euros, having increased by 6.6% in relation to the first semester of 2013 and fallen by 2.9% relative to the end of 2013. This decrease was influenced by the reduction of the securities portfolio by 23.2%, which now represents 16.0% of total assets (20.2% in December 2013).



Liabilities and Equity Structure

Liabilities amounted to 20,631.5 million euros, which, compared to the 19,450.7 million of the first semester of 2013, a growth of 1,180.8 million euros (6.1%), primarily influenced by the increased customers' funds (4.4%), particularly Deposits (8.7%), enabling maintenance of the stable profile of the business funding sources.

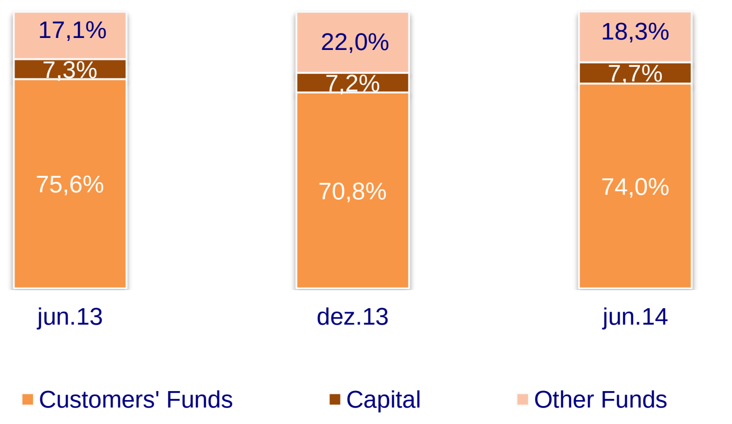
(thousand euros)

	Jun.14		Dec.13		Jun.13		Year-on-Year Variation	
	Value	%	Value	%	Value	%	Value	%
LIABILITIES	**20 631 451**	**92.3**	**21 391 860**	**92.8**	**19 450 675**	**92.73**	**1 180 776**	**6.1**
Customers' Funds	**16 556 645**	**74.0**	**16 310 031**	**70.8**	**15 861 462**	**75.6**	**695 183**	**4.4**
Total Deposits	14 314 511	64.0	14 039 197	60.9	13 165 259	62.8	1 149 252	8.7
Securities Placed with Customers	2 242 134	10.0	2 270 834	9.9	2 696 203	12.9	-454 069	-16.8
Additional Funds	**4 074 806**	**18.3**	**5 081 829**	**22.0**	**3 589 213**	**17.1**	**485 593**	**13.5**
Funds from Credit Institutions and Central Banks	2 803 726	12.5	3 703 747	16.1	2 195 094	10.5	608 632	27.7
Subordinated and Non-Subord. Loans and Debt Certificates	-54 263	-0.2	421 505	1.8	544 646	2.6	-598 909	<-100
Financial Liabilities Associated with Transferred Assets	170 773	0.8	195 049	0.8	216 493	1.0	-45 720	-21.1
Other Liabilities	1 154 570	5.2	761 528	3.3	632 980	3.0	521 590	82.4
EQUITY	**1 732 541**	**7.7**	**1 647 343**	**7.2**	**1 524 601**	**7.3**	**207 940**	**13.6**
TOTAL LIABILITIES AND EQUITY	**22 363 992**	**100.0**	**23 039 203**	**100.0**	**20 975 276**	**100.0**	**1 388 716**	**6.6**

Customers' funds represented 74.0% of total liabilities and equity (75.6% in June 2013), with other funds standing at 18.3%, corresponding to an increase of 1.2 p.p.

Own funds reached 1,732.5 million euros, reflecting an increase of 13.6%, relative to June 2013.

Evolution of the Liabilities and Equity Structure



5.2 Net Income

In the first semester of 2014, the performance of the banking sector and CEMG remained constrained by the still gradual recovery of economic activity, both at a domestic level and in the Euro Zone, in spite of the positive signs that have been shown in the confidence of economic agents.

Benefiting from a credit portfolio risk diversification strategy into the SME segment, associated to tradable goods, as well as towards sectors dependent on foreign demand, such as activities related to tourism, in addition to prudent management of the interest rate risk of the balance sheet, through timely reinforcement of the fixed interest rate asset component, CEMG recorded positive profitability levels when compared to the first semester of 2013.

(thousand euros)

	Jun.14		Jun.13		Variation	
	Value	%	Value	%	Value	%
Net Interest Income	**160,576**	**33.2**	**101,927**	**51.7**	**58,649**	**57.5**
Net Fees of Services to Customers	51,718	10.7	55,231	28.0	-3,513	-6.4
Commercial Operating Income	**212,294**	**43.9**	**157,158**	**79.7**	**55,136**	**35.1**
Income from Equity Instruments	493	0.1	435	0.2	58	13.4
Net Trading Income	275,043	56.9	33,631	17.1	241,412	>100
Other Net Income	-4,325	-0.9	5,906	3.0	-10,231	<-100
Net Operating Income	**483,505**	**100.0**	**197,130**	**100.0**	**286,375**	**>100**
Personnel Expenses	95,282	19.7	96,655	49.0	-1,373	-1.4
General Administrative Overheads	54,504	11.3	52,175	26.5	2,329	4.5
Amortisation	15,428	3.2	15,324	7.8	104	0.7
Total Operating Expenses	**165,214**	**34.2**	**164,154**	**83.3**	**1,060**	**0.6**
Gross Profit	**318,291**	**65.8**	**32,976**	**16.7**	**285,315**	**>100**
Net Provisions and Impairments	**292,906**	**60.6**	**127,411**	**64.6**	**165,495**	**>100**
Credit	265,353		83,598		181,755	>100
Securities	25,708		20,006		5,702	28.5
Other	1,845		23,807		-21,962	-92.3
Earnings from Associates and Joint Ventures	**208**		**-3,935**		**4,143**	**>100**
Earnings before Tax and Minority Interests	**25,593**	**5.3**	**-98,370**	**-49.9**	**123,963**	**>100**
Taxes	**-12,719**	**-2.6**	**29,473**	**15.0**	**-42,192**	**<-100**
Current	-39,658		-4,243		-35,415	<-100
Deferred	26,939		33,716		-6,777	-20.1
Minority Interests	**-1,003**		**-757**		**-246**	**-32.5**
Net Income for the Period	**11,871**	**2.5**	**-69,654**	**-35.3**	**81,525**	**>100**

The consolidated net income of CEMG reached 11.9 million euros, compared to the negative figure of 69.7 million euros for the same period of 2013. This inversion of the trend was influenced by net interest income with 160.6 million euros (101.9 million euros in June 2013) and Net Trading Income which reached 275.0 million euros (33.6 million in the same period of 2013). This performance more than offset the increased provisions and impairments that stood at 165.5 million euros.

Net Interest Income

Net interest income reached 160.6 million euros, corresponding to an increase of 57.5% compared to the 101.9 million euros recorded in the first semester of 2013. This evolution of net interest income was primarily influenced by the combined effect of the increased income from Other Investments of 42.2 million euros and the reduction of costs relative to Financial Liabilities, of 27.3 million euros, mainly due to the lower average interest rate of Deposits and Other Liabilities, by 27 and 93 basis points, respectively. Consequently, the Net Interest Margin increased to stand at 1.53% in the first semester of 2014 (1.05% in June 2013).

(million euros)

	Jun.14 Average Capital	Average Rate	Income/Costs	Jun.13 Average Capital	Average Rate	Income/Costs
Financial Assets	**21,161**	**4.40%**	**462**	**19,595**	**4.43%**	**430**
Credit to Customers	16,662	3.58%	296	16,434	3.75%	305
Other Investments	4,499	5.02%	112	3,161	4.46%	70
Swaps			54			55
Financial Liabilities	**20,464**	**2.97%**	**301**	**18,925**	**3.50%**	**328**
Deposits	14,014	2.36%	164	12,819	2.63%	167
Other Liabilities	6,450	2.58%	82	6,106	3.51%	106
Swaps			55			55
Net Interest Income			**161**			**102**
Net Interest Margin		**1.53%**			**1.05%**	
Euribor 3M - average for period		**0.30%**			**0.21%**	

Net Non-Interest Income

Net commissions reached 51.7 million euros, having fallen by 3.5 million euros (-6.4%) compared to the same period of 2013.

Net trading income reached 275.0 million euros, relative to the 33.6 million euros recorded in the same period of the previous year, having benefited, above all in the first quarter, from capital gains in the fixed-income securities portfolio, as a result of the the balance sheet interest rate risk management strategy put in place.

	Jun.14	Dec.13	Jun.13	Year-on-Year Variation	
	Value	Value	Value	Value	%
Gains arising from Assets and Liabilities at Fair Value through Profit or Loss	508	-27,987	4,607	-4,099	-89.0
Gains arising from Financial Assets Available for Sale	275,067	44,025	38,190	236,877	>100
Gains arising from Currency Revaluation	9,849	20,223	8,607	1,242	14.4
Other Net Income	-10,381	-21,921	-17,773	7,392	41.6
TOTAL	**275,043**	**14,340**	**33,631**	**241,412**	**>100**

The combined growth of Net Interest Income and Net Non-Interest Income was reflected in an increase in Net Operating Income of 286.4 million euros, which reached 483.5 million euros (197.1 million euros, in the first semester of 2013).

Operating Expenses

The economic performance of the first semester of 2014 enabled a significant improvement of the Institution's operational efficiency, benefiting from the increased Net Operating Income and prudent policy of containment of operating expenses, notwithstanding the requirement for more resources implied by the growth of the operation in Angola.

Total Operating Expenses reached a total of 165.2 million euros, corresponding to growth of 0.6% year-on-year, due to the combined effect of the 4.5% increase in General Administrative Overheads, arising from the dynamics of the activity and the 1.4% reduction in Personnel Expenses, in spite of the growth of the retail operation in Angola and strengthening of skills in terms of the front-office of target business segments.

(thousand euros)

	Jun.14		Dec.13		Jun.13		Year-on-Year Variation	
	Value	%	Value	%	Value	%	Value	%
Personnel Expenses	95,282	57.7	196,834	57.9	96,655	58.9	-1,373	-1.4
General Administrative Overheads	54,504	33.0	109,927	32.3	52,175	31.8	2,329	4.5
Operating Expenses	**149,786**	**90.7**	**306,761**	**90.2**	**148,830**	**90.7**	**956**	**0.6**
Amortisation	15,428	9.3	33,352	9.8	15,324	9.3	104	0.7
Total Operating Expenses	**165,214**	**100.0**	**340,113**	**100.0**	**164,154**	**100.0**	**1,060**	**0.6**
Operating Income	**483,505**		**377,677**		**197,130**		**286,375**	**>100**
RATIOS								
Cost-to-Income (Total Operating Expenses / Net Operating Income) (a)	34.17%		90.05%		83.27%			
Cost-to-Income without Amortisation (Operating Expenses / Net Operating Income	30.98%		81.22%		75.50%			

(a) Pursuant to Banco de Portugal Instruction 23/2012.

Provisions and Impairments

As a result of a prudent and conservative policy in the interpretation of risk factors associated to the performance of banking activity, in the persistently weak macroeconomic environment, provisions and impairments reached 292.9 million euros, representing an increase of 165.5 million euros compared to the first semester of 2013. In line with this policy, CEMG proceeded with a very conservative appraisal of its exposure to the universe of Espírito Santo Group companies in order to accommodate, in these six-monthly accounts, the effects arising from any possible losses derived from these loans.

The prudence revealed in the assessment of the risk levels of its asset portfolio will enable CEMG to face the prevailing difficult economic context with even stronger coverage levels and economic robustness, reinforcing the confidence entrusted by all its stakeholders.

(thousand euros)

	Jun.14		Dec.13		Jun.13		Year-on-Year Variation	
	Value	%	Value	%	Value	%	Value	%
Net Credit Provisions and Impairments Charges	265,353	90.6	298,834	75.2	83,598	65.6	181,755	>100
Net Securities Impairment Charges	25,708	8.8	34,016	8.6	20,006	15.7	5,702	28.5
Net Other Assets Provisions and Impairment Charges	1,845	0.6	64,484	16.2	23,807	18.7	-21,962	-92.3
Total Net Provisions and Impairment Charges	**292,906**	**100.0**	**397,334**	**100.0**	**127,411**	**100.0**	**165,495**	**>100**

Pension Fund

The value of the pension fund reached 575.5 million euros, with the coverage level of minimum liabilities standing at 108.1% and the coverage level of total liabilities at 104.1%.

(thousand euros)

		Jun.14 Value	Dec.13 Value	Jun.13 Value	Year-on-Year Variation Value	Year-on-Year Variation %
1	**Total Liabilities**					
	Current staff	406 655	409 333	368 667	37 988	10.3
	Retired staff	146 204	136 503	124 209	21 995	17.7
	Total 1	***552 859***	***545 836***	***492 876***	**59 983**	**12.2**
2	**Non-required or deferred liabilities**					
	Exemption of financing	20 333	20 467	18 433	1 900	10.3
	Application of IAS			3 781	-3 781	-100.0
	Total 2	**20 333**	**20 467**	**22 214**	**-1 881**	**-8.5**
3	**Minimum liabilities to be financed (1-2)**	**532 526**	**525 369**	**470 662**	**61 864**	**13.1**
4	**Value of Fund Assets**	**575 538**	**547 407**	**526 323**	**49 215**	**9.4**
5	**Coverage of:**					
	Minimum liabilities (4/3)	108.1%	104.2%	111.8%		-3.7p.p.
	Total liabilities (4/1)	104.1%	100.3%	106.8%		-2.7p.p.
6	**Movements during the year with impact on the Fund's value:**					
6.1	Contributions to the Fund (+)	1 136	17 201	1 234	-98	-7.9
6.2	Actual return on assets (+)	31 646	22 978	6 573	25 073	>100
6.3	Value of the Finibanco Pension Fund as at 1/1/2011(-)		6 847			-
6.4	Transfer to Social Security (-)					-
6.5	Pension payments (-)	4 651	8 679	4 238	413	9.7
6.6	**Total 6 (6.1+6.2-6.3-6.4-6.5)**	**28 131**	**24 653**	**3 569**	**24 562**	**>100**

The following assumptions were considered for the calculation of the liabilities of the Montepio Group's Pension Fund:

- discount rate of 4.0%;
- salary growth rate of 1.5%;
- pension growth rate of 0.5%;
- continued use of the TV 88/90 mortality table for men and women.

Solvency

CEMG's Equity shows a new configuration since 17 December 2013, which includes, apart from the Institutional Capital of 1,500 million euros, 200 million euros in Participation Units representing its Participation Fund, amounting to a total of 1,700 million euros as at 30 June 2014.

The Core Tier I solvency ratio reached 10.70% at the end of the first semester of 2014, corresponding to a year-on-year positive net change of 0.32 p.p., surpassing the minimum value of 10%, established by Banco de Portugal. Underlying this ratio was the increased Institutional Capital, held by MGAM, of 205 million euros and the issue of CEMG's Participation Fund of 200 million euros, both of which took place in the second semester of 2013.

(thousand euros)

Headings	Jun.14	Dec.13	Jun.13	Year-on-Year Variation	
	Value	Value	Value	Value	%
1. Total Own Funds	**1,804,180**	**1,849,276**	**1,776,558**	**27,622**	**1.6**
(+) Institutional Capital	*1,700,000*	*1,700,000*	*1,295,000*	*405,000*	*31.3*
(+) Reserves and Net Income	*-7,198*	*-60,431*	*226,252*	*-233,450*	*<-100*
(-) Regulatory Deductions	*112,457*	*77,334*	*123,925*	*-11,468*	*-9.3*
1.1 (=) Core Tier I Capital	**1,580,345**	**1,562,235**	**1,397,327**	**183,018**	**13.1**
(+) Other Equity Instruments	*8,273*	*8,273*	*15,000*	*-6,727*	*-44.8*
(-) Basic Own Funds Deductions	*13,677*	*11,087*	*17,033*	*-3,356*	*-19.7*
1.2 (=) Basic Own Funds	**1,574,941**	**1,559,421**	**1,395,294**	***179,647***	**12.9**
(+) Additional Own Funds	245,890	305,469	395,063	*-149,173*	-37.8
(-) Other Deductions	16,651	15,615	13,799	*2,852*	20.7
2. Minimum Own Funds Requirements	**1,181,641**	**1,135,092**	**1,076,625**	**105,016**	**9.8**
3. Risk-weighted assets and equivalents (2 x 12.5)	**14,770,513**	**14,188,646**	**13,457,817**	**1,312,696**	**9.8**
4. Ratios					
Solvency (1 / 3)	12.21%	13.03%	13.20%	-0.99 p.p.	
Core Capital (1.1 / 3) (a)	10.70%	11.01%	10.38%	0.32 p.p.	
Tier 1 (1.2 / 3)	10.66%	10.99%	10.37%	0.29 p.p.	

(a) Ratio establishing a minimum level of capital that institutions must have in accordance with the own funds requirements arising from the risks associated to their activity

Basel III – New rules and capital requirements

Since the beginning of 2014, the prudential indications are based on the new legislation of Basel III pursuant to European Parliament Regulation number 575/2013.

According to the prudential rules of Basel III, CEMG's Own Funds are divided into Common Equity Tier 1 (CET1), Tier 1 Capital (T1) and Tier 2 Capital (T2).

The full application of the new regulations of Basel will be introduced gradually over the period up to 2018, with this process usually being referred to as Phasing-in. The full assumption of the new regulations, without considering transitional plans, is referred to as Full Implementation. Currently, the Phasing-in process is in force, and it is on this basis that Banco de Portugal requires the regulatory minimum ratios.

It should be noted that CEMG's capital requirement ratios record values above the required minimum levels, with the Common Equity Tier 1 ratio reaching 10.48%, thus exceeding the minimum value of 7% stipulated by Banco de Portugal for 2014.

	(thousand euros)
	Jun.14
Headings	Value
Total Capital	**1,798,680**
Paid-up capital	1,700,000
Net Income, General Reserves, Special Reserves and Retained Earnings	-7,198
Other regulatory adjustments	-126,071
Common Equity Tier 1	**1,566,731**
Other equity instruments	6,618
Regulatory adjustments	-6,618
Tier 1	**1,566,731**
Subordinated Debt	246,075
Regulatory adjustments	-14,126
Tier 2	**231,949**
2. Minimum Own Funds Requirements	**1,195,427**
3. Risk-weighted assets and equivalents (2 x 12.5)	**14,942,836**
CRD IV Prudential Ratios - Phasing-in	
Common Equity Tier 1 Ratio	10.48%
Tier 1 Ratio	10.48%
Total Capital Ratio	12.04%
CRD IV Prudential Ratios - Full Implementation	
Common Equity Tier 1 Ratio	9.49%
Tier 1 Ratio	9.49%
Total Capital Ratio	11.13%

6. RISK ANALYSIS

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

Credit Risk

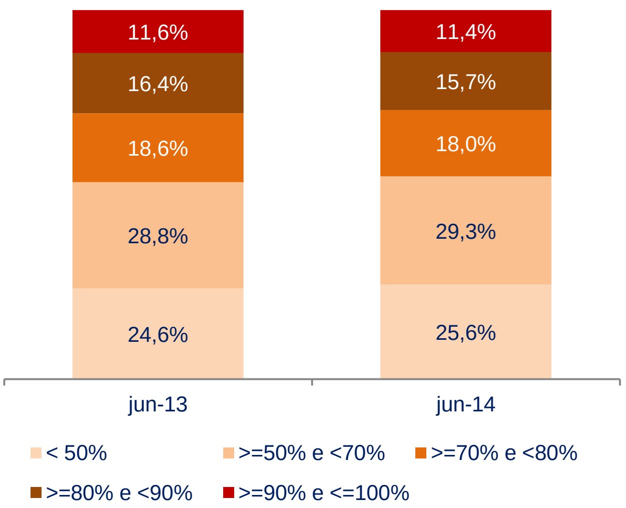
The decision-making process for credit operations is based on a series of policies using scoring models for the portfolios of Individual and Business customers and rating models for the Company segment. The models, developed using internal historic data, enable the bank to obtain a quantitative assessment subsequently reflected in the attribution of a risk category to the customer/operation, which, in the Company segment is supplemented by a qualitative assessment performed by the commercial network. The internal risk classification, combined with the assessment of risk mitigators, in the form of personal or asset-backed guarantees, constitute key aspects for the decision and pricing of the operations. The mitigation of risk via collateralisation of operations is taken into account, both through the severity of the loss (for example, in the case of asset-backed collateral), and through reduction of the exposure value, in situations involving financial collateral (where the market risk of the assets involved becomes relevant).

The levels at which pricing decisions are taken are defined according to risk adjusted return on equity (ROE), in accordance with the principle that the highest hierarchical levels are competent to approve operations with a lower risk adjusted ROE.

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 incorporation of risk in pricing significantly increases the risk of adverse selection. Furthermore, risk categories are defined, with acceptance reserved to higher decision-making levels.

The levels of the loan-to-value (LTV) ratio, in other words, the value of the financing divided by the value of the guarantee, recorded an improvement in the mortgage loan portfolio, with the average LTV of the lending portfolio having fallen from 65.1% in June 2013 to 64.4% in June 2014 (64.8% in December 2013).

DISTRIBUTION OF THE MORTGAGE LOAN PORTFOLIO BY LTV LEVEL



The current economic climate continued to have a negative impact on financial activity risks, reflected in the exacerbation of default and credit risk ratios, with the balance of overdue credit and interest having increased by 6.5%, the ratio of credit overdue by more than 90 days standing at 6.0% and the ratio of non-performing loans at 8.4%.

In line with the policy of prudence and conservatism recommended by the economic context, CEMG continued to reinforce its impairments for credit risks that came to a total of 1,313.6 million euros at the end of the first semester of 2014. This strengthening of provisioning increased the ratio of coverage of overdue credit and interest by impairments to 120.1% and the ratio of coverage of credit and interest overdue by more than 90 days to 131.7%. The Simple Coverage of Credit at Risk by impairment stood at 56.5%, while coverage considering total credit impairments and real collateral involved reached 129.9%, compared to 120.8% in June 2013.

(thousand euros)

Indicators	Jun.14	Dec.13	Jun.13	Year-on-Year Variation	
				Value	%
Gross Credit to Customers	**16,750,894**	**16,556,907**	**16,468,160**	**282,734**	**1.7**
Overdue Credit and Interest	**1,093,322**	**999,031**	**1,026,281**	**67,041**	**6.5**
Credit and Interest Overdue by more than 90 days	997,540	877,365	916,295	81,245	8.9
Impairment for Credit Risks	**1,313,559**	**1,051,526**	**1,000,691**	**312,868**	**31.3**
Ratios (%)					
Credit and Interest Overdue by more than 90 days	5.96	5.30	5.56	0.40 p.p.	
Non-performing loans (a)	8.41	7.12	7.20	1.21 p.p.	
Net non-performing loans (a)	0.66	0.84	1.15	-0.49 p.p.	
Credit-at-Risk (a)	13.82	12.25	12.12	1.70 p.p.	
Net Credit-at-Risk (a)	6.52	6.32	6.38	0.14 p.p.	
Restructured Credit (b)	9.59	9.68	5.37	4.22 p.p.	
Restructured Credit not included in Credit-at-Risk (b)	6.42	7.30	3.58	2.84 p.p.	
Coverage by Impairments (%)					
Credit and Interest Overdue by more than 90 days	131.68	119.85	109.21	22.47 p.p.	
Overdue Credit and Interest	120.14	105.25	97.51	22.63 p.p.	
Credit-at-Risk	56.49	51.70	50.55	5.94 p.p.	

(a) Pursuant to Banco de Portugal Instruction 23/2012.
(b) Pursuant to Banco de Portugal Instruction 32/2013.

Concentration Risk

Following the diversification strategy that has been endorsed by CEMG, a favourable evolution has been observed in concentration levels, as reported regularly pursuant to Banco de Portugal Instruction 5/2011.

The sectorial concentration index fell from 15.1% to 12.8%, between June 2013 and June 2014 (14.5% in December 2013), with the weight of the construction sector having declined in the portfolio of credit to non-financial companies from 29.0% to 22.6% (27.7% in December 2013). Trade is the second sector with most weight, accounting for 15.4% (14.9% in December 2013 and 14.4% in June 2013) of total credit, followed by the Manufacturing Industry sector with 13.3%. Real Estate Activities represented 11.1% of total credit in June 2014, but recording a downward trend (12.7% in December 2013 and 13.6% in June 2013).

In the sectorial distribution of credit in June 2014, the tertiary sector remained predominant in relation to the secondary sector, with 55.8% and 38.8%, respectively (55.8% and 43.0% in June 2013).

Regarding geographic concentration, the districts of Lisbon and Oporto continue to be the regions with highest weight in the credit portfolio, with 39.2% and 15.4% of total credit (37.0% and 14.7% in June 2013, respectively), in line with the population density of each district. The weight of exposure in Lisbon recorded an increase between the positions of June 2013 and June 2014 of 2.2 p.p. (increase of 2.7 p.p. relative to December 2013) and in Oporto of 0.7 p.p. (increase of 1.1 p.p. in relation to December 2013).

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 13.8% to 16.4% between June 2013 and June 2014 (13.2% in December 2013), which corresponded to a variation of the general concentration index from 0.26% to 0.28% (0.23 in December 2013). The index of concentration of the 1,000 largest exposures also increased, from 0.15% in June 2013 to 0.16% in June 2014 (0.13% in December 2013), with an increase of weight in the total portfolio from 27.2% to 30.4% between June 2013 and June 2014 (25.9% in December 2013).

Financial Assets Risk

CEMG's securities portfolio recorded a decrease of 1,097 million euros, since the end of the preceding year, as a result of the reduction of exposure to Portuguese government debt by 1,177 million euros, through net disposal of acquisitions of Portuguese government debt. This movement was partially offset by the increased exposure to private debt, by 282 million euros, under am investment strategy directed at financing the national economy. As a whole, the fixed income securities portfolio underwent a reduction of 22.2% (or 893 million euros). The variable income securities portfolio registered an even more significant reduction, of 35%, mainly due to transactions related to the changes which took place in the consolidation perimeter.

STRUCTURE OF THE SECURITIES PORTFOLIO BY TYPE OF ASSET

(thousand euros)

Type of Asset	Jun.14		Dec.13		Variation	
	Value	%	Value	%	Value	%
Bonds (*)	3,121	88.7	4,014	87.0	-893	-22.2
Commercial Paper	27	0.8	31	0.7	-4	-12.9
Equities and Funds Units	371	10.5	570	12.4	-199	-34.9
Total	**3,519**	**100.0**	**4,616**	**100.0**	**-1,096**	**-23.8**

(*) Including Interest

CEMG's investment policy was directed at reducing the dominant exposure to Portuguese government debt, whose weight in the total declined from 66.5% to 53.7%, against the increased exposure to non-financial Portuguese companies with a better credit quality, directly, through acquisition of bonds, or indirectly, through the contracting of structured products (Credit Linked Notes - CLN) with financial companies renowned at a worldwide level. This preference, simultaneously with the improved risk rating of various peripheral countries, such as Ireland and Spain, led to significant improvements in the structure of the portfolio of bonds by rating category, with the weight of investment grade securities in the portfolio having increased from 4.4% to 12.8%.

STRUCTURE OF THE BOND PORTFOLIO BY RATING CATEGORY

(thousand euros)

RATING CATEGORIES	Jun.14		Dec.13		Variation	
	Value	%	Value	%	Value	%
AAA	13 512	0.4	13 587	0.7	-75	-0.5
AA+	0	0.0	0	0.2	0	
AA	2 141	0.1	3 202	0.3	-1 061	-33.1
AA-	3 089	0.1	4 986	0.2	-1 898	-38.1
A+	18 856	0.6	19 706	1.1	-850	-4.3
A	68 879	2.2	6 540	0.9	62 339	953.1
A-	49 853	1.6	23 073	3.1	26 780	116.1
BBB+	66 713	2.1	19 047	3.4	47 666	250.3
BBB	105 537	3.4	58 882	1.5	46 656	79.2
BBB-	72 450	2.3	23 456	3.4	48 994	208.9
BB+	152 675	4.9	131 150	3.7	21 525	16.4
BB	1 888 453	60.1	3 007 775	62.6	-1 119 321	-37.2
BB-	168 326	5.4	86 671	0.7	81 655	94.2
B+	12 565	0.4	30 146	0.1	-17 581	-58.3
B	13 789	0.4	7 611	1.7	6 178	81.2
B-	12 682	0.4	12 086	0.1	596	4.9
CCC	0	0.0	1 916	0.5	-1 916	-100.0
CC	1 801	0.1	1 538	0.1	263	17.1
C	0	0.0	0	0.2	0	
NR	490 419	15.6	474 039	15.6	16 380	3.5
Total	**3 141 740**	**100.0**	**3 925 411**	**100.0**	**-783 671**	**-0.2**

* without interest

Liquidity Risk

During the first semester of 2014, 329.2 million euros of securitised debt were repaid, with future medium and long term debt refinancing needs up to 2017 standing at 378.3 million euros.

At the end of June 2014, the funds obtained by CEMG from the European Central Bank (ECB) reached 1,990.0 million euros, reflecting a reduction of 1,405.0 million euros in relation to December 2013. This reduction is in line with the trend observed in the Portuguese banking system, which has gradually lowered its exposure to the ECB. Following this perspective, the pool of collateral eligible for operations of the Eurosystem Monetary Policy Operations decreased by 1,529.9 million euros during the first semester of 2014, standing at 4,253.8 million euros (5,783.7 million euros as at 31 December 2013).

The balance of the available assets to obtain liquidity from the ECB remained practically unchanged, having amounted to 2,263.8 million euros in June 2014, compared to 2,388.7 million euros at the end of 2013, reflecting the balancing between the total value of the collateral and its use.

(thousand euros)

	Jun.14		Dec.13		Jun.13		Year-on-Year Variation	
	Value	%	Value	%	Value	%	Value	%
Pool of Eligible Assets	4,253,770	100.0	5,783,695	100.0	4,300,948	100.0	-47,178	-1.1
Use of the Pool	1,990,000	46.8	3,395,000	58.7	1,830,000	42.5	160,000	8.7
Pool of Available Assets	**2,263,770**	**53.2**	**2,388,695**	**41.3**	**2,470,948**	**57.5**	**-207,178**	**-8.4**

The positive evolution of customer deposits enabled, in a context of increased credit granted with a view to diversification and support to national economic recovery, the continued reduction of the commercial gap (Deposits - Credit) to -1,153.4 million euros at the end of the first semester of 2014. Consequently, the loan-to-deposit ratio (Credit/Deposits) reached 108.0% in June 2014, compared with 117.4% in June 2013. Considering the total value of On-Balance sheet customers' funds, this ratio fell by 4.1 p.p., to 93.2% in the same period.

	Jun.14	Dec.13	Jun.13	Year-on-Year Variation
	%	%	%	Value
Net Credit to Customers / Customers' Deposits [(a)]	**108.03**	**110.18**	**117.36**	**-9.33 p.p.**
Net Credit to Customers / On-Balance Sheet Customers' Funds [(b)]	**93.25**	**94.70**	**97.30**	**-4.05 p.p.**

(a) Pursuant to Banco de Portugal Instruction 23/2012.
(b) On-Balance sheet Customers' Funds = Customers' Deposits and Securities Placed with Customers

The Interbank Money Market continue to show a recovery during the first semester of 2014, where particular note should be made of CEMG adherence to the Collateralised Interbank Market. In the first semester, CEMG already benefited from new collateralised loan contracts negotiated with national and foreign financial institutions, in particular the conclusion of two medium-term contracts for a total consideration amount of 441 million euros, with two European financial institutions.

CEMG's position in the Interbank Money Market, at the end of June 2014, presented a total assignment of 310 million euros (assignments of 206 million euros carried out at an average rate of 0.23% and assignments of 142 million American dollars at an average rate of 0.13%). CEMG had no stake in the Interbank Money Market as at 30 June 2014.

Furthermore, in the beginning of the second semester, CEMG benefited from a new credit line from the European Investment Bank (EIB), in the amount of 150 million euros, maturing 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 the first semester of 2014, the dynamic accumulated liquidity mismatch up to the following 12-month period was 2,637 million euros (the 12-month projection relative to December 2013 had been 2,162 million euros).

Dynamic Liquidity Position Gaps in June 2014

(million euros)

Position on reference date + Forecast Amounts	Maturity Periods				
	Sight and up to 1 week	Above 1 week and up to 1 month	Above 1 month and up to 3 months	Above 3 months and up to 6 months	Above 6 months and up to 12 months
Accumulated Mismatches	2,936	2,858	3,064	2,952	2,637

Interest Rate Risk

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

On the same date, the accumulated repricing gap at 12 months was estimated at 4.6 thousand million euros, (3.8 thousand million euros in 2013) with the estimated impact on Net Interest Income of +47.8 million euros (+32.9 million euros in 2012) in the case of a sudden alteration of interest rates by +100 b.p. The variation observed in this figure essentially arises from the mismatch between the interest rate repricing periods, showing greater weight of debt securities at longer periods.

Operating Risk

Concerning operating risk management, the implementation of a new Integrated Operating Risk Management tool was continued, which will enable greater decentralisation of reporting and collection of operating risk events, intensifying the operating risk management culture in the Group.

In terms of operating risk monitoring, the activities were maintained regarding capture and analysis of loss events, analysis of Key Risk Indicators (KRIs), assessment of exposure to operating risk by the Risk Committee and the drafting of periodic reports on the Institution's operating risk profile.

The **Business Continuity Management** cycle is supported by a series of activities of assessment, design, implementation and monitoring, integrated in a continuous improvement routine aimed at making business processes more resilient, thus ensuring the continuity of operations in the case of events causing an interruption of activity.

Stress Tests

Under the country's financial assistance plan, CEMG participated in quarterly stress test exercises, pursuant to the requirements and macroeconomic assumptions established by Banco de Portugal. The results obtained in the assumed adverse scenarios demonstrated that CEMG continues to show adequate capitalisation levels.

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 the ALCO (Assets and Liabilities Committee). 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, collateral, among others. The results of the analyses performed demonstrate the conformity of the delineated strategies and ensure compliance with the solvency, liquidity and sustainability levels.

7. RATINGS

As at 30 June 2014, the ratings attributed to Caixa Económica Montepio Geral by the international agencies Fitch Ratings, Moody's Investors Service and DBRS were as follows:

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

8. MAIN RISKS AND UNCERTAINTIES FOR THE SECOND SEMESTER

In spite of the forecast improvement of the macroeconomic indicators, various relevant risks are expected to persist for the development of Montepio's activity during the second semester of 2014, in a scenario of maintenance of measures aimed at the restructuring of the country's public accounts and in view of the as yet unpredictable effects of the events related to the Espírito Santo Group.

The principal risks will arise from difficulties in the accomplishment of the measures and objectives concerning efficiency and profitability due to external factors, related to exceptional events or derived from the deterioration of the economic and social context leading to the non-achievement of the objectives of the Funding and Capital Plan.

Regarding external risks, at an international level, the main risk resides in the possibility of the growth of the world economy, and Euro Zone in particular, diverging from the current outlook of acceleration. Moreover, risks persist in relation to a rise in interest rates, an increase of risk aversion by investors and, primarily, an escalation of geopolitical conflicts, especially in the Middle East and Ukraine. An evolution that is even worse than that predicted for any of these factors would penalise economic activity in Portugal and the confidence of financial markets.

At a national level, notwithstanding the signs of improvement in economic and financial circumstances since mid 2013 and the end of the Troika's assistance programme, risks and weaknesses continue evident arising from the high unemployment, the persistently difficult social and economic conditions and the uncertain political scenario.

In the private sector, the recent improvement of activity and confidence is still fragile, with the continued underlying risk that the cycle will once again turn downwards, with impacts on the deterioration of the confidence of economic agents and financial markets. Not only might internal demand vacillate, but the impetus given by exports over the last few years might wane, especially if the world economy grows at levels below those forecast. In terms of the labour market, it cannot be excluded that the unemployment rate might correct the reductions that have been lower than those expected over this last year.

Regarding the role of budget policy, various zones of uncertainty also remain pending. The budget consolidation process continues underway, and with tight objectives. The real risk persists that readjustments might be necessary, in view of the dismissal of actions by the Constitutional Court. The need for additional measures might affect investor confidence, reversing the progress made in the normalisation of the country's access to foreign capital markets. However, any alternative measures might be less efficient, and therefore more penalising on economic activity. Moreover, new measures would carry the risk of difficulty in obtaining political consensus, which would delay the taking of measures and, ultimately, could provoke early elections, thus also penalising the confidence of economic agents.

In summary, any of the risks mentioned above could lead to a vicious circle, combining a slowdown of activity, exacerbation of the situation in the labour market, political instability, deterioration of the confidence of agents and retraction of financial markets.

Concerning the banking sector, in view of the constraints referred to above, the activity continues particularly subject to credit risk, market risk (including real estate risk) and liquidity risk. In addition to the above, the second semester will unfold under a climate of particular uncertainty with regard to the evolution of the events related to the Espírito Santo Group, which, if they are not effectively held in check, might severely penalise the confidence of economic agents and financial markets.

Notwithstanding the risks listed above, it is expected that the authorities, national and European, will continue to pursue the same path as up to date, with the ECB's support to the economy and further deepening of the construction of the Banking Union, aimed at the maintenance of financial stability and confidence in the euro and countries comprising this single currency zone.

CEMG's principal responses to the risks described above involve ensuring the implementation of the established measures in the areas of balance sheet management, especially concerning credit delinquency and recovery, the preservation of liquidity levels, cost reduction and the necessary structural readjustment, without compromising its commercial management processes. It will also be crucial to pursue measures that boost the diversified growth of business, enabling support to the economy and the creation of value, on a sustainable basis.

9. FINANCIAL STATEMENTS, EXPLANATORY NOTES, STATEMENTS AND AUDIT REPORTS

9.1. Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET OF CAIXA ECONÓMICA AS AT 30 JUNE 2014 AND 31 DECEMBER 2013

(thousand euros)

	2014			2013
	Gross Assets	**Impairment and Amortisations**	**Net Assets**	**Net Assets**
ASSETS				
Cash and deposits at central banks	273 625	-	273 625	314 259
Deposits at other credit institutions	221 808	-	221 808	233 785
Financial assets held for trading	62 080	-	62 080	64 106
Other financial assets at fair value through profit or loss	-	-	-	3 450
Financial assets available for sale	3 459 056	33 270	3 425 786	4 545 816
Investments in credit institutions	513 164	367	512 797	330 063
Credit to customers	16 830 489	1 313 559	15 516 930	15 555 141
Investments held to maturity	83 813	-	83 813	34 631
Hedging derivatives	546	-	546	503
Non-current assets held for sale	806 275	90 986	715 289	681 388
Investment properties	715 728	-	715 728	543 534
Other tangible assets	293 631	172 875	120 756	120 492
Intangible assets	128 970	65 511	63 459	59 279
Investments in associates and subsidiaries excluded from consolidation	32 620	341	32 279	42 399
Current tax assets	559	-	559	1 832
Deferred tax assets	339 680	-	339 680	336 264
Other assets	292 969	14 112	278 857	172 261
TOTAL ASSETS	**24 055 013**	**1 691 021**	**22 363 992**	**23 039 203**
LIABILITIES				
Resources from central banks			2 010 197	3 427 354
Financial liabilities held for trading			63 495	62 224
Resources from other credit institutions			1 009 685	474 497
Resources from customers and other loans			14 379 059	14 142 828
Debt securities issued			2 294 119	2 319 428
Financial liabilities associated to transferred assets			170 773	195 049
Hedging derivatives			2 148	1 849
Provisions			6 177	8 014
Current tax liabilities			3 189	1 353
Deferred tax liabilities			-	-
Other subordinated liabilities			371 452	370 078
Other liabilities			321 157	389 186
TOTAL LIABILITIES			**20 631 451**	**21 391 860**
EQUITY				
Capital			1 700 000	1 700 000
Institutional Capital			1 500 000	1 500 000
Participation Fund			200 000	200 000
Other equity instruments			8 273	8 273
Own securities			-3 577	-
Revaluation reserves			39 719	-11 533
Other reserves and retained earnings			-35 920	238 194
Net income for the period			11 871	-298 626
Minority interests			12 175	11 035
TOTAL EQUITY			**1 732 541**	**1 647 343**
TOTAL LIABILITIES AND EQUITY			**22 363 992**	**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

CONSOLIDATED INCOME STATEMENT AS AT 30 JUNE 2014 AND 2013

(thousand euros)

	2014	2013
Interest and similar income	463 271	432 054
Interest and similar expense	302 695	330 127
NET INTEREST INCOME	**160 576**	**101 927**
Income from equity instruments	493	435
Income from fees and commissions	69 235	67 715
Fees and commission expenses	17 517	12 484
Gains arising from assets and liabilities at fair value through profit or loss	508	4 607
Gains arising from financial assets available for sale	275 067	38 190
Gains arising from currency revaluation	9 849	8 607
Gains arising from sale of other assets	-14 176	-3 198
Other net operating income	- 530	-8 669
OPERATING INCOME	**483 505**	**197 130**
Personnel expenses	95 282	96 655
General administrative overheads	54 504	52 175
Depreciation and amortisation	15 428	15 324
Provisions net of adjustments	-1 252	1 148
Credit Impairments (net of reversals and recoveries)	265 353	83 598
Other financial assets impairments (net of reversals and recoveries)	25 708	20 006
Other assets impairments (net of reversals and recoveries)	3 097	22 659
Earnings from associates and joint ventures (equity method)	208	-3 935
EARNINGS BEFORE TAX AND MINORITY INTERESTS	**25 593**	**-98 369**
Taxes		
Current	-39 658	-4 243
Deferred	26 939	33 716
Minority Interests	-1 003	- 757
CONSOLIDATED NET INCOME FOR THE PERIOD	**11 871**	**-69 654**

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

Caixa Económica Montepio Geral

Interim Consolidated Financial Statements

30 June 2014

(With Limited Review Report)

This Report is a translation to English of the Portuguese version. In case of doubt, or misinterpretation the Portuguese version will prevail.

August 2014
This report contains 150 pages

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
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LIMITED REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL INFORMATION ISSUED BY THE CMVM REGISTERED AUDITOR

(This report is a free translation to English from the original Portuguese version)

Introduction

1 In accordance with the requirements of "Código dos Valores Mobiliários" (CVM), we hereby present our Limited Review Report, on the interim consolidated financial information for the six months period ended 30 June 2014, of **Caixa Económica Montepio Geral**, which includes the consolidated statement of financial position (which shows a total of Euro 22,363,992 thousands and total equity attributable to equity and participation fund holders of Euro 1,720,366 thousands, including a consolidated net profit attributable to equity and participation fund holders of 11,871 thousands of Euro) and the consolidated statement of income, comprehensive income, changes in equity and cash flows, for the six months period then ended and in the corresponding notes to the financial statements.

2 The amounts included in the consolidated financial statements and in the additional financial information were extracted from the accounting records.

Responsabilities

3 The Executive Board of Directors is responsible for:

a) the preparation of consolidated financial information that present fairly the financial position of all the group companies included in the consolidation, the consolidated result 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 the IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by the Stock Exchange 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 matter that may have influenced the activity, financial position or results.

4 Our responsibility is to verify the consolidated financial information included in the above mentioned documents, namely if 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 work.

Scope

5 The work that we have performed was conducted with the objective of obtaining a moderate level of assurance about whether the consolidated financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the "Ordem dos Revisores Oficiais de Contas", and planned in accordance with that objective and included the following procedures:

a) mainly, inquiries and analytical procedures performed to review:

- the reliability of the assertions included in the consolidated financial information;
- the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
- the application, or not, of the going concern principle;
- the presentation of the consolidated financial information;
- if the consolidated financial information is complete, true, current, clear, objective and lawful; and

b) substantive tests on material non usual significant transactions.

6 We believe that our work provides a reasonable basis to issue our report on the interim financial information for the six months period ended at 30 June 2014.

Conclusion

7 Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the interim consolidated financial information as at 30 June 2014, is not free of material misstatements that affect its compliance with IAS 34 - Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 14 August 2014

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (no. 189)
Represented by
Jean-éric Gaign (ROC no. 1013)

FINANCIAL STATEMENTS

- NOTES TO THE FINANCIAL STATEMENTS
(Pages 4 to 150)

Caixa Económica Montepio Geral

Consolidated Income Statement
for the six months period ended at 30 June 2014 and 2013

(Amounts expressed in thousands of Euro)

	Notes	30 June 2014	30 June 2013
Interest and similar income	3	463 271	432 054
Interest and similar expense	3	302 695	330 127
Net interest income		160 576	101 927
Dividends from equity instruments	4	493	435
Fee and comission income	5	69 235	67 715
Fee and comission expense	5	(17 517)	(12 484)
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss	6	508	4 607
Net gains/(losses) arising from available for sale financial assets	7	275 067	38 190
Net gains/ (losses) arising from foreign exchange differences	8	9 849	8 607
Net gains/ (losses) arising from sale of other financial assets	9	(14 176)	(3 198)
Other operating income	10	(530)	(8 669)
Total operating income		483 505	197 130
Staff costs	11	95 282	96 655
General and administrative expenses	12	54 504	52 175
Depreciation	13	15 428	15 324
Total operating costs		165 214	164 154
Loans impairment	14	265 353	83 598
Other financial assets impairment	15	25 708	20 006
Other assets impairment	16	3 097	22 659
Other provisions	17	(1 252)	1 148
Operating profit		25 385	(94 435)
Share of profit of associates under the equity method	18	208	(3 935)
Profit before income tax		25 593	(98 370)
Taxes			
Current	33	(39 658)	(4 243)
Deferred	33	26 939	33 716
Profit for the period		12 874	(68 897)
Profit for the period attributable to			
share capital and participation fund		11 871	(69 654)
Non-controlling interests	50	1 003	757
Profit of the period		12 874	(68 897)

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Consolidated Balance Sheet as at 30 June, 2014 and 31 December, 2013

(Amounts expressed in thousands of Euro)

	Notes	30 June 2014	31 December 2013
Assets			
Cash and deposits at central banks	19	273 625	314 259
Loans and advances to credit institutions repayable on demand	20	221 808	233 785
Other loans and advances to credit institutions	21	512 797	330 063
Loans and advances to customers	22	15 516 930	15 555 141
Financial assets held for trading	23	62 080	64 106
Other financial assets at fair value through profit or loss	24	-	3 450
Financial assets available for sale	25	3 425 786	4 545 816
Hedging derivatives	26	546	503
Financial assets held to maturity	27	83 813	34 631
Investments in associated companies	28	32 279	42 399
Non current assets held for sale	29	715 289	681 388
Investment properties	30	715 728	543 534
Property and equipment	31	120 756	120 492
Intangible assets	32	63 459	59 279
Current income tax assets		559	1 832
Deferred income tax assets	33	339 680	336 264
Other assets	34	278 857	172 261
Total Assets		22 363 992	23 039 203
Liabilities			
Deposits from central banks	35	2 010 197	3 427 354
Deposits from other credit institutions	36	1 009 685	474 497
Deposits from customers	37	14 379 059	14 142 828
Debt securities issued	38	2 294 119	2 319 428
Financial liabilities relating to transferred assets	39	170 773	195 049
Financial liabilities held for trading	23	63 495	62 224
Hedging derivates	26	2 148	1 849
Provisions	40	6 177	8 014
Current income tax liabilities		3 189	1 353
Other subordinated debt	41	371 452	370 078
Other liabilities	42	321 157	389 186
Total Liabilities		20 631 451	21 391 860
Equity			
Share capital	43	1 500 000	1 500 000
Participation fund	44	200 000	200 000
Other capital instruments	45	8 273	8 273
Own securities	46	(3 577)	-
Revaluation reserves	48	39 719	(11 533)
Reserves and retained earnings	47 e 48	(35 920)	238 194
Consolidated profit for the period attributable to MGAM		11 871	(298 626)
Total equity attributable to MGAM		1 720 366	1 636 308
Non-controlling interests	50	12 175	11 035
Total Equity		1 732 541	1 647 343
		22 363 992	23 039 203

CHIEF ACCOUNTANT THE EXECUTIVE BOARD OF DIRECTORS

See accompanying notes to the Interim Consolidated Financial Statements

Caixa Económica Montepio Geral

Consolidated Income Statement
for the three months period between 1 April and 30 June 2014 and 2013

(Amounts expressed in thousands of Euro)

	Notes	2nd Quarter 2014	2nd Quarter 2013
Interest and similar income	3	240 918	215 395
Interest and similar expense	3	162 220	164 799
Net interest income		78 698	50 596
Dividends from equity instruments	4	459	412
Fee and comission income	5	36 159	35 052
Fee and comission expense	5	(9 262)	(6 665)
Net losses arising from assets and liabilities at fair value through profit or loss	6	(502)	7 443
Net gains/(losses) arising from available for sale financial assets	7	66 362	24 221
Net gains arising from foreign exchange differences	8	4 931	5 192
Net gains from sale of other financial assets	9	(9 224)	(1 034)
Other operating income	10	8 281	(10 861)
Total operating income		175 902	104 356
Staff costs	11	49 282	48 787
General and administrative expenses	12	27 996	29 024
Depreciation	13	6 237	7 832
Total operating costs		83 515	85 643
Loans impairment	14	115 885	65 412
Other financial assets impairment	15	7 519	15 758
Other assets impairment	16	1 435	14 487
Other provisions	17	(951)	606
Operating profit		(31 501)	(77 550)
Share of profit of associates under the equity method		7 745	(2 546)
Profit before income tax		(23 756)	(80 096)
Taxes			
Current	32	(17 169)	(2 318)
Deferred	32	17 643	28 948
Profit for the period		(23 282)	(53 466)
Profit for the period attributable to			
Institutional capital and Participation fund		(23 610)	(53 885)
Non-controlling interests	47	328	419
Profit of the period		(23 282)	(53 466)

CHIEF ACCOUNTANT

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See accompanying notes to the Interim Consolidated Financial Statements

Caixa Económica Montepio Geral

Consolidated Statement of Cash Flows

for the six months period ended at 30 June 2014 and 2013

(Amounts expressed in thousands of Euro)

	30 June 2013	30 June 2013
Cash flows arising from operating activities		
Interest income received	435 699	435 863
Commissions income received	469	67 867
Interest expense paid	(331 386)	(343 255)
Commissions expense paid	(26 659)	(6 588)
Payments to employees and suppliers	(161 985)	(162 314)
Recoveries on loans previously written off	7 298	4 166
Other payments and receivables	272 230	(104 774)
Taxes	-	(35 965)
	195 666	(145 000)
(Increase) / decrease in operating assets:		
Loans and advances to credit institutions and customers	(412 546)	271 763
Other assets	(84 152)	(39 446)
	(496 698)	232 317
(Increase) / decrease in operating liabilities:		
Deposits from clients	239 729	52 863
Deposits from credit institutions	535 295	(86 473)
Deposits from central banks	(1 405 000)	70 000
	(629 976)	36 390
	(931 008)	123 707
Cash flows arising from investing activities		
Dividends received	493	435
(Acquisition) / sale of trading financial assets	1 410	53 497
(Acquisition) / sale of other financial assets at fair value through profit or loss	3 450	5 491
(Acquisition) / sale of available for sale financial assets	1 183 513	(424 686)
(Acquisition) / sale of hedging derivatives	328	(513)
(Acquisition) / sale of held to maturity investments	(55 543)	(123)
(Acquisition) / sale of shares in associated companies	10 328	(397)
Deposits owned with the purpose of monetary control	8 245	(35 097)
Proceeds from sale of fixed assets	-	1 818
Acquisition of fixed assets	(172 194)	(8 871)
	980 030	(408 446)
Cash flows arising from financing activities		
Dividends paid	-	(1 692)
Repurchase of share instruments	(3 577)	-
Proceeds from issuance of bonds and subordinated debt	259 553	1 156 488
Reimbursement of bonds and subordinated debt	(335 499)	(864 183)
Increase / (decrease) in other sundry liabilities	(13 865)	(10 119)
	(93 388)	280 494
Net changes in cash and equivalents	(44 366)	(4 245)
Cash and equivalents balance at the beginning of the period	414 002	391 419
Net changes in cash and equivalents	(44 366)	(4 245)
Cash and equivalents balance at the end of the period	369 636	387 174
Cash and equivalents balance at the end of the period includes:		
Cash (note 19)	147 828	153 382
Loans and advances to credit institutions repayable on demand (note 20)	221 808	233 792
Total	369 636	387 174

Caixa Económica Montepio Geral

Consolidated Statement of Changes in Equity
for the six months period ended at 30 June 2014 and 2013

(Amounts expressed in thousands of Euro)

	Total equity	Share capital	Participation fund	Other capital instruments	General and special reserves	Fair value reserves	Other fair value reserves	Other reserves and retained earnings	Non-controlling interests
Balance on 31 December, 2012	1 634 970	1 295 000	-	15 000	254 095	(20 290)	18 321	65 887	6 957
Changes in fair value (note 52)	(16 337)	-	-	-	-	(16 337)	-	-	-
Actuarial losses for the period (note 53)	(21 598)	-	-	-	-	-	-	(21 598)	-
Deferred taxes related to balance sheet changes accounted for reserves (note 33)	2 250	-	-	-	-	2 676	-	(426)	-
Profit of the period	(68 897)	-	-	-	-	-	-	(69 654)	757
Non-controlling interests (note 50)	(259)	-	-	-	-	-	-	-	(259)
Dividends paid from Caixa Económica Montepio Geral (note 49)	(1 692)	-	-	-	-	-	-	(1 692)	-
Other reserves	(3 448)	-	-	-	-	-	(714)	(2 734)	-
Costs related to the issue of perpetual subordinated Instruments	(388)	-	-	-	-	-	-	(388)	-
Transfers of reserves:									
General reserve	-	-	-	-	1 597	-	-	(1 597)	-
Special reserve	-	-	-	-	113	-	-	(113)	-
Balance on 30 June, 2013	1 524 601	1 295 000	-	15 000	255 805	(33 951)	17 607	(32 315)	7 455
Changes in fair value (note 52)	49 773	-	-	-	-	49 773	-	-	-
Actuarial losses for the period (note 53)	(44 629)	-	-	-	-	-	-	(44 629)	-
Deferred taxes related to balance sheet changes accounted for reserves (note 33)	(16 888)	-	-	-	-	(12 536)	-	(4 352)	-
Profit for the period	(227 576)	-	-	-	-	-	-	(228 972)	1 396
Increase in share capital (note 43)	205 000	205 000	-	-	-	-	-	-	-
Increase in share capital by subscription of Participation fund (note 44)	200 000	-	200 000	-	-	-	-	-	-
Non-controlling interests (note 50)	2 618	-	-	-	-	-	-	-	2 618
Dividends from Finibanco Angola, S.A.	(434)	-	-	-	-	-	-	-	(434)
Other reserves	(38 022)	-	-	-	-	-	(32 426)	(5 596)	-
Costs related to the issue of perpetual subordinated Instruments	(373)	-	-	-	-	-	-	(373)	-
Repurchase of perpetual subordinated instruments	(6 727)	-	-	(6 727)	-	-	-	-	-
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

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income
for the six months period ended at 30 June 2014

(Amounts expressed in thousands of Euro)

		30 June 2014		
	Notes	**Total**	**Shareholders of the CEMG**	**Non-controlling interests**
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available-for-sale financial assets	45	84 273	84 273	-
Taxes	32	(21 939)	(21 939)	-
		62 334	62 334	-
Items that won't be reclassified into the Income Statement				
Actuarial losses for the period	50	25 496	25 496	-
Deferred taxes	32	(1 584)	(1 584)	-
		23 912	23 912	-
Profit for the period		12 874	11 871	1 003
Total comprehensive income/(loss) for the period		99 120	98 117	1 003

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income
for the six months period ended at 30 June 2013

(Amounts expressed in thousands of Euro)

		30 June 2013		
	Notes	**Total**	**Shareholders of the CEMG**	**Non-controlling interests**
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available-for-sale financial assets	45	(16 337)	(16 337)	-
Taxes	32	2 676	2 676	-
		(13 661)	(13 661)	-
Items that won't be reclassified into the Income Statement				
Actuarial losses for the period	50	(21 598)	(21 598)	-
Deferred taxes	32	(426)	(426)	-
Costs related to the issue of perpetual subordinated instruments		(388)	(388)	-
		(22 024)	(22 024)	-
Profit for the period		(68 897)	(69 654)	757
Total comprehensive income/(loss) for the period		(104 582)	(105 339)	757

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income
for the three months period between 1 April 2014 and 30 June 2014

(Amounts expressed in thousands of Euro)

		2nd Quarter 2014		
	Notes	**Total**	**Shareholders of the CEMG**	**Non-controlling interests**
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available-for-sale financial assets	45	(4)	(4)	-
Taxes	32	3	3	-
		(1)	(1)	-
Items that won't be reclassified into the Income Statement				
Deferred taxes	32	808	808	-
		808	808	-
Profit for the period		(23 282)	(23 610)	328
Total comprehensive income/(loss) for the period		(22 475)	(22 803)	328

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income
for the three months period between 1 April 2013 and 30 June 2013

(Amounts expressed in thousands of Euro)

		2nd Quarter 2013		
	Notes	**Total**	**Shareholders of the CEMG**	**Non-controlling interests**
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available-for-sale financial assets	45	(21 561)	(21 561)	-
Taxes	32	6 360	6 360	-
		(15 201)	(15 201)	-
Items that won't be reclassified into the Income Statement				
Actuarial losses for the period	50	(9 154)	(9 154)	-
Deferred taxes	32	2 453	2 453	-
		(6 701)	(6 701)	-
Profit for the period		(53 466)	(53 885)	419
Total comprehensive income/(loss) for the period		(75 368)	(75 787)	419

Caixa Económica Montepio Geral

Notes to the Interim Consolidated Financial Statements

30 June, 2013

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 30 June, 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 is designation to Montepio Holding, S.G.P.S., S.A. and as at 12 July 2013, Finibanco S.A. changed is 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 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 6 August, 2014. The financial statements are presented in Euro rounded to the nearest thousand.

All the references in this document relate to any normative always report to current version.

The consolidated financial statements for the semester ended 30 June, 2014 have been prepared in terms of recognition and measurement in accordance with the IFRS, established by the Bank of Portugal and in use in the period, being the presented disclosures according with the IAS 35 requisites. These financial statements also present an income statement of the second quarter of 2014 with comparative figures for the second quarter of last year. The financial statements for the six months ended 30 June, 2014 do not include all information to be disclosed in the complete annual financial statements.

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, unless in what concerns to the adoption of IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interest in Other Entities, with mandatory adoption at 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 (de facto 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 were prepared under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss (trading and fair value option) and available for sale assets, except those for which a reliable measure of fair value is not available. Financial assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the risk that is being hedged, 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 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 z).

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 has exposure, or rights, to variable returns derived of its involvement with this entity, and can reclaim them with the power that have over the entity relevant activities (de facto control). The financial statements of the subsidiaries are included on the consolidated financial statements since the moment that the Group acquire the control until the moment that the control ends.

As from 1 January, 2010, accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognize negative non-controlling interests. Previously, when the accumulated losses of a subsidiary attributable to the non-controlling interest exceed the equity of the subsidiary attributable to the non-controlling interest, the excess was attributed to the Group and charged to the income statement as it occurs. Profits subsequently reported by the subsidiary are recognised as profits of the Group until the prior losses attributable to non-controlling interest previously recognised by the Group have been recovered.

As from 1 January, 2010, 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.

Financial Investments in associated companies

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

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

- Representation on the 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

Goodwill deriving from concentration of business activities occurred until 1 January 2004 was recorded against reserves.

Concentrations of business activities occurred after 1 January 2004 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, including the costs directly attributable to acquisition, for those that occurred until 31 December 2009.

After 1 January 2010, the record of the costs directly attributable to acquisition of a subsidiary are directly booked in the income statement.

As from the transition date to IFRS, 1 January 2004, the totality of positive goodwill derived from acquisitions is recognised as an asset and recorded in acquisition cost, and is 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 recognized directly in profit and loss in the period the business combination occurs.

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

Until 31 December 2009, contingent acquisition prices were determined based on the best prevision of probable payments, being the future changes recorded against goodwill. As from 1 January 2010, goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement, or reserves, if applicable.

Purchases and dilution of non-controlling interests

Until 31 December 2009, when an investment in a subsidiary were alienated without occurring control loss, the gap between the sale value and the accounting value of the equity allocated to the capital proportion alienated by the Group, plus the goodwill accounting value relative to the subsidiary, were recognised in the income statement as a profit or loss derived from the alienation. The dilution effect occur when the investment percentage in a subsidiary decreased even if the Group didn't had alienated its capital shares from that subsidiary, for example, in case of the Group didn't proportionally participate in the subsidiary's capital increase. Until 31 December 2009, the Group recognised the profits and losses resulting from the dilution of an investment on a subsidiary following an alienation or a capital increase in profit and loss for the year..

Also in acquisitions of non-controlling interest, until 31 December 2009, the differences between the acquisition value and the fair value of the non-controlling interest acquired were recorded against goodwill. Acquisitions of non-controlling interest by written put options drove to the recognition of a responsibility for the fair value to pay, against non-controlling interest in the acquired share. Whenever a gap exists between the non-controlling interest and the responsibility fair value, the gap was recorded against goodwill. The fair value was determined based on the contractual price, which may be fixed or variable. In case of variable price, the responsibility value is updated against goodwill and the financial effect of discount (unwinding) is recorded against the income statement. This accounting treatment stands to the options contracted until 31 December 2009.

Since 1 January 2010, the non-controlling interest acquisition that did not result in a control change over a subsidiary, is accounted as a transaction with shareholders and is not recognised additional goodwill derived from this transaction. The difference between the acquisition cost and the fair value of the non-controlling interests is directly recognised in reserves. Likewise before, the profits and losses derived from alienations of controlling interests, which didn't result in a control loss over a subsidiary, are always recognised 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, proportional consolidation or 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 exchange differences from hedging instruments related with foreign operations are eliminated from profit and loss in the consolidation process against the exchange differences booked in reserves resulting from those investments. Whenever the hedge is not fully effective, the ineffective portion is accounted against profit and loss for the period.

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. These 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 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 recognized as interest margin.

Trading derivatives with a positive fair value are included in the caption Financial assets held for trading and trading derivatives with negative fair value are included in the caption 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 own issues. The variations of the Group's credit risk related with financial liabilities accounted under air 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 recognized as fair value reserves are recognized under Net gains / (losses) arising from available for sale financial assets. Interest income from debt instruments is recognized in Net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends are recognized 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 recognized at fair value and subsequently measured at amortized cost. The interest is calculated using the effective interest rate method and recognized in Net interest income. The impairment losses are recognized 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 recognized 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 recognized 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 recognized in net interest income.

The financial gains or losses calculated at the time of the repurchase of other financial liabilities are recognized as Net gains/(losses) arising from financial operations 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, an extended 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized in equity - cash flow hedge reserves. Any gain or loss relating to the ineffective portion of the hedge is immediately recognized 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

- Recognized 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 recognized in equity at that time remains in equity until the forecasted transaction is ultimately recognized 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 recognized 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 recognized in equity. The gain or loss relating to the ineffective portion is immediately recognized 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 recognized in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognized in equity, net of transaction costs.

Income from equity instruments (dividends) are recognized 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 recognized in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognized as a financial liability. Securities borrowed under securities borrowing agreements are not recognized. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognized 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 recognized on the balance sheet. The amounts paid are recognized 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 recognized 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 recognized 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 it is 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 evaluations performed by the Group.

The subsequent measurement 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 period.

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 amortization 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 recognized in the interests and similar incomes 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 recognized 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 recognized 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 recognized 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) from trading and hedging activities. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities recognized in the Fair Value Option category, the interest component of the changes in their fair value is recognized under interest income or expense (Net interest income).

m) Financial results (Results arising from trading and hedging activities ,available for sale financial assets and net gains /losses arising from held to maturity investments)

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 recognized in this caption.

n) Fee and commission income

Fees and commissions are recognized according to the following criteria:

- Fees and commissions which are earned as services are provided are recognized 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 recognized 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 recognized in Net interest income.

o) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognized in the Group financial statements. Fees and commissions arising from this activity are recognized 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 recognized 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 recognized 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 expertise responsible for the evaluation 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, cash and loans and advances to credit institutions.

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 recognized 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 recognized 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 recognized 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 funds that are 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 and 30 June 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 6.5% 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 free from Income Tax ("IRC"), in accordance with subparagraph a) n. 1 of Article 10 of the IRC. This exemption been recognized by Order of 3 December 1993, 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 recognized in profit or loss comprises current and deferred tax effects. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly to reserves in which case it is recognized in reserves. Deferred taxes arising from the revaluation of financial assets available for sale and cash flow hedging derivatives are recognized in equity and are recognized 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 recognized 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. A business segment is a Group's component: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operational results are regularly review by the main responsible for taking Group operational decisions about allocating resources to the segment and assess its performance; and (iii) which distinct financial information is available. The Group controls its activity through the follow main operational segments: (i) Operational: Retail Banking, Companies and Others segments, and (ii) Geographical: Portugal and International Area (Angola and Cabo Verde).

y) Provisions

Provisions are recognized 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 derecognized 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 Group 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 Group sells insurance contracts. As remuneration for the insurance brokerage services rendered, the Group receives commission for brokering insurance contracts, which is defined in agreements/protocols established between the Group 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 Group 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 recognized in an accruals basis. Fees paid in a different period from that to which it relates is 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, or receive or pay funds relating to insurance contracts. Thus, there are no other assets, liabilities, income or expenses to be recognized 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 requires the Executive Board of Director 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 Executive Board of Directors, the Group reported results would differ if a different treatment was chosen. The Executive Board 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, evaluations are generally obtained through market quotation or evaluation 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 recognized with a consequent impact in the consolidated income statement of the Group.

Impairment losses on loans and advances to customers

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

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

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

Fair value of derivatives

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

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

Held-to-maturity investments

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

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

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

Entities included in the consolidation perimeter

For the purposes of determining entities to include in the consolidation perimeter, the Group assess whether it 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, recognized in the period.

The Portuguese Tax Authorities are entitled to review the CEMG 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 Committee 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, estimated returns on investment, 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 financial assets and liabilities at fair value through profit or loss and available for sale financial assets

IFRS requires 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)

	Jun 2014	**Jun 2013**
Net interest income	160 576	101 927
Net gains arising from assets and liabilities at fair value through profit and loss	508	4 607
Net gains arising from available-for-sale financial assets	275 067	38 190
	436 151	144 724

3 Net interest income

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014			Jun 2013		
	Assets / liabilities at amortized cost and available-for-sale	**Assets / liabilities at fair value through profit or loss**	**Total**	**Assets / liabilities at amortized cost and available-for-sale**	**Assets / liabilities at fair value through profit or loss**	**Total**
Interest and similar income:						
Interest from loans and advances	266 804	-	266 804	256 033	-	256 033
Interest from other assets	1 663	-	1 663	865	-	865
Interest from deposits with banks	384	-	384	310	-	310
Interest from available-for-sale finacial assets	129 994	-	129 994	106 747	-	106 747
Interest from held-to-maturity financial assets	2 615	-	2 615	338	-	338
Interest from hedging derivates	418	-	418	421	-	421
Interest from held for trading financial assets	-	53 362	53 362	-	54 862	54 862
Other interest and similar income	8 031	-	8 031	12 478	-	12 478
	409 909	53 362	463 271	377 192	54 862	432 054
Interest and similar expense:						
Interest from deposits	163 802	-	163 802	167 328	-	167 328
Interest from securities issued	47 724	-	47 724	55 345	-	55 345
Interest from loans	2 019	-	2 019	1 960	-	1 960
Interest from other funding	3 674	-	3 674	12 417	-	12 417
Interest from hedging derivates	632	-	632	647	-	647
Interest from held for trading financial assets	-	54 115	54 115	-	53 967	53 967
Other interest and similar expense	30 729	-	30 729	38 463	-	38 463
	248 580	54 115	302 695	276 160	53 967	330 127
Net interest income	161 329	(753)	160 576	101 032	895	101 927

The balance Interest on loans and advances includes, at 30 June 2014, the amount of Euro 10,704 thousands (30 June 2013: Euro 10,021 thousands) related to commissions and other gains / losses which are accounted for under the effective interest method, as referred in the accounting policy described in note 1 l).

The balance Interest and similar expense – Interest from deposits with banks includes the negative amount of Euro 4,293 thousands regarding the accounting of interest on deposits with increasing interest rates (30 June 2013: positive Euro 3,525 thousands).

4 Dividends from equity instruments

This balance includes dividends and income from investment fund units received during the period.

5 Net fee and commission income

The amount of this account is comprised of:

(thousands of Euro)

	Jun 2014	Jun 2013
Fee and commission income:		
From banking services	49 743	47 942
From transactions order by third parties	10 394	7 942
From insurance activity	3 712	3 175
From commitments to third parties	4 798	4 380
Other fee and commission income	588	4 276
	69 235	67 715
Fee and commission expense:		
From banking services rendered by third parties	15 526	10 097
From transactions with securities	283	257
Other fee and commission expense	1 708	2 130
	17 517	12 484
Net fee and commission income	51 718	55 231

At 30 June 2014 and 2013, commissions received on insurance brokerage services or reinsurance is made up as follows:

(thousands of Euro)

	Jun 2014	Jun 2013
Life insurance:		
Mortgage	584	589
Consumer	625	336
Other	819	695
	2 028	1 620
Non-life insurance:		
Mortgage	1 011	1 042
Consumer	69	55
Other	604	458
	1 684	1 555
	3 712	3 175

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

The amount of this account is comprised of:

(thousands of Euro)

	Jun 2014			Jun 2013		
	Gains	Losses	Total	Gains	Losses	Total
Financial assets and liabilities held for trading						
Bonds and other fixed income securities						
Issued by public entities	96	-	96	1	-	1
Issued by other entities	108	57	51	48	69	(21)
Shares	1 678	21 831	(20 153)	2 917	2 249	668
Investment units	-	4 041	(4 041)	46	64	(18)
	1 882	25 929	(24 047)	3 012	2 382	630
Derivative financial instruments						
Exchange rate contracts	-	36 833	(36 833)	47 859	47 550	309
Interest rate contracts	126 891	62 884	64 007	200 096	227 451	(27 355)
Credit default contracts	134	107	27	365	228	137
Others	10 847	17 352	(6 505)	55 636	18 432	37 204
	137 872	117 176	20 696	303 956	293 661	10 295
Other financial assets at fair value through profit or loss						
Bonds and other fixed income securities issued by other entities	1 216	275	941	1 059	-	1 059
	1 216	275	941	1 059	-	1 059
Financial liabilities						
Deposits from other credit institutions	188	-	188	204	-	204
Deposits from customers	84	107	(23)	275	219	56
Other subordinated debt	732	801	(69)	5 414	4 901	513
Other	3 921	1 099	2 822	1 606	9 756	(8 150)
	4 925	2 007	2 918	7 499	14 876	(7 377)
	145 895	145 387	508	315 526	310 919	4 607

The balance Financial liabilities – Other, includes fair value changes related with changes in the own credit risk (spread) of operations for financial liabilities instruments arising at fair value through profit or loss, as describe on notes 36, 37, 38 and 41.

In accordance with the accounting policies followed by the Group, financial instruments are initially recognized 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 a evaluation 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)

	Jun 2014			Jun 2013		
	Gains	Losses	Total	Gains	Losses	Total
Bonds and other fixed income securities						
Issued by public entities	262 587	333	262 254	32 508	653	31 855
Issued by other entities	532	875	(343)	5 494	1 587	3 907
Shares	798	2	796	184	621	(437)
Other variable income securities	12 370	10	12 360	2 867	2	2 865
	276 287	1 220	275 067	41 053	2 863	38 190

As at 30 June 2014, the balance Bonds and other fixed income securities – Issued by public entities includes the amount of Euro 262,147 thousands (30 June 2013: Euro 27,127 thousands) relative to added values resulting from the alienation of treasury bonds of Portuguese domestic debt.

The balance Bonds and other fixed income securities – Issued by other entities includes the amount of Euro 267,147 thousands (30 June 2013: Euro 4,342 thousands), resulting from a set of repurchase transactions carried out under a number of initiatives undertaken by the CEMG, for management of financial and capital structure, namely the repurchase operations of bonds Pelican Mortgage No. 3, as describe in note 56.

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

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014			Jun 2013		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Foreign exchange differences	26 301	16 452	9 849	33 292	24 685	8 607

This account is comprised of 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)

	Jun 2014	**Jun 2013**
Sale of real estate properties	(8 866)	(3 754)
Sale of investments in associates	-	1 000
Other	(5 310)	(444)
	(14 176)	(3 198)

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 / (costs)

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014	Jun 2013
Other operating income:		
Income from services	3 174	3 337
Reimbursement of expenses	3 670	4 050
Profits arising from deposits on demand management	4 225	7 970
Repurchase of own securities	834	420
Other	26 978	14 993
	38 881	30 770
Other operating expense:		
Indirect taxes	6 570	5 060
Donations and membership	243	196
Deposit Guarantee Fund	1 558	1 624
Specific contribution for the Resolution Fund	907	1 145
Specific contribution for the Banking Sector	3 815	2 579
Other	26 318	28 835
	39 411	39 439
Other net operating income	(530)	(8 669)

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.

11 Staff costs

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014	**Jun 2013**
Remunerations	69 535	71 893
Mandatory social security charges	18 699	19 537
Charges with the pensions fund	4 388	2 622
Other staff costs	2 660	2 603
	95 282	96 655

As at 30 June 2014, the caption Charges with the pensions fund includes the amount of Euro 344 thousands related to the impact of early retirements.

According to IAS 19, when exist changes on benefits plan, that consubstantiates in a current value decrease of the provided services responsibilities, is named as negative past service cost. In the same base and as referred in note 53, the Group had recorded the referred impact on the statements.

12 General and administrative expenses

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014	Jun 2013
Rental costs	14 143	14 981
Specialised services:		
IT services	5 500	4 688
Independent work	2 892	2 621
Other specialised services	8 756	8 585
Advertising costs	4 492	2 379
Communication costs	4 564	4 864
Water, energy and fuel	2 380	2 789
Maintenance and related services	2 581	2 528
Transportation	1 409	1 653
Insurance	1 444	1 382
Travel, hotel and representation costs	1 229	974
Consumables	970	1 304
Training costs	141	167
Other supplies and services	4 003	3 260
	54 504	52 175

The balance Rental costs includes the amount of Euro 13,112 thousands (30 June 2013: Euro 13,119 thousands) related to rents paid regarding buildings used by the Group as renter.

13 Depreciation

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014	Jun 2013
Intagible assets:		
Software	6623	6013
Othwe intangible assets	-	279
	6 623	6 292
Other tangible assets:		
Land and buildings	1 921	2 406
Equipment:		
Furniture	423	1 079
Office equipment	13	10
Computer equipment	2 680	3 419
Interior installations	818	37
Motor vehicles	188	49
Security equipment	493	1 028
Operational lease	2 201	907
Other tangible assets	68	97
	8 805	9 032
	15 428	15 324

14 Loans impairment

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014	Jun 2013
Other loans and advances to credit instituitions:		
Charge for the period	60	1 098
Write-back for the period	(503)	(440)
	(443)	658
Loans and advances to costumers:		
Charge for the period net of reversals	273 094	87 106
Recovery of loans and interest charged-off	(7 298)	(4 166)
	265 796	82 940
	265 353	83 598

The caption Loans impairment is related to an estimate of the incurred losses determined according with the methodology for a regular evaluation of objective evidence of impairment, as referred in accounting policy described in note 1 c).

15 Other financial assets impairment

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014	Jun 2013
Impairment for securities		
Charge for the period	34 909	35 033
Write-back for the period	(9 201)	(15 027)
	25 708	20 006

As at 30 June 2013, the balance Impairment for financial assets available for sale – charge for the period includes the amount of Euro 1,279 thousands that corresponds to the impairment recognized for investments of 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 60.

16 Other assets impairment

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014	Jun 2013
Impairment for non-current assets held for sale:		
Charge for the period net of reversals	(869)	23 832
	(869)	23 832
Impairment for other assets:		
Charge for the period	4 417	621
Write-back for the period	(451)	(1 794)
	3 966	(1 173)
	3 097	22 659

17 Other provisions

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014	Jun 2013
Provision for other liabilities and charges:		
Charge for the period	273	1 196
Write-back for the period	(1 525)	(48)
	(1 252)	1 148

18 Share of profit of associates under the equity method

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

(Thousands of Euro)

	Jun 2014	Jun 2013
Montepio Seguros, S.G.P.S., S.A.	361	-
Iberpartners Cafés, S.G.P.S., S.A.	(9)	-
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	(144)	(79)
Lusitania Vida, Companhia de Seguros, S.A.	-	975
Nutre S.G.P.S., S.A.	-	(1 931)
Lusitania, Companhia de Seguros, S.A.	-	(2 900)
	208	(3 935)

19 Cash and deposits at central banks

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Cash	147 828	180 217
Deposits at central banks		
Bank of Portugal	67 626	87 459
Other central banks	58 171	46 583
	273 625	314 259

The balance Deposits at central banks – Bank of Portugal includes deposits with the Central Bank to satisfy the legal requirements to maintain a cash reserve for which the value is based on the value of deposits and other 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 requirement period.

As at 30 June 2014, these deposits at Bank of Portugal presented an average interest rate of a 0.15% (31 December 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)

	Jun 2014	Dec 2013
Credit institutions in Portugal	165 024	183 356
Credit institutions abroad	18 300	15 302
Amounts due for collection	38 484	35 127
	221 808	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)

	Jun 2014	Dec 2013
Loans and advances to credit institutions in Portugal		
Deposits	1 076	1 135
Loans	106 996	14 865
Other loans and advances	3 003	4 002
	111 075	20 002
Loans and advances to credit institutions abroad		
Deposits	10 091	9 990
Short term deposits	294 002	186 615
Other loans and advances	97 996	114 266
	402 089	310 871
	513 164	330 873
Impairment for loans and advances to credit institutions	(367)	(810)
	512 797	330 063

The main loans and advances to credit institutions in Portugal, as at 30 June 2014, bear interest at an average annual interest rate of 0.17% (31 December 2013: 1%).

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

On operations of derivatives financial instruments with institutional counterparts, and according with the defined on respective contracts, CEMG owns an amount of Euro 93,492 thousands (30 June 2013: Euro 118,190 thousands) relative to applications, given as collateral for the referred operations, in credit institutions.

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

(Thousands of Euro)

	Jun 2014	Jun 2013
Balance on 1 January	810	25
Charge for the period	60	1 098
Write-back for the period	(503)	(440)
Balance on 30 June	367	683

22 Loans and advances to customers

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Domestic loans:		
Corporate:		
Loans	2 420 036	2 419 920
Commercial lines of credits	1 296 109	1 296 183
Loans represented by securities	645 980	596 275
Finance leases	385 006	374 122
Discounted bills	94 045	112 777
Factoring	80 024	76 554
Overdrafts	78 831	55 754
Other loans	1 183 734	1 055 583
Retail:		
Mortgage loans	8 116 717	8 281 270
Finance leases	78 736	64 624
Consumer and other loans	1 089 557	1 104 246
	15 468 775	15 437 308
Foreign loans:		
Corporate	208 887	109 887
Retail	54 753	55 306
	15 732 415	15 602 501
Correction value of assets subject to hedge operations		
Other credits	4 752	5 135
Overdue loans and interest:		
Less than 90 days	95 782	121 666
More than 90 days	997 540	877 365
	1 093 322	999 031
	16 830 489	16 606 667
Impairment for credit risks	(1 313 559)	(1 051 526)
	15 516 930	15 555 141

At 30 June 2014, the balance Loans and advances to customers includes the amount of Euro 2,727,415 thousands (31 December 2013: Euro 2,718,554 thousands) related to the issue of covered bonds held by the Group, as referred in note 38.

As referred in note 60, the Group performed a set of sales of Loans and advances to customers for a Fund specialized in the recovery of loans. The total amount of loans sold amounted to Euro 16,453 thousands (31 December 2013: Euro 54,444 thousands).

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 755,786 thousands and impairment in the amount of Euro 21,029 thousands, as described in note 25.

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 1M + 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, according to note 10;

– 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, according to note 10.

– 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 securitization 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 taken 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 30 June 2014, the value of loans and advances to customers (net of impairment), includes the amount of Euro 191,883 thousands (31 December 2013: Euro 215,810 thousands) related to securitisation transactions where, in accordance with the accounting policy described in note 1 b), the SPE's are subject of consolidation in the Group under the integral method, as referred in note 56.

As at 30 June 2014, the balance Loans and advances to customers includes the amount of Euro 3,170,705 thousands (31 December 2013: Euro 3,757,202 thousands) related with securitized loans and, in accordance with note 1 g), were not subject to derecognition.

In the balance Correction of asset values subject to hedge operations is accounted the adjustment to the fair value of portfolio that is hedge. The evaluation is accounted for in the income statement, in accordance with note 1 d), being recognised at 30 June 2014 the amount of Euro 160 thousands (31 December 2013: Euro 687 thousands) corresponding to changes in fair value relative to the Group credit risk, as referred in note 23.

The fair value of the portfolio of loans to customers is presented in note 52.

The analysis of Loans and advances to customers, by maturity date and type of credit as at 30 June 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	450 545	1 316 807	9 997 549	640 959	12 405 860
Other guarantee loans	81 398	998 678	439 153	254 472	1 773 701
Unsecured loans	583 207	781 037	307 736	140 141	1 812 121
Public sector loans	549	10 123	43 003	90	53 765
Foreign loans	108 029	129 068	26 543	7 276	270 916
Finance leases loans	12 243	158 614	292 885	50 384	514 126
	1 235 971	3 394 327	11 106 869	1 093 322	16 830 489

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

(Thousand 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
Unsecured loans	1 064 835	154 603	378 679	191 801	1 789 918
Public sector loans	395	13 415	32 826	90	46 726
Foreign loans	20 666	134 461	10 066	6 086	171 279
Finance lease loans	2 123	147 216	289 407	44 917	483 663
	2 342 229	2 139 181	11 126 226	999 031	16 606 667

The balance Financial leases, by the period to maturity as at 30 June 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	78 736	260 738	173 559	513 033
Outstanding interest	(15 911)	(64 852)	(37 730)	(118 493)
Residual Values	10 756	20 110	38 336	69 202
	73 581	215 996	174 165	463 742

The balance Financial leases, by the period to 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)

	Jun 2014	**Dec 2013**
Asset-backed loans	640 959	500 663
Other guarantee loans	4 472	255 474
Unsecured loans	140 141	191 801
Public sector loans	90	90
Foreign loans	7 276	6 086
Finance leases loans	50 384	44 917
	843 322	999 031

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

(Thousands of Euro)

	Jun 2014	**Dec 2013**
Corporate:		
Construction / Production	237 357	224 435
Investment	235 920	199 332
Treasury	343 378	306 764
Other loans	5 717	7 198
Retail:		
Mortgage loans	110 348	111 223
Consumer credit	59 104	56 420
Other loans	55 757	54 001
Public sector	-	90
Other segments	45 741	39 568
	1 093 322	999 031

The impairment for credit risks is analysed as follows:

(Thousands of Euro)

	Jun 2014	Jun 2013
Balance on 1 January	1 051 526	922 284
Charge for the period net of reversals	273 094	87 106
Loans charged-off	(18 586)	(16 132)
Transfers	7 525	7 420
Others	-	13
Balance on 30 June	1 313 559	1 000 691

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), and according with "Carta-Circular" no. 15/2009 of the Bank of Portugal, 28 January, 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)

	Jun 2014	Dec 2013
Asset-backed loans	779 196	683 946
Other guaranteed loans	323 973	237 289
Unsecured loans	210 390	130 291
	1 313 559	1 051 526

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

(Thousands of Euro)

	Jun 2014	Dec 2013
Asset-backed loans	5 830	32 460
Other guarateed loans	3 411	125 739
Unsecured loans	9 345	157 353
	18 586	315 552

The recovered loans and overdue interest, performed between 1 January and 30 June 2014 and between 1 January and 31 December 2013, reached the amount of Euro 7,298 thousands and Euro 9,015 thousands, respectively related with the recovery of asset-backed loans, as referred in note 14.

As at 30 June 2014 and 31 December 2013, the impairment detail, according to accounting policy in note 1 c), is as follows:

(Thousands of Euro)

	Jun 2014						
	Impairment in an individual basis		Impairment in a portfolio basis		Total		
	Loan Value	Impairment	Loan Value	Impairment	Loan Value	Impairment	Loans net from impairment
Loans to companies	5 418 907	700 460	2 713 108	320 620	8 132 015	1 021 080	7 110 935
Loans to costumers - Housing	5 516	1 067	8 209 040	181 873	8 214 556	182 940	8 031 616
Loans to costumers - Others	74 813	13 953	889 590	95 586	964 403	109 539	854 864
	5 499 236	715 480	11 811 738	598 079	17 310 974	1 313 559	15 997 415

(Thousands of Euro)

	Dec 2013						
	Impairment in an individual basis		Impairment in a portfolio basis		Total		
	Loan Value	Impairment	Loan Value	Impairment	Loan Value	Impairment	Loans net from impairment
Loans to companies	5 039 348	496 160	2 805 125	292 474	7 844 473	788 634	7 055 839
Loans to costumers - Housing	8 128	772	8 265 727	166 597	8 273 855	167 369	8 106 486
Loans to costumers - 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, also have the guarantees granted, commitments to third parties and open documentary credits, is splitted between impaired credit and credit not impaired, and is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Total of loans	17 310 974	17 085 343
Loans and advances to customers with impairment		
Individually significant		
Gross amount	5 499 236	5 121 748
Impairment	(715 480)	(502 671)
Net book amount	4 783 756	4 619 077
Parametric analysis		
Gross amount	2 755 200	2 517 444
Impairment	(588 386)	(536 756)
Net book amount	2 166 814	1 980 688
Loans and advances to customers without impairment	9 056 538	9 446 151
Impairment (IBNR)	(9 693)	(12 099)
	15 997 415	16 033 817

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 evaluation entities or through the application of evaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees 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.

At 30 June 2014, the credit expositions by segment and impairment are presented as follows:

(thousand of Euros)

	Exposition Jun 2014					**Impairment Jun 2014**		
Segment	Total Exposition	Credit in compliance	Which Reestructured	Default Credit	Which Restructed	Total Impairment	Credit in compliance	Credit in compliance
Corporate	5 391 535	4 530 980	150 581	860 554	250 901	516 052	200 338	315 714
Construction and CRE	2 740 481	1 270 659	208 949	1 469 824	624 359	505 027	47 624	457 403
Privates - Housing	8 214 556	7 628 703	269 364	585 852	124 987	182 939	14 259	168 680
Privates - others	964 402	782 086	34 905	182 316	32 009	109 541	14 037	95 504
	17 310 974	14 212 428	663 799	3 098 546	1 032 256	1 313 559	276 258	1 037 301

(thousands of Euros)

		Total Exposition Jun 2014						**Total Impairment Jun 2014**			
		Credit in compliance			Credit in compliance			Default Credit		Default Credit	
Segment	Exposition Total Jun 2014	without signs	Delay days <30 with signs	Sub-total	Delay days <= 90*	Delay Days >90 days	Impairment Total Jun 2014	Delay days <30	Delay days Between 30 - 90	Delay days <=90*	Delay Days >90 days
Corporate	5 391 535	3 897 778	565 217	4 462 995	270 624	589 930	516 052	190 422	9 916	70 871	244 843
Construction and CRE	2 740 481	1 049 171	414 619	1 463 790	627 300	842 524	505 028	45 339	2 286	153 598	303 805
Privates - Housing	8 214 556	6 746 441	778 336	7 524 777	15 744	570 109	182 939	7 548	6 711	3 354	165 326
Privates - Others	964 402	631 172	129 694	760 866	9 853	172 464	109 540	10 907	3 129	3 965	91 539
	17 310 974	12 324 562	1 887 866	14 212 428	923 521	2 175 027	1 313 559	254 216	22 042	231 788	805 513

* Credit with payments of Capital or overdue interest less than 90 days, where there is evidences that justify its classification as a credit in risk, particularly the debtor bankruptcy, among others.

At 30 June 2014, the credit portfolio by segment and production year are presented as follows:

	Corporate			**Construction and CRE**			**Privates - Housing**			**Privates - Others**		
Production year	Operations Number	Amount	Constituted Impairment	Operations Number	Amount	Constituted Impairment	Operations Number	Amount	Constituted Impairment	Operations Number	Amount	Constituted Impairment
2004 and before	3 441	165 354	22 534	2 525	465 528	157 911	70 256	2 956 095	75 891	46 962	51 171	10 028
2005	1 123	63 009	7 718	696	164 384	46 540	15 960	972 211	22 208	5 924	17 122	3 183
2006	1 596	102 072	11 030	949	231 008	58 528	18 966	1 173 039	28 973	10 780	57 594	10 731
2007	3 461	188 239	27 893	1 617	299 968	48 612	19 197	1 170 486	28 256	51 728	76 699	15 798
2008	9 797	199 938	35 469	3 067	214 537	36 382	9 960	608 117	12 652	67 659	83 008	14 393
2009	12 802	307 962	41 419	4 241	273 869	48 296	5 563	388 563	6 027	51 618	91 753	15 426
2010	14 913	562 344	112 554	2 994	214 396	34 173	5 732	433 443	5 294	31 193	115 307	15 958
2011	18 994	485 908	48 473	4 194	182 520	22 671	2 248	170 167	1 739	31 250	108 207	12 018
2012	13 006	562 743	44 131	2 848	193 091	23 654	1 543	117 181	1 179	19 216	86 664	6 194
2013	22 095	1 238 725	67 348	2 778	317 815	24 221	1 903	153 131	605	26 951	168 409	4 385
2014	20 031	1 515 241	97 483	3 570	183 365	4 041	916	72 123	115	17 964	108 468	1 425
	121 259	5 391 535	516 052	29 479	2 740 481	505 029	152 244	8 214 556	182 939	361 245	964 402	109 539

At 30 June 2014, the exposition gross value and individual/collective impairment by segment are presented as follows:

(thousands of Euros)

	Corporate		**Construction and CRE**		**Privates - Housing**		**Privates - Others**		**Total**	
	Exposition	Impairment	Exposition	Impairment	Exposition	Impairment	Exposition	Impairment	Exposition	Impairment
Evaluation										
Individual	3 198 231	314 697	2 220 677	385 762	5 516	1 067	74 813	13 954	5 499 237	715 480
Collective	2 193 304	201 355	519 805	119 267	8 209 040	181 872	889 589	95 585	11 811 737	598 079
	5 391 535	516 052	2 740 482	505 029	8 214 556	182 939	964 402	109 539	17 310 974	1 313 559

At 30 June 2014, the exposition gross value and individual/collective impairment by activity sector are presented as follows:

(thousands of Euros)

	Construction		**Industry**		**Commerce**		**Real Estate Activities**		**Other activities**		**Total**	
	Exposition	Impairment	Exposition	Impairment	Exposition	Impairment	Exposition	Impairment	Exposition	Impairment	Exposition	Impairment
Evaluation												
Individual	1 458 888	262 495	599 609	42 179	412 483	39 332	682 168	115 846	2 265 759	240 608	5 418 907	700 460
Collective	366 376	79 700	714 225	57 815	721 893	90 203	138 956	20 334	771 659	72 568	2 713 109	320 620
	1 825 264	342 195	1 313 834	99 994	1 134 376	129 535	821 124	136 180	3 037 418	313 176	8 132 016	1 021 080

At 30 June 2014, the exposition gross value and individual/collective impairment by geography are presented as follows:

(thousands of Euros)

	Portugal		**Angola**		**Total**	
	Exposition	Impairment	Exposition	Impairment	Exposition	Impairment
Evaluation						
Individual	5 499 236	715 480	-	-	5 499 236	715 480
Collective	11 447 385	583 982	364 353	14 097	11 811 738	598 079
	16 946 621	1 299 462	364 353	14 097	17 310 974	1 313 559

At 30 June 2014, the restructured credit portfolio by applied restructuration measure is presented as follows:

(thousands of Euros)

	Jun 2014								
	Credit in compliance			Default Credit			Total		
Measure	Operations Number	Exposition	Impairment	Operations Number	Exposition	Impairment	Operations Number	Exposition	Impairment
Term extension	1 188	93 970	2 369	436	61 663	14 791	1 624	155 633	17 160
Shortage period	4 067	429 004	24 732	2 224	722 424	182 385	6 291	1 151 428	207 117
New operation with settlement	1 104	50 804	2 399	389	18 995	5 836	1 493	69 799	8 235
Interest rate decrease	36	9 026	217	162	16 510	4 079	198	25 536	4 296
Others	590	80 995	10 010	429	212 664	85 408	1 019	293 659	95 418
	6 985	663 799	39 727	3 640	1 032 256	292 499	10 625	1 696 055	332 226

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

(thousands of Euros)

	Jun 2014
Initial balance of the restructured portfolio (gross of impairment)	1 624 305
Restructured credit in the period	123 216
Accrued interest of the restructured portfolio	457
Restructured credit liquidation (partial or total)	(57 558)
Reclassified credits from "restructured" to "normal"	(275)
Others	5 910
Final balance of the restructured portfolio (gross of impairment)	1 696 055

At 30 June 2014, the fair value of collateral underlying to credit portfolio of Corporate, Construction, Commercial Real Estate (CRE) and Housing segments is presented as follows:

(thousands of Euros)

	Contruction and CRE				**Housing**			
	Real Estate		**Others real collaterals**		**Real Estate**		**Others real collaterals**	
Fair value	Number	Amount	Number	Amount	Number	Amount	Number	Amount
<0.5 M€	5 212	726 224	2 167	203 175	117 788	15344 209	297	12 433
>=0.5 M€ e <1 M€	504	353 924	-	-	470	293 581	-	-
>=1 M€ e <5 M€	694	1474 968	2	4 549	45	62 644	1	1 504
>=5 M€ e <10 M€	98	692 427	-	-	-	-	-	-
>=10 M€ e <20 M€	47	615 799	-	-	-	-	-	-
>=20 M€ e <50 M€	13	416 113	-	-	-	-	-	-
	6 568	4279 455	2 169	207 724	118 303	15700 434	298	13 937

At 30 June 2014, the LTV ratio of Corporate, Construction and CRE and Housing segments is presented as follows:

(thousands of Euros)

	Jun 2014			
Segment / Ratio	**Number of Real Estate**	**Credit in compliance**	**Default credit**	**Impairment**
Corporate				
Without Real Estate associated *	n/a	3 659 605	504 190	387 595
< 60%	2 250	347 971	66 551	24 108
>= 60% e < 80%	892	257 279	96 675	25 507
>= 80% e < 100%	811	215 561	60 295	27 200
>= 100%	234	50 564	132 843	51 642
Construction and CRE				
Without Real Estate associated *	n/a	545 142	322 572	126 943
< 60%	2 345	291 436	248 958	85 036
>= 60% e < 80%	1 116	176 339	224 473	67 502
>= 80% e < 100%	1 882	191 266	284 863	70 583
>= 100%	1 200	66 476	388 958	154 963
Housing				
Without Real Estate associated *	n/a	58 822	14 355	4 201
< 60%	66 195	2 956 323	87 440	24 147
>= 60% e < 80%	30 209	2 644 173	113 314	32 248
>= 80% e < 100%	18 760	1 837 195	180 336	53 501
>= 100%	2 981	132 190	190 407	68 842

* Includes operations with another type of associated collateral, namely financial collateral.
n/a - Non-applicable information

At 30 June 2014, the fair value and net value of real estate received as default payments, by asset type and antiquity, are presented as follows:

(thousands of Euros)

	Jun 2014		
Asset	**Number of Real Estate**	**Asset fair value**	**Accounting value**
Property			
Urban	1 109	251 573	197 198
Rural	139	61 944	58 482
Buildings in development			
Commercials	92	9 074	7 693
Housing	446	94 225	81 976
Others	17	33 506	34 267
Developed buildings			
Commercials	736	132 927	119 773
Housing	1 721	231 322	207 053
Others	435	10 308	8 847
	4 695	824 879	715 289

At 30 June 2014, the elapsed time since the recovery/execution of real estate received is presented as follows:

(thousands of Euros)

	Jun 2014				
Elapsed time since the recovery / execution	**< 1 year**	**>= 1 years e < 2.5 years**	**>= 2.5 years e < 5 years**	**>= 5 years**	**Total**
Property					
Urban	73 531	107 357	14 079	2 231	197 198
Rural	34 798	21 354	1 862	468	58 482
Buildings in development					
Commercials	2 434	5 019	240		7 693
Housing	25 281	51 526	5 010	159	81 976
Others	10 350	23 917			34 267
Developed buildings					
Commercials	59 387	53 572	4 356	2 458	6 814
Housing	97 713	94 226	9 922	5 192	15 114
Others	5 473	2 880	286	208	494
	308 967	359 851	35 755	10 716	402 038

At 30 June 2014, the credit portfolio distribution by internal risks levels is presented as follows:

(thousands of Euros)

	Rating - Jun 2014							
Segment	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Corporate - Rating	99 547	583 560	938 186	1 071 853	755 376	508 025	792 874	642 113
Construction and CRE - Rating	11 451	81 406	136 753	264 970	370 502	256 601	526 726	1 092 072
	110 998	664 966	1 074 939	1 336 823	1 125 878	764 626	1 319 600	1 734 185

At 30 June 2014, the risk parameters associated to the impairment by segment model are presented as follows:

	Impairment Jun 2014			
	PD (%)			
Segment	< 30 days without signs	< 30 days with signs	Between 30 - 90 days	**LGD (%)**
Corporate	1.83%	37.86%	65.01%	26.57%
Construction and CRE	2.32%	54.06%	69.64%	28.05%
Privates - Housing	0.04%	7.70%	44.25%	15.35%
Privates - Others	0.23%	8.51%	50.41%	27.61%

23 Financial assets and liabilities held for trading

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

(Thousands of Euro)

	Jun 2014	Dec 2013
Financial assets held for trading:		
Securities		
Shares	9 699	7 809
Bonds	626	584
	10 325	8 393
Derivatives		
Derivatives financial instruments with positive fair value	45 448	48 142
Loans and other receivables	6 307	7 571
	51 755	55 713
	62 080	64 106
Financial liabilities held for trading:		
Securities		
Short sales	904	1 389
Derivatives		
Derivatives financial instruments with negative fair value	62 591	60 835
	63 495	62 224

The balance Derivatives financial instruments with positive fair value includes the amount of Euro 29,950 thousands (31 December 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 199 thousands (31 December 2013: Euro 196 thousands).

The balance Derivatives financial instruments with negative fair value includes the amount of Euro 23,971 thousands (31 December 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 2,332 thousands (31 December 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 according the appreciation levels described in note 52, as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Financial assets held for trading:		
Level 1	10 325	8 393
Level 2	45 448	48 142
Level 3	6 307	7 571
	62 080	64 106
Financial liabilities held for trading:		
Level 1	904	1 389
Level 2	62 591	60 835
	63 495	62 224

During the 2014 first semester, no significant reclassifications were made between evaluation levels.

The balance of Financial assets and liabilities held for trading as at 30 June 2014, is as follows:

(Thousands of Euro)

		Jun 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	Secutities issued	238 053	2 841	(2 822)	10 574	(4 533)	271 863	280 885
Interest rate swap	Deposits	91 410	(1 874)	(713)	(1 717)	3 646	85 985	329 968
Interest rate swap	Resources	86 658	9 251	(699)	(431)	(859)	81 118	60 000
Interest rate swap	Covered bonds	5 455 837	(4 239)	234	-	-	-	-
Interest rate swap	Loans	25 000	(2 133)	(168)	1 948	160	25 700	25 000
Interest rate swap	Others (TRD)	3 088 293	(21 206)	(343)	-	-	-	-
Currency swap	-	206 710	(261)	129	-	-	-	-
Forwards	-	4 240	(23)	(20)	-	-	-	-
Options	-	240 016	438	(30)	-	-	-	-
Credit Default Swaps	-	6 000	63	(18)	-	-	-	-
		9 442 217	(17 143)	(4 450)	10 374	(1 586)	464 666	695 853

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

(Thousands of Euro)

		Dec 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	Secutities issued	297 003	5 663	(6 392)	15 107	(27 808)	382 630	349 095
Interest rate swap	Deposits	44 500	(1 161)	(27 216)	(5 363)	10 168	484	362 313
Interest rate swap	Resources	92 559	9 950	(7 376)	428	(8 684)	61 023	60 000
Interest rate swap	Covered bonds	5 450 922	(4 473)	1 046	-	-	-	-
Interest rate swap	Debt issued	25 000	(1 965)	747	1 788	(687)	24 646	25 000
Interest rate swap	Others (TRD)	4 287 471	(20 863)	4 188	-	-	-	-
Currency swap	-	207 304	(390)	(605)	-	7	-	-
Forwards	-	6 034	(3)	(13)	-	-	-	-
Options	-	203 538	468	(317)	-	-	-	-
Credit Default Swaps	-	9 000	81	255	-	-	-	-
		10 623 331	(12 693)	(35 683)	11 960	(27 004)	468 783	796 408

The analysis of financial instruments held for trading, by maturity date as at 30 June 2014, is as follows:

(Thousands of Euro)

	Jun 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	8 797	213 724	8 762 730	8 985 251	37 856	55 216
Options	10 500	85 887	143 629	240 016	7 439	7 001
Exchange rate contracts:						
Currency swap	206 710	-	-	206 710	64	325
Index contracts:						
Index futures	4 240	-	-	4 240	-	23
Credit default contracts						
Credit default swaps	-	6 000	-	6 000	89	26
	230 247	305 611	8 906 359	9 442 217	45 448	62 591

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

(milhares de Euros)

	Dec 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 swap	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

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 the appreciation levels described in note 52. In this case, 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)

	Jun 2014	Dec 2013
Due within 3 months	-	2 451
Over 1 year	-	999
Undetermined	-	-
	-	3 450
Quoted	-	3 450

25 Financial assets available for sale

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014				
		Fair value reserve			
	Cost (1)	Positive	Negative	Impairment Losses	Book Value
Fixed income securities:					
Issued by public entities:					
Portuguese	1 802 791	88 638	(7 398)	-	1 884 031
Foreign	49 346	5 862	(1 314)	(8 415)	45 479
Issued by other entities:					
Portuguese	578 520	6 711	(17 652)	-	567 579
Foreign	533 584	18 714	(4 544)	(7 245)	540 509
Commercial paper	28 004	-	-	(998)	27 006
Variable income securities:					
Shares in companies:					
Portuguese	17 730	247	-	(6 463)	11 514
Foreign	16 928	2 795	(211)	(3 251)	16 261
Investment fund units	336 528	8 263	(4 486)	(6 898)	333 407
	3 363 431	131 230	(35 605)	(33 270)	3 425 786

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

(Thousands of Euro)

	Dec 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 in companies:					
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.

According to accounting policy 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 52. 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 the accounting policy 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 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 recognized was recognized 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 is determined a new effective interest rate 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 recognized;

– 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 recognized 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 755,786 thousands and impairment in the amount of Euro 21,029 thousands, as described in note 22.

As referred in note 60, the balance Variable income securities – Investment fund units includes the amount of Euro 105,230 thousands (31 December 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. This amount includes, at 30 June 2014 and 31 December 2013, Euro 6,153 thousands engaged to junior securities (investment fund units with a more subordinated character), which are fully provisioned, according to note 60.

Referencing at 30 June 2014 and 31 December 2013, the financial assets available for sale, net of impairment, by appreciation levels are presented as follows:

(Thousands of Euro)

	Jun 2014				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Total**
Fixed income securities:					
Issued by public entities:					
Portuguese	1 884 031	-	-	-	1 884 031
Foreign	45 479	-	-	-	45 479
Issued by other entities:					
Portuguese	101 077	424 594	41 908	-	567 579
Foreign	376 238	50 029	114 242	-	540 509
Commercial paper	27 006	-	-	-	27 006
	2 433 831	474 623	156 150	-	3 064 604
Variable income securities					
Share in companies					
Portuguese	5 378	209	5 927	-	11 514
Foreign	15 990	-	93	178	16 261
Investment fund units	333 407	-	-	-	333 407
	354 775	209	6 020	178	361 182
	2 788 606	474 832	162 170	178	3 425 786

(Thousands of Euro)

	Dec 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	387 969	10 277	4 001 982
Variable income securities					
Share in companies					
Portuguese	8 268	-	5 421	-	13 689
Foreign	12 253	-	-	-	12 253
Investment fund units	-	-	517 892	-	517 892
	20 521	-	523 313	-	543 834
	3 096 792	527 465	911 282	10 277	4 545 816

According IFRS 13, financial instruments are measured based on appreciation levels described in note 52.

The movements of the impairment of the financial assets available for sale are analysed as follows:

(Thousands of Euro)

	Jun 2014	**Jun 2013**
Balance on 1 January	39 266	27 646
Charge for the period	34 909	35 033
Write-back for the period	(9 201)	(15 027)
Charged-off	(31 704)	(410)
Regularization	-	(2 812)
Balance on 30 June	33 270	44 430

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

As a result of low liquidity and significant volatility in financial markets, the followed factors were taken into consideration on determining the impairment existence:

- Capital instruments: (i) depreciations above 30% the acquisition value; or (ii) market value below the acquisition value during a 12 months period

- Debts instruments: whenever exist an objective evidence of events that will impact the recoverable value of futures cash flows related to these assets.

As described in the accounting policy described in note 1 d), as at 30 June 2014, the portfolio of financial assets available for sale are presented net of the total fair value reserve and impairment. The total fair value reserve for financial assets available for sale is positive and amounts to Euro 95,625 thousands (31 December 2013: positive Euro 11,352 thousands) and impairment amounts to Euro 33,270 thousands (31 December 2013: Euro 39,266 thousands).

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

The analysis of the available-for-sale financial assets by maturity date, as at 30 June 2014, is as follows:

(thousands of Euros)

	Jun 2014				
	Due within 3 months	**3 months to 1 year**	**Over 1 year**	**Undetermined**	**Total**
Fixed income securities:					
Issued by public entities:					
Portuguese	14 990	12 421	1 856 620	-	1 884 031
Foreign	-	-	45 479	-	45 479
Issued by other entities:					
Portuguese	5 010	20 681	539 789	2 099	567 579
Foreign	776	72 383	463 855	3 495	540 509
Commercial paper	27 006	-	-	-	27 006
	47 782	105 485	2 905 743	5 594	3 064 604
Variable income securities:					
Shares in companies:					
Portuguese	-	-	-	11 514	11 514
Foreign	-	-	-	16 261	16 261
Investment fund units	-	-	897	332 510	333 407
	-	-	897	360 285	361 182
	47 782	105 485	2 906 640	365 879	3 425 786

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

(Thousands of Euro)

	Dec 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 in companies:					
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 departed as follows:

(Thousands of Euro)

	Jun 2014			Dec 2013		
	Quoted	**Unquoted**	**Total**	**Quoted**	**Unquoted**	**Total**
Fixed income securities:						
Issued by public entities:						
Portuguese	1 884 031	-	1 884 031	3 053 183	-	3 053 183
Foreign	45 479	-	45 479	23 088	-	23 088
Issued by other entities:						
Portuguese	538 980	28 599	567 579	554 196	30 100	584 296
Foreign	540 509	-	540 509	310 642	-	310 642
Commercial paper	-	27 006	27 006	-	30 773	30 773
Variable income securities:						
Shares in companies:						
Portuguese	7 162	4 352	11 514	9 095	4 594	13 689
Foreign	15 916	345	16 261	11 910	343	12 253
Investment fund units	333 407	-	333 407	516 620	1 272	517 892
	3 365 484	60 302	3 425 786	4 478 734	67 082	4 545 816

26 Hedging derivatives

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Asset		
Interest rate swap	546	503
Liability		
Interest rate swap	2 148	1 849

As referred in IFRS 13, hedging derivatives are classified according the appreciation 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 hedging for future 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)

	Jun 2014	Jun 2013
Deposits from other credit institutions	(21)	(209)
Financial assets available for trading	1 376	1 478
	1 355	1 269

The analysis of the hedging derivatives portfolio by maturity date, as at 30 June 2014 is as follows:

(Thousands of Euro)

	Jun 2014							
	Notional with remaining term				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	10 000	9 500	26 500	46 000	450	(255)	(1 797)	(1 602)
	10 000	9 500	26 500	46 000	450	(255)	(1 797)	(1 602)

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

(Thousands of Euro)

	Dec 2013							
	Notional with remaining term				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)

27 Held-to-maturity investments

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Fixed income securities:		
Bonds issued by Portuguese public entities	6 278	6 149
Bonds issued by foreign public entities	77 535	28 482
	83 813	34 631

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

The Group assessed, with reference to 30 June 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 30 June 2014 are analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity Date	Interest Rate	Book Value
OT - Outubro 05/15-10-2015	June, 2005	October, 2015	Fixed rate of 3.35%	6 278
Belgium Kingdomc05/28-09-2015 - 3.75%	March, 2005	September, 2015	Fixed rate of 3.75%	2 043
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3.25%	5 132
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3.50%	2 062
Buoni Poliennali del Tes. 05/2015	May, 2005	August, 2015	Fixed rate of 3.75%	2 017
OT Cabo Verde - March_13/28-04-2016 - 5.5%	April, 2013	April, 2016	Fixed rate of 5.50%	50
OT Angola 12/18-07-2014 - 6.98%	July, 2012	July, 2014	Fixed rate of 6.98%	1 155
OT Angola 12/18-07-2014 - 6.98%	July, 2012	July, 2014	Fixed rate of 6.98%	1 155
OT Angola 12/18-07-2014 - 6.99% - Index. USD	July, 2012	July, 2014	Fixed rate of 6.99%	24 468
OT Angola 12/18-07-2014 - 6.98% - Index. USD	July, 2012	July, 2014	Fixed rate of 6.98%	3 735
OT Angola 13/04-12-2015 - 7.00% - Index. USD	December, 2013	December, 2015	Fixed rate of 7.00%	3 736
OT Angola 13/04-12-2016 - 7.25% - Index. USD	December, 2013	December, 2016	Fixed rate of 7.25%	3 799
OT Angola 13/15-11-2015 - 5.00% - Index. USD	November, 2013	November, 2015	Fixed rate of 5.00%	4 016
OT Angola 13/15-11-2016 - 5.00% - Index. USD	November, 2013	November, 2016	Fixed rate of 5.00%	19 595
OT Angola 13/15-11-2017 - 5.00% - Index. USD	November, 2013	November, 2017	Fixed rate of 5.00%	4 572
				83 813

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

During the first semester of 2014 and the exercise period of 2013, the Group did not transfer to or from this assets category.

28 Investments in associated companies and others

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Investments in associated companies and others		
Montepio Seguros, S.G.P.S., S.A.	27 354	22 031
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 260	3 412
Iberpartners Cafés S.G.P.S., S.A.	967	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	32 620	42 740
Impairment of investments in associated companies	(341)	(341)
	32 279	42 399

The financial information concerning associated companies, as at 30 June 2014 and 31 December 2013, is presented in the following table:

(Thousands of Euro)

	Assets	Liabilities	Equity	Income	Profit / (Loss) for the year	Acquisition cost
30 June 2014						
Montepio Seguros, S.G.P.S., S.A.	n/a	n/a	88 069	n/a	1 074	65 100
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	43 374	27 073	16 301	3 181	(720)	3 200
Montepio - Gestão de Activos Imobiliário, ACE	2 396	221	2 175	-	(274)	698
Iberpartners Cafés S.G.P.S., S.A.	4 977	1 688	3 289	-	(31)	1 000
Nutre S.G.P.S., S.A.	131 942	134 849	(2 907)	7 686	(1 625)	22 018
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	151	79	1 000
Nutre S.G.P.S., S.A.	173 314	140 377	32 937	8 868	(9 654)	22 018

n/a - Information not available

(Thousands of Euro)

	Percentage held		Book value		Associated companies net profit	
	Jun 2014 %	Dec 2013 %	Jun 2014	Dec 2013	Jun 2014	Dec 2013
Montepio Seguros, S.G.P.S., S.A.	33,65%	33,65%	27 354	22 031	361	(7 926)
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	20,00%	20,00%	3 260	3 412	(144)	-
Montepio - Gestão de Activos Imobiliários, ACE	27,00%	0,00%	698	661	-	-
Iberpartners Cafés S.G.P.S., S.A.	29,00%	29,41%	967	1 020	(9)	-
Nutre S.G.P.S., S.A.	20,00%	20,00%	-	15 936	-	(1 931)
Pinto & Bulhosa, S.A.	16,00%	16,00%	-	-	-	-
Naviser - Transportes Marítimos Internacionais, S.A.	20,00%	20,00%	-	-	-	-

The movements for this balance are analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Initial balance	42 740	61 177
Acquisitions	698	65 100
Share of profit of associates	208	(12 682)
Fair value reserve from associates	(11 026)	(31 774)
Dividends received	-	(944)
Disposals	-	(38 137)
Final balance	32 620	42 740

29 Non-current assets held for sale

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	**Dec 2013**
Investments arising from recovered loans	806 275	773 540
Impairment for non-current assets held for sale	(90 986)	(92 152)
	715 289	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 pawn.

According to the 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. Meanwhile, facing the actual market conditions, in some situations it is not possible celebrate the alienations before the expected deadline. At 30 June 2014, this account includes real estates that has already established contracts for the sale in the amount of Euro 2,471 thousands (31 December 2013: Euro 13,267 thousands).

The movements for non-current assets held for sale are analysed as follows:

(Thousands of Euro)

	Jun 2014	**Jun 2013**
Balance on 1 January	92 152	30 054
Charge of the period net of reversals	(869)	23 832
Loans charged-off	(297)	-
Balance on 30 June	90 986	53 886

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", “Fundo Polaris – Fundo de Investimento Imobiliário Fechado de Subscrição Particular” 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).

31 Property and equipment

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Cost:		
Land and buildings:		
For own use	34 773	34 577
Leasehold improvements in rented buildings	52 873	52 695
Construction in progress	21 048	21 968
Equipment:		
Furniture	22 072	21 796
Office equipment	3 480	3 354
Computer equipment	84 799	84 367
Interior installations	21 456	21 359
Motor vehicles	5 280	4 803
Security equipment	7 738	7 678
Other equipment	5	5
Works of art	2 869	2 869
Assets in operacional lease	30 116	25 653
Assets in finance lease	38	38
Other tangible assets	2 442	2 439
Work in progress	4 642	2 038
	293 631	285 639
Accumulated depreciation:		
Charge for the period	(8 805)	(19 737)
Accumulated charge for the previous periods	(164 070)	(145 410)
	(172 875)	(165 147)
	120 756	120 492

32 Intangible assets

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Cost:		
Software	59 391	59 307
Revaluation and consolidation differences (Goodwill)	53 024	53 024
Other intangible assets	4 318	5 609
Work in progress	12 237	216
	128 970	118 156
Accumulated depreciation:		
Charge for the period	(6 623)	(13 615)
Accumulated charge for the previous periods	(32 376)	(18 750)
	(38 999)	(32 365)
Impairment for intangible assets	(26 512)	(26 512)
	63 459	59 279

The balance Revaluation and consolidation differences (Goodwill), represents the fair value of assets and liabilities of Finibanco Group acquired by the Group on March 31, 2011 to Montepio Geral – Associação Mutualista, as described in accounting policies in note 1 a) and 1b).

This intangible asset does not have finite useful life, so that, as referred in accounting policy described in note 1 r) and 1 aa), its recoverable amount is annually reviewed, regardless of the existence of impairment signs. Any impairment losses are recognized in income statement.

In accordance with IAS 36 the recoverable amount of goodwill should be the greater between its value on 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 evaluations to their investments for which there is goodwill recorded which considered among other factors:

(i) an estimate of future cash flows generated by each entity;

(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 evaluations 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 assessments may vary with the change in economic conditions and in the market.

33 Taxes

With effect from 1 January 2012, the Group is subject to the regime established by the Income Tax ("IRC"). Therefore, and based on the applicable law, the temporary differences between accounting income and the results accepted for tax purposes of IRC, whenever there is a reasonable that such taxes will be paid or recovered in the future, according to the accounting policy described in note 1w) are eligible for the recognition of deferred taxes.

Deferred income tax assets and liabilities as at 30 June 2014 and 31 December 2013 are analysed as follows:

(Thousands of Euro)

	Assets		Liabilities		Net	
	Jun 2014	**Dec 2013**	**Jun 2014**	**Dec 2013**	**Jun 2014**	**Dec 2013**
Financial instruments	10 548	17 781	(40 609)	(25 847)	(30 061)	(8 066)
Other tangible assets	(29)	(24)	(414)	(421)	(443)	(445)
Provisions	254 832	195 784	-	-	254 832	195 784
Benefits to employees	41 119	40 063	-	-	41 119	40 063
Others	3	1 154	-	(3 951)	3	(2 797)
Tax losses carried forward	74 230	111 725	-	-	74 230	111 725
Net deferred tax assets/(liabilities)	380 703	366 483	(41 023)	(30 219)	339 680	336 264

Deferred taxes are calculated at the tax rates expected to be in force when the temporary differences are reversed, which correspond to the rates approved or substantively approved at the balance sheet date.

The 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 the Law no. 2/2014 of 16 January, several amendments were made to the Income Tax (IRC) with impact on deferred taxes calculated on 31 December 2013, which are:

- the reduction of the income tax rate from 25% to 23% and the creation of the state tax rate of 3% to 7% applied to the portion of the taxable income;

- changing in the reporting period of tax losses (calculated in periods beginning on or after 1 January, 2014) from 5 to 12 years; and

- the non-taxation of gains taxable and non-tax deduction of losses arising on sale of equity shares, since verified a set of requirements, and full tax deduction of losses arising on investments due to the settlement of companies.

The deferred tax rate is analysed as follows:

	Jun 2014 %	Dec 2013 %
Income tax (a)	23,0%	23,0%
Municipal surtax rate	1,5%	1,5%
State tax rate	5,0%	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 recognized 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 expiration date of recognised tax losses carried forward is presented as follows:

(Thousand of Euro)

Tax losses generating year	Expire date	Jun 2014	Dec 2013
2008	2014	-	34 593
2009	2015	621	3 522
2010	2014	10 706	10 706
2011	2015	2 410	2 410
2012	2017	12 452	12 452
2013	2018	48 042	48 042
		74 231	111 725

Deferred tax balance movements were recognized as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Initial balance	336 264	265 454
Charged to profit	26 939	85 448
Charged to fair value reserves	(21 995)	2 676
Charged to reserves and retained earnings	(1 528)	(17 314)
Final balance (Asset/ (Liability))	339 680	336 264

Tax recognized in the income and reserves for the six month period ended 30 June 2014 and for the exercise period ended at 31 December 2013 is analysed as follows:

(Thousands of Euro)

	Jun 2014		Dec 2013	
	Charged to net (loss) / income	Charged to reserves and retained earnings	Charged to net (loss) / income	Charged to reserves and retained earnings
Financial instruments	-	(21 995)	-	(8 088)
Other tangible assets	3	(1)	-	40
Provisions	59 048	-	42 555	-
Employees benefits	1 056	-	(1 581)	(6 590)
Others	4 327	(1 527)	-	-
Tax losses carried forward	(37 495)	-	44 474	-
Deferred taxes/ recognized (profit)/ losses	26 939	(23 523)	85 448	(14 638)
Current taxes/ recognized (profit)/ losses	(39 658)	-	(9 469)	-
Total recognized tax	**(12 719)**	**(23 523)**	**75 979**	**(14 638)**

Net deferred tax assets changes includes the deferred tax expenses for the year recognized in the profit and loss account, as well as the changes recognized 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 recognized in Equity.

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

(Thousands of Euro)

	Jun 2014		Dec 2013	
	%	Amount	%	Amount
Profit before taxes		25 593		(372 452)
Extraordinary contribution for the banking sector		3 815		5 133
Profit before tax for the tax reconciliation		29 408		(367 319)
Tax rate	31,5		25,0	
Income tax based on the tax rate		9 264		(91 830)
Non deductible costs	9,9	36 227	9,4	34 374
Tax-exempt profits	(1,1)	(3 966)	(9,3)	(34 097)
Tax losses apllication	(13,9)	(51 220)	-	-
Autonomous taxation and other taxes	5,5	20 063	2,6	9 469
Other	0,6	2 351	1,6	6 105
Tax for the period		12 719	(20,4)	(75 979)

34 Other assets

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Recoverable subsidies from Portuguese Government	6 946	8 111
Other debtors	133 668	122 190
Other accrued income	5 196	8 998
Prepayments and deferred costs	10 632	2 448
Sundry debtors	136 526	42 246
	292 968	183 993
Impairment for other assets	(14 111)	(11 732)
	278 857	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 30 June 2014 and 31 December 2013, the balance Recoverable subsidies from the Portuguese Government is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Recoverable subsidies from the Portuguese Government unliquidate	2 424	3 381
Subsidies unclaimed	615	762
Overdue subsidies unclaimed	3 907	3 968
	6 946	8 111

As at 30 June 2014, the balance Sundry debtors the amount of Euro 6,550 thousands (31 December 2013: Euro 8,027 thousands) refer to transactions with securities recorded on trade date and pending settlement. Additionally, includes the amount of Euro 22,679 thousands (31 December 2013: Euro 1,572 thousands) relating to net assets recognized in balance sheet and representing the excess coverage of pension liabilities, health benefits and death subsidies, as described in note 53.

The impairment for Other assets is analysed as follows:

(Thousands of Euro)

	Jun 2014	Jun 2013
Balance on 1 January	11 732	3 636
Charge for the period	4 417	621
Write-back for the period	(451)	(1 794)
Loans charged-off	-	-
Transfers	(1 587)	9 566
Balance on 30 June	14 111	12 029

35 Deposits from central banks

As at 30 June 2014 and 31 December 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.

36 Deposits from other financial institutions

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014			Dec 2013		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions in Portugal	1 352	77 818	79 170	143	53 321	53 464
Deposits from credit institutions abroad	633 518	296 997	930 515	40 668	380 365	421 033
	634 870	374 815	1 009 685	40 811	433 686	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 81,118 thousands (31 December 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 recognized, at 30 June 2014, the amount of Euro 859 thousands (31 December 2013: Euro 8,684 thousands) related to fair value variations associated to the Group credit risk, as referred in note 6.

The balance Deposits from other financial institutions include emissions subject to hedging operations, whose impact on the book value at 30 June 2014 rises to Euro 21 thousands (31 December 2014: Euro 209 thousands), as referred in note 23.

37 Deposits from customers

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014			Dec 2013		
	Non-interest bearing	**Interest bearing**	**Total**	**Non-interest bearing**	**Interest bearing**	**Total**
Deposits repayable on demand	219 353	2 406 610	2 625 963	256 309	2 233 635	2 489 944
Time deposits	-	11 618 373	11 618 373	-	11 497 167	11 497 167
Saving accounts	-	119 152	119 152	-	130 589	130 589
Other resources	13 854	-	13 854	19 765	-	19 765
Adjustments arising from hedging operations	1 717	-	1 717	5 363	-	5 363
	234 924	14 144 135	14 379 059	281 437	13 861 391	14 142 828

In the terms of the law "Portaria" 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, 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 85,985 thousands (31 December: 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), being recognized at 30 June 2014 an amount of Euro 3,646 thousands (31 December 2013: Euro 10,168 thousands) related to the fair value variations resulting from the Group's credit risk, as referred in note 6.

38 Debt securities issued

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	**Dec 2013**
Euro Medium Term Notes (EMTN)	376 783	357 803
Bonds	1 917 374	1 717 872
Covered bonds	(38)	80
Commercial paper	-	243 673
	2 294 119	2 319 428

The balance Debt securities issued includes emissions valorised at their fair value, according with the 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), being recognized at 30 June 2014 an amount of Euro 2,088 thousands (31 December 2013: Euro 24,023 thousands) related to the fair value variations resulting from the Group's credit risk, as referred in note 6.

As at 30 June 2014, this balance includes the amount of Euro 202,152 thousands (31 December 2013: Euro 275,233 thousands) related to debt securities issued recognized at the balance sheet at fair value through profit or loss, as referred in note 23.

During the first semester of 2014, the Group issued Euro 259,553 thousands (31 December 2013: Euro 1,515,987 thousands) of debt securities and performed the refund of Euro 335,499 thousands (31 December 2013: Euro 1,250,588 thousands).

The fair value of the debts securities issued is presented in note 52.

Under the Issuance of covered bonds program, which maximum amount is Euro 5,000 million, the Group proceed to the emissions which totalized Euro 2,000 million. As at 30 June 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	1 000 386	Dec. 2009	Dec. 2016	Quarterly	Euribor 3M + 0.75%	Baa3/BBB-/AL
Covered bonds - 3S	500 000	502 170	Nov. 2010	Nov. 2015	Quarterly	Euribor 3M + 2.5%	Baa3/BBB-/AL
Covered bonds- 4S	500 000	500 083	May. 2013	May. 2017	Monthly	Euribor 1M + 0.75%	Baa3/BBB-/AL
	2 000 000	2 002 639					

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, no. 6/2006, no. 7/2006 and no. 8/2006 of Bank of Portugal and Instruction no. 13/2006 of Bank of Portugal.

At 30 June 2014, the amount of credits that collateralize these emissions rises to Euro 2,727,415 thousands (31 December 2013: Euro 2,718,554 thousands), according with note 2.

The change occurred in debt securities issued during the first semester of 2014 is analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Issues	Repayments	Net repurchase	Other movements [(a)]	Balance on 30 June
Euro Medium Term Notes (EMTN)	357 803	-	(31 928)	44 250	6 658	376 783
Bonds	1 717 872	259 553	(59 898)	-	(153)	1 917 374
Covered bonds	80	-	-	-	(118)	(38)
Commercial paper	243 673	-	(243 673)	-	-	-
	2 319 428	259 553	(335 499)	44 250	6 387	2 294 119

(a) Other movements include accrued interest, fair value hedge, fair value adjustments and foreign translation exchanges adjustments.

The change occurred in debt securities issued during the period exercise of 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 derecognized from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognized in the income statement, as referred in note 10.

During the first semester of 2014, the balance Debt securities issued is comprise of the following issues:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest Rate	Book Value
MONTEPIO CAPITAL CERTO 2014/2019 1S	1/31/2014	2/1/2019	Fixed Annual Rate of 3.40% (2nd year a fixed rate of 3.40%; 3rd year a fixed rate of 3.45%; 4th year a fixed rate of 3.50%. 5th year a fixed rate of 3.75%)	36 550
MONTEPIO CAPITAL CERTO 2014/2019 2S	2/28/2014	3/1/2019	Fixed Annual Rate of 3.40% (2nd year a fixed rate of 3.40%; 3rd year a fixed rate of 3.45%; 4th year a fixed rate of 3.50%. 5th year a fixed rate of 3.75%)	44 100
CEMG CX PART 2014/06.03.2017	3/6/2014	3/6/2017	Fixed Annual Rate of 2.675%	400
CEMG CX PART 2014/17.03.2016	3/17/2014	3/17/2016	Fixed Annual Rate of 2.50%	253
CEMG CAP CERTO 2014/2019 3 SERIE	3/28/2014	3/29/2019	Fixed Annual Rate of 3.40% (2nd year a fixed rate of 3.40%; 3rd year a fixed rate of 3.45%; 4th year a fixed rate of 3.50%. 5th year a fixed rate of 3.75%)	44 550
CEMG CAP CERTO 2014/2019 4 SERIE	4/30/2014	5/1/2019	Fixed Annual Rate of 3.40% (2nd year a fixed rate of 3.40%; 3rd year a fixed rate of 3.45%; 4th year a fixed rate of 3.50%. 5th year a fixed rate of 3.75%)	47 300
CEMG CAP CERTO 2014/2019 5 SERIE	5/30/2014	5/31/2019	Fixed Annual Rate of 3.40% (2nd year a fixed rate of 3.40%; 3rd year a fixed rate of 3.45%; 4th year a fixed rate of 3.50%. 5th year a fixed rate of 3.75%)	44 150
CEMG CX PART 2014/23.06.2016	36/06/2014	6/23/2016	Fixed Annual Rate of 2%	300
CEMG CAP CERTO 2014/2019 6 SERIE	6/30/2014	7/1/2019	Fixed Annual Rate of 3.40% (2nd year a fixed rate of 3.40%; 3rd year a fixed rate of 3.45%; 4th year a fixed rate of 3.50%. 5th year a fixed rate of 3.75%)	41 950
				259 553

As at 30 June 2014, for the bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 0.31% and 11.92% (31 December 2013: 0.5% and 16.76%).

39 Financial liabilities relating to transferred assets

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Pelican Mortgages No. 3	169 037	194 287
Others	1 736	762
	170 773	195 049

40 Provisions

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Other provisions for liabilities and charges	6 177	8 014

The movements of the provisions for other liabilities and charges are analysed as follows:

(Thousands of Euro)

	Jun 2014	June 2013
Balance on 1 January	8 014	14 292
Charge for the period	273	1 196
Write-back for the period	(1 525)	(48)
Transfers	(585)	(9 567)
Balance on 30 June	6 177	5 873

These provisions are accounted in accordance with the probability of occurrence of certain contingencies related with the Group's activity, and are revised in each reporting date in order to reflect the best estimate of the amount and probability of payment.

41 Other subordinated debt

As at 30 June 2014, the mainly characteristics of the 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	Abr.2016	50 000	Euribor 3 months+0.45%	26 165
CEMG/08	Fev.2008	Fev.2018	150 000	Euribor 6 months+0.13%	121 360
CEMG/08	Jun.2008	Jun.2018	28 000	Euribor 12 months+0.10%	17 993
CEMG/08	Jul.2008	Jul.2018	150 000	Euribor 6 months+0.13%	121 069
FNB 08/18 1ª/2ª Série	Dec.2008	Dez.2018	10 363	Euribor 6 months+0.15% (iv)	9 551
FNB Rendimento Seguro 05/15	Jun.2005	Jun.2015	238	6.25%*VN Min.(quote) (iii)	236
FNB Grandes empresas 07/16_ 1ª série	May.2007	Mai.2016	4 713	Max.(0;6.0%*(1-n/5)) (i)	1 758
FNB Grandes empresas 07/16 2ª/3ª série	Jun.2011	Jun.2016	19 199	Max.(0;6.0%*(1-n/5)) (i)	22 609
FNB Indices estratégicos 07/17 1ª série	May.2007	Jun.2015	10 245	6.25%*VN Min.(quote) (ii)	13 208
FNB Indices estratégicos 07/17 2ª/3ª série	Jun.2011	Jun.2015	30 708	Euribor 6 months +0.5% (ii)	27 453
Ob. Cx Subordinadas Finicrédito	Nov.2007	Nov.2017	16 006	Tx base+0.90% (barrier level)	15 764
					377 166
				Corr. Liability value	(5 714)
					371 452

References:

(i) - The following cupons will be paid, on the year end of each year (May 9, to the 1st série 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) > Barreirak ***

*** if not = 0%, where:
Barreira 3 = Barrier to be applied on 3rd cupon = 0%;
Barreira 4 = Barrier to be applied on 3rd cupon = 1%;
Barreira 5 = Barrier to be applied on 5th cupon = 2%;
Barreira 6 = Barrier to be applied on 6th cupon = 3%;
Barreira 7 = Barrier to be applied on 7th cupon = 4%;
Barreira 8 = Barrier to be applied on 8th cupon = 5%;
Barreira 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	9-Jun-06	[1.60; 3.00%]
3rd semester	09-Dec-06	[1.60; 3.25%]
4th semester	9-Jun-07	[1.60; 3.50%]
5th semester	09-Dec-07	[1.60; 3.50%]
6th semester	9-Jun-08	[1.70; 3.75%]
7th semester	09-Dec-08	[1.70; 3.75%]
8th semester	9-Jun-09	[1.70; 4.00%]
9th semester	09-Dec-09	[1.80; 4.00%]
10th semester	9-Jun-10	[1.80; 4.25%]
11th semester	09-Dec-10	[1.80; 4.25%]
12th semester	9-Jun-11	[1.80; 4.50%]
13th semester	09-Dec-11	[1.90; 4.50%]
14th semester	9-Jun-12	[1.90; 4.50%]
15th semester	09-Dec-12	[1.90; 4.50%]
16th semester	9-Jun-13	[1.90; 4.50%]
17th semester	09-Dec-13	[2.00; 4.50%]
18th semester	9-Jun-14	[2.00; 4.50%]
19th semester	09-Dec-14	[2.00; 4.50%]
20th semester	9-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 d), being recognized at 30 June 2014 an amount of Euro 2,445 thousands (31 December 2013: Euro 3,785 thousands) related to the fair value variations resulting from the Group's credit risk, as referred in note 23.

As at 30 June 2014, this balance includes the amount of Euro 69,711 thousands (31 December 2013: 107,397 thousands) of responsibilities represented by securities issued recognized at the balance sheet at fair value through profit or loss.

The fair value of the debts securities issued is presented in note 52.

As at 30 June 2014, the effective interest rate range of the subordinated debt bears postponed interest every three and six months is set between 0.39% and 2.13% (31 December 2013: 0.86% and 2.084%).

42 Other liabilities

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Creditors:		
Suppliers	10 060	16 065
Other creditors	85 497	150 369
Administrative public sector	20 019	23 586
Holiday pay and subsidies	35 114	37 270
Other administrative costs payable	28	732
Deferred income	9 437	70 971
Other sundry liabilities	161 002	90 193
	321 157	389 186

The balance Other sundry liabilities includes the amount of Euro 7,567 thousands (31 December 2013: Euro 68,208 thousands) engaged to balances of banking and financial transactions pending settlement.

43 Share 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 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 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 face amount of Euro 1, which will be nominated and ordinary shares only.

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 if 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 instrument

This caption includes the issuance of Euro 15.000 thousands occurred in the first quarter of 2010 Perpetual Subordinated Securities Interest conditioners made by Finibanco, S.A., and in connection with the acquisition of Finibanco Holding, S.G.P.S., S.A., and its subsidiaries, was integrated in the Group equity.

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 recognized in net profit.

During 2013, the Group 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 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 the first semester of 2014, the amount of interest to pay exceeds the “Distributable Funds of the Issuer”, so the payment of interest for these emissions was not made by CEMG.

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 Own Securities

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

At 30 June 2014, these entities owned 3,974,554 units, with an average unit cost of Euro 0.9356.

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 Revaluation reserves, other reserves and retained earnings

The revaluation reserves represents the potential gains and losses on financial assets available for sale net of impairment losses recognized in the income statement and/or in prior period in accordance with accounting policy described in note 1 c).

This balance is analysed as follows:

(Thousand of Euro)

	Jun 2014	Dec 2013
Revaluation reserves		
Available-for-sale financial assets		
Gross amount	35 306	(6 736)
Taxes	(10 431)	1 953
Others	8 404	8 404
	33 279	3 621
Reserves and retained earnings:		
General reserve	186 000	185 549
Special reserve	68 273	68 160
Deferred tax reserve	49 324	51 843
Retained earnings	(82 630)	(12 957)
	220 967	292 595

The revaluation reserves represents the potential gains and losses on financial assets available for sale net of impairment losses recognized in the income statement and / or in prior years in accordance with accounting policy described in note 1 d).

The movements of this balance at 30 June 2014 are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Reavaluation	Aquisitions	Sales	Impairment in profit and loss	Balance on 30 June
Fixed income securities:						
Bonds issued by public entities						
Portuguese	33 404	20 687	47 330	(20 181)	-	81 240
Foreign	294	3 176	1 075	3	-	4 548
Bonds issued by other entities						
Portuguese	(20 396)	9 583	(134)	6	-	(10 941)
Foreign	(1 377)	15 613	5 234	86	(5 386)	14 170
Commercial paper	-	-		-	-	-
	11 925	49 059	53 505	(20 086)	(5 386)	89 017
Variable income securities:						
Shares						
Portuguese	243	147	8	(151)	-	247
Foreign	1 947	781	(56)	(88)	-	2 584
Investment fund units	(2 763)	(11 230)	(506)	6 894	11 382	3 777
	(573)	(10 302)	(554)	6 655	11 382	6 608
	11 352	38 757	52 951	(13 431)	5 996	95 625

During the exercise period of 2013, the movements of fair value reserve on financial assets available for sale are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Reavaluation	Aquisitions	Sales	Impairment in profit and loss	Balance on 31 December
Fixed income securities:						
Bonds issued by public entities						
Portuguese	9 018	676	33 903	(10 193)	-	33 404
Foreign	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
Investment 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 reserve is analysed as follows:

(Thousands of Euro)

	June 2014	Dec 2013
Amortised cost of available-for-sale financial assets	3 363 431	4 573 730
Accumulated impairment recognised	(33 270)	(39 266)
Amortised cost of available-for-sale financial assets, net impairment	3 330 161	4 534 464
Fair value of available-for-sale financial assets	3 425 786	4 545 816
Net unrealised gains/(losses) recognised in the fair value reserve	95 625	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 the amount of Euro 1,692 thousands.

50 Non-controlling interests

This balance is analysed as follows:

(Thousands of Euro)

	Balance		Income Statement	
	Jun 2014	**Dec 2013**	**Jun 2014**	**Dec 2013**
Finibanco Angola S.A.	12 175	11 035	1 003	2 153
	12 175	11 035	1 003	2 153

The movements of this balance are analysed as follows:

(Thousands of Euro)

	Jun 2014	**Dec 2013**
Initial balance	11 035	6 957
Exchange differences	137	561
Dividends	-	(434)
Other	-	1 798
	11 172	8 882
Net income attributable to non-controlling interests	1 003	2 153
Final balance	12 175	11 035

51 Obligations and future commitments

Obligations and future commitments are analysed as follows:

(Thousands of Euro)

	Jun 2014	**Dec 2013**
Guarantees granted	480 914	483 544
Guarantees received	31 663 251	31 521 321
Commitments to third parties	1 079 127	1 949 361
Commitments from third parties	96 298	82 802
Assets transferred in securitised operations	1 324 043	1 342 664
Securities and other items held for safekeeping on behalf of costumers	9 221 745	7 919 199
	43 865 378	43 298 891

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

(Thousands of Euro)

	Jun 2014	Dec 2013
Guarantees granted:		
Guarantees	467 984	471 714
Open documentary credits	12 501	6 962
Guarantees and indemnities (counter)	429	4 868
	480 914	483 544
Commitments to third parties:		
Irrevocable commitments		
Irrevocable credit lines	465 312	391 689
Securities subscription	-	801 801
Annual contribution to the Guarantee Deposits Fund	25 314	25 314
Potencial obligation with the Investors' Indemnity System	3 468	3 508
Revocable commitments		
Revocable credit lines	585 033	727 049
	1 079 127	1 949 361

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

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 expiration requisites, 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.

The commitments, revocable and irrevocable, represent contractual agreements for credit concession with the Group clients which, in general, are contracted by fixed periods or with other expiring requisites and, normally, apply for the payment of a commission. Substantially, all commitments of credit concession in force require clients to maintain certain requisites which are verified at the time of the respective formalization.

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 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 30 June 2014 and 31 December 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 30 June 2014 and 31 December 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 with 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 0.50% as at 30 June 2014 (31 December 2013: 0.75%).

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 period).

- *Financial assets held for trading (except derivatives), Financial liabilities held for trading (except derivatives) and Available-for-sale financial assets*

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 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. 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 is used its market price. As for derivatives traded "over the counter", apply the numerical methods based on techniques of discounted cash flow evaluation 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. 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 period) and the spread used at the date of the report, which was calculated from the average production of the second quarter of 2014. As at 30 June 2014, the average discount rate was 4.18% (31 December 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 period) and the spread of the Group at the date of the report, which was calculated from the average production of the second quarter of 2014. The average discount rate was of 1.12% (31 December 2013: 2.39%)

- *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 30 June 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	0.052%	0.150%	0.450%	-0.080%	0.069%
7 days	0.052%	0.123%	0.450%	-0.080%	0.069%
1 month	0.099%	0.160%	0.450%	-0.080%	0.100%
2 months	0.157%	0.230%	0.510%	-0.060%	0.130%
3 months	0.207%	0.290%	0.590%	-0.019%	0.130%
6 months	0.303%	0.400%	0.780%	0.070%	0.135%
9 months	0.394%	0.400%	0.950%	0.150%	0.220%
1 year	0.488%	0.535%	1.150%	0.240%	0.295%
2 years	0.313%	0.584%	1.319%	0.067%	0.206%
3 years	0.386%	0.999%	1.685%	0.104%	0.228%
5 years	0.655%	1.700%	2.149%	0.299%	0.342%
7 years	0.995%	2.176%	2.444%	0.597%	0.529%
10 years	1.439%	2.624%	2.743%	1.004%	0.834%
15 years	1.895%	3.024%	3.029%	1.423%	1.278%
20 years	2.090%	3.179%	3.029%	1.423%	1.278%
30 years	2.183%	3.294%	3.029%	1.423%	1.278%

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 evaluation:

			Volatility (%)				
Exchange rates	**Jun 2014**	**Dec 2013**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1,3658	1,3791	4,58	5,03	5,58	6,03	6,30
EUR/GBP	0,8015	0,8337	4,70	5,40	5,78	6,18	6,38
EUR/CHF	1,2156	1,2276	2,10	2,30	2,80	2,90	3,18
EUR/JPY	138,44	144,72	5,58	6,25	7,23	7,90	8,43

Concerning the exchange rates, the Group uses in the evaluation models the spot rate observed in the market at the time of the evaluation.

The fair value for each group of assets and liabilities is presented as follows:

(Thousand of Euro)

	Jun 2014					
	At fair value trough profit or loss	Amortized cost	Available for sale	Other	Book Value	Fair value
Financial assets:						
Cash and deposits at central banks	-	273 625	-	-	273 625	273 625
Loans and advances to credit institutions repayable on demand	-	221 808	-	-	221 808	221 808
Loans and advances to credit institutions	-	512 797	-	-	512 797	512 797
Loans and advances to customers	-	26 948	15 489 982	-	15 516 930	5 096 732
Financial assets held for trading	62 080	-	-	-	62 080	62 080
Available-for-sale financial assets	-	-	3 425 786	-	3 425 786	3 425 786
Hedging derivates	546	-	-	-	546	546
Held-to-maturity investments	-	83 813	-	-	83 813	84 575
Investments in associated companies and other	-	-	-	32 279	32 279	32 279
	62 626	1 118 991	18 915 768	32 279	20 129 664	9 710 228
Financial liabilities:						
Deposits from central banks	-	2 010 197	-	-	2 010 197	2 010 197
Deposits from other credit institutions	81 454	928 231	-	-	1 009 685	1 009 685
Deposits from customers	331 711	14 047 348	-	-	14 379 059	14 391 425
Debt securities issued	205 633	2 088 486	-	-	2 294 119	2 294 121
Financial liabilities associated to transferred assets	-	-	-	170 773	170 773	170 773
Financial liabilities held for trading	63 495	-	-	-	63 495	63 495
Hedging derivates	2 148	-	-	-	2 148	2 148
Other subordinated debt	54 420	317 032	-	-	371 452	409 418
	738 861	19 391 294	-	170 773	20 300 928	20 351 262

(Thousand of Euro)

	Dec 2013					
	At fair value trough profit or loss	Amortized 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 repayable on demand	-	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 trough profit or loss	3 450	-	-	-	3 450	3 450
Available-for-sale financial assets	-	-	4 545 816		4 545 816	4 545 816
Hedging derivates	503	-	-	-	503	503
Held-to-maturity investments	-	34 631	-	-	34 631	35 340
Investments in associated companies	-	-	-	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 associated to transferred assets	-	-	-	195 049	195 049	195 049
Financial liabilities held for trading	62 224	-	-	-	62 224	62 224
Hedging derivates	1 849	-	-	-	1 849	1 849
Other subordinated debt	92 442	277 636	-	-	370 078	310 018
	874 993	19 923 265	-	195 049	20 993 307	20 964 756

The following table shows, by evaluation levels, the fair value of CEMG's financial assets and liabilities, as at 30 June 2014:

(Thousand of Euro)

	Jun 2014				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Book value**
Financial assets:					
Cash and deposits at central banks	-	273 625	-	-	273 625
Loans and advances to credit institutions repayable on demand	-	221 808	-	-	221 808
Loans and advances to credit institutions	-	512 797	-	-	512 797
Loans and advances to customers	-	-	15 516 930	-	15 516 930
Financial assets held for trading	10 325	45 448	6 307	-	62 080
Available-for-sale financial assets	2 788 606	474 832	162 170	178	3 425 786
Hedging derivates	-	546	-	-	546
Held-to-maturity investments	83 813	-	-	-	83 813
Investments in associated companies and other	-	-	-	39 593	39 593
	2 882 744	1 529 056	15 685 407	39 771	20 136 978
Financial liabilities:					
Deposits from central banks	2 010 197	-	-	-	2 010 197
Deposits from other credit institutions	1 009 685	-	-	-	1 009 685
Deposits from customers	-	-	14 379 059	-	14 379 059
Debt securities issued	-	-	2 294 119	-	2 294 119
Financial liabilities associated to transferred assets	-	-	170 773	-	170 773
Financial liabilities held for trading	904	62 591	-	-	63 495
Hedging derivates	-	2 148	-	-	2 148
Other subordinated debt	-	371 452	-	-	371 452
	3 020 786	436 191	16 843 951	-	20 300 928

The following table shows, by evaluation levels, the fair value of CEMG's financial assets and liabilities, as at 31 December 2013:

(Thousand of Euro)

	Dec 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 demand	233 785	-	-	-	233 785
Loans and advances to credit institutions	330 063	-	-	-	330 063
Loans and advances to customers	-	-	15 555 264	-	15 555 264
Financial assets held for trading	8 393	48 142	7 571	-	64 106
Other financial assets at fair value trough 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 derivates		503	-	-	503
Held-to-maturity investments	34 631	-	-	-	34 631
Investments in associated companies	-	-	-	42 399	42 399
	4 021 373	576 110	16 474 117	52 676	21 124 276
Financial liabilities:					
Deposits from central banks	3 427 354	-	-	-	3 427 354
Deposits from other credit institutions	474 497	-	-	-	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	1 389	60 835	-	-	62 224
Hedging derivates	1 849	-	-	-	1 849
Other subordinated debt	370 078	-	-	-	370 078
	4 275 167	60 835	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 if 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 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

Pensions and health-care benefits

In compliance with the collective labour agreement (ACT) for the banking sector established with the unions, the Group undertook the commitment to grant its employees, or their families, pension on retirement and disability, and widows' pension. Pension payments consist of a rising percentage based on years of service, applicable to each year's negotiated salary table for the active work force. Employees hired before March 31, 2008 are covered by this benefit. Employees hired after that date benefit from the General Social Security Scheme.

Additionally, with the publication of Decree-Law n.1-A / 2011 of January 3, all banking sector employees beneficiaries of "CAFEB – Caixa de Abono de Família dos Empregados Bancários" were integrated into the General Social Security Scheme from 1 January 2011, which assumed the protection of banking sector employees in the contingencies of maternity, paternity and adoption and even old age, remaining under the responsibility of the banks the protection in sickness, disability, survivor and death.

Retirement pensions of banking employees integrated into the General Social Security Regime continue to be calculated according to the provisions of ACT and other conventions. Banking employees, however, are entitled to receive a pension under the general regime, which amount takes into account the number of years of discounts for that scheme. Banks are responsible for the difference between the pension determined in accordance with the provisions of ACT and that the one that the banking employees are entitled to receive from the General Social Security Regime.

The contribution rate to the Social Security Regime is 26.6%, 23.6% paid by the employer and 3% paid by the employees, instead of Caixa de Abono de Família dos Empregados Bancários (CAFEB), abolished by the same law. In consequence of this change, the pension rights of active employers is to be covered under the terms defined by the General Social Security Regime, taking into account the length of service from 1 January 2011 until retirement. The differential required to support the guaranteed pension in terms of the ACT is paid by the Banks.

The integration leads to a decrease in the actual present value of total benefits reported to the normal retirement age (VABT) to be borne by the pension fund, after considering the future contributions to be made by the Group and the employees to the social security regime. Since there was no reduction in benefits on a beneficiary's perspective and the liabilities for the past services remained unchanged, arising from the 2nd tripartite agreement, the Group has not recorded in its financial statements any impact in terms of the actuarial calculations at 31 December 2010.

At the end of 2011 following the 3rd tripartite agreement, it was decided to transfer to the Social Security Regime the bank liabilities with pension in payment of the retirees and pensioners as at 31 December 2011. The tripartite agreement established, provides for the transfer to the Social Security sphere of the liabilities with pensions in payment as of 31 December 2011 at constant value (0% discount rate). The responsibilities relating to updates of pensions values, other pension benefits in addition to those to be borne by the Social Security, health-care benefits, death allowance and deferred survivor pensions, will remain in the sphere of responsibility of the banks with the correspondent funding being provided through the respective pension funds.

The banks pension funds assets, specifically allocated to the cover of the transferred liabilities were also be transferred to the Social Security.

Being thus a definitive and irreversible transfer of the liabilities with pensions in payments (even if only on a portion of the benefit), the conditions set out in IAS 19 "Employee benefits" underlying the concept of settlement were met, as the obligation with pension in payment as at 31 December 2011 extinguished at the date of transfer. On this basis, the impacts derived from this transfer were recognised in the income statement in 2011.

The Decree-Law no. 133/2012 published on 27 June 2012 introduced several changes in the calculation of the death subsidy, which is now limited to a maximum of 6 times the social support index (minimum wage), which in 2012 amounted Euro 419.22.

In accordance with IAS 19, and regarding that the acquisition conditions of the benefit are fulfilled (vested), in fact the employee or the pensioner has the right to the benefit without having to fulfil any service condition – the Group as at 31 December 2012 accounted the referred impact in results, which amounted Euro 7,021 thousands (amount that corresponds to the reduction of the liability on the death subsidy).

The key actuarial assumptions used to calculate pension liabilities are as follows:

(Thousands of Euro)

	Assumptions		**Checked**	
	Jun 2014	**Dec 2013**	**Jun 2013**	**Dec 2013**
Financial assumptions				
Salaries increase rate	1,50%	1,50%	1,36%	1,50%
Pensions increase rate	0,50%	0,50%	0,07%	0,05%
Projected rate of return of Fund assets	4,00%	4,00%	5,78%	4,45%
Discount rate	4,00%	4,00%	5,78%	4,45%
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		

UCP - Unit Credit Projectado

The number of persons covered by the plan is as follows:

(Thousands of Euro)

	Jun 2014	**Dec 2013**
Actives	3 891	3 919
Retirees and survivors	1 024	1 012
	4 915	4 931

In accordance with the accounting policy described in note 1 v), the Group's responsibilities for pension benefits, health benefits and death subsidy and respective covers are presented as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Assets/(Liabilities) recognised in the balance sheet		
Responsabilities with retirement benefits		
Pensioners	(127 271)	(117 850)
Employees	(378 462)	(382 067)
	(505 733)	(499 917)
Responsabilities with healthcare benefits		
Pensioners	(18 344)	(18 069)
Employees	(27 598)	(26 688)
	(45 942)	(44 757)
Responsabilities with death subsidy		
Pensioners	(589)	(583)
Employees	(595)	(578)
	(1 184)	(1 161)
Total	(552 859)	(545 835)
Coverages		
Value of the fund	575 538	547 407
Net assets in the balance sheet (see note 34)	22 679	1 572
Accumulated actuarial differences recognized in other comprehensive income	45 555	71 051

In accordance with the accounting policy described in note 1 v), the Group 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 recognized assets in relation to the defined benefit pension plans based on the expectation of reductions in future contributions to the funds.

The changes in responsibilities with retirement pensions and health care benefits can be analysed as follows:

(Thousands of Euros)

	Jun 2014				Dec 2013			
	Retirement pensions	Healthcare benefits	Death subsidy	Total	Retirement pensions	Healthcare benefits	Death subsidy	Total
Responsabilities in the beginning of the period	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	4 537	660	15	5 212	8 870	1 150	51	10 071
Interest cost	9 998	896	22	10 916	18 754	1 775	92	20 621
Actuarial gains / (losses)								
- Changes in the assumptions and the conditions of the plans	-	-	-	-	59 017	3 737	127	62 881
- Not related to changes assumptions de pressupostos	(5 750)	945	8	(4 797)	3 179	(36)	(1 132)	2 011
Pensions paid by the fund	(3 314)	(1 316)	(21)	(4 651)	(7 342)	(1 316)	(21)	(8 679)
Early retirements	344	-	-	344	690	-	-	690
Responsabilities in the end of the period	505 732	45 942	1 185	552 859	499 917	44 757	1 161	545 835

The pensions fund is managed by “Futuro - Sociedade Gestora de Fundos de Pensões, S.A.”.

The evolution on the pensions fund value, on six months periods ended at 30 June 2014 and on the exercise period of 2013, is analysed as follows:

The Pensions Funds’ assets are analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Investment in banks and other	60 655	336 578
Bonds	413 876	119 078
Other variable income securities	49 367	46 604
Direct real estate	7 926	8 879
Shares	43 714	36 268
	575 538	547 407

The Pensions Funds’ assets used by CEMG or represent securities issued by CEMG entities are analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Investment in banks and other	61 531	100 621
Direct Real Estate	8 030	8 998
Bonds	3 270	2 748
	72 831	112 367

The changes in the accumulated actuarial gains and losses are analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Actuarial changes in the beginning of the period	71 051	4 824
Actuarial (Gains) and losses in the period		
- Changes in actuarial assumptions	(4 797)	62 881
- Experience adjustments	(20 699)	3 346
Actuarial changes recognised in other comprehensive income	45 555	71 051

The costs with reform pensions, health-care benefits and death subsidies are analysed as follows:

(Thousands of Euro)

	Jun 2014	Jun 2013
Current service cost	5 212	5 154
Interest cost	10 916	10 463
Expected return on plan assets	(10 948)	(11 761)
Early retirements cost	344	-
Participant contributions	(1 136)	(1 234)
Personnel costs	4 388	2 622

The evolution of net assets/ (liabilities) in the balance sheet is analysed as follows:

(Thousands of Euro)

	Jun 2014	**Dec 2013**
At beginning of the period	1 572	57 667
Actual return on plan assets	31 646	22 978
Group contribution	-	14 817
Participants contribution	1 136	2 384
Current service cost	(5 212)	(10 071)
Interest cost	(10 916)	(20 621)
Actuarial gains / (losses)	4 797	(64 892)
Early retirements	(344)	(690)
At the end of the period	22 679	1 572

The responsibilities and balance of funds changes, as well as gains and losses experienced in the last five years is as follows:

(Thousands of Euro)

	Jun 2014	**Dec 2013**	**Dec 2012**	**Dec 2011**	**Dec 2010**
Liabilities	(552 859)	(545 835)	(465 087)	(426 836)	(597 140)
Balance of funds	575 538	547 407	522 754	447 825	545 097
Responsabilities (sub)/over funded	22 679	1 572	57 667	20 989	(52 043)
(Gains) and losses arising from experience liabilities	(4 797)	64 892	9 562	(6 499)	(4 143)
(Gains) and losses arising from experience adjustments arising on assets	(20 699)	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)	(24 342)	26 006
Wage growth rate (0.25% change)	10 969	(10 540)
Pension growth rate (0.25% change)	20 094	(19 335)
SAMS contribution (0.25% change)	2 135	(2 135)
Future death (1% change)	(1 416)	1 429
	7 440	(4 575)

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 30 June 2014 and 31 December 2013, the amount of the investment funds managed by the Group is analysed as follows:

(thousands of Euros)

	Jun 2014	Dec 2013
Investment funds	392 330	337 061
Real estate investment funds	343 968	341 049
Pension fund	196 093	187 860
Bancassurance	139 060	142 169
	1 071 451	1 008 139

The amounts recognized 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:

CEMG's associates:
HTA – Hotéis, Turismo e Animação dos Açores, S.A.
Montepio Seguros, S.G.P.S., S.A.
Nova Câmbios, S.A.
Silvip, S.A.

Board of Directors:
António Tomás Correia
Jorge Barros Luís
Pedro Almeida Ribeiro
Fernando Paulo Magalhães

Other related parties:
Bem Comum, Sociedade Capital de Risco, S.A.
Bolsimo – Gestão de Activos, S.A.
Carteira Imobiliária, FEIIA
Finibanco Vida – Companhia de Seguros de Vida, S.A.
Finipredial – Fundo de investimento Imobiliário Aberto
Fundação Montepio Geral
Fundo de Pensões CEMG - Gerido pela Futuro
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.
Germont – Empreendimentos Imobiliários, S.A.
Iberpartners Cafés S.G.P.S., S.A.
Leacock, Lda.
Lestinvest, S.G.P.S., S.A.
MG Investimentos Imobiliários, S.A.
Montepio Arrendamento – FIIAH
Montepio Arrendamento II - FIIAH
Montepio Arrendamento III - FIIAH
Montepio Geral – Associação Mutualista
Montepio Gestão de Activos – S.G.F.I., S.A.
Montepio Gestão de Activos Imobiliários, ACE
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares,
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.
Montepio Recuperação de Crédito, ACE
NEBRA, Energias Renovables, S.L.
Nutre, S.G.P.S., S.A.
Polaris - Fundo de Investimento Imobiliário Fechado
PEF - Fundo de Investimento Imobiliário Fechado
Residências Montepio, Serviços de Saúde, S.A.
Sagies, S.A.
Sociedade Portuguesa de Administrações, S.A.

As at 30 June 2014, the Group's liabilities with subsidiaries, represented or not by securities, included in the balances Deposits from customers, Other subordinated debt, Loans and advances to customers and Other liabilities are analysed as follows:

(thousands of Euros)

	Jun 2014			
Companies	**Deposits from customers**	**Other subordinated debt**	**Loans and advances to costumers**	**Other liabilites**
Bolsimo – Gestão de Activos, S.A.	324	-	1	-
Carteira Imobiliária- Fundo Especial Investimento Imobiliário Aberto	2 364	-	-	-
Finibanco Vida Companhia de Seguros Vida, S.A.	6 568	1 000	-	-
Finipredial - Fundo de Investimento Imobiliário Aberto	537	-	34 500	-
Fundação Montepio Geral	1 902	25	-	-
Fundo de Pensões CEMG - Gerido pela Futuro	63 379	4 009	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	2 339	-	1	-
Germont – Empreendimentos Imobiliários, S.A.	239	-	18 669	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	48	-	1 000	-
Iberpartners Cafés S.G.P.S., S.A.	-	-	1 590	-
Lestinvest, S.G.P.S., S.A.	296	-	52 840	-
MG Investimentos Imobiliários, S.A.	8	-	-	-
Montepio Arrendamento – FIIAH	165 634	-	-	1 238
Montepio Arrendamento II – FIIAH	110 997	-	-	65 962
Montepio Arrendamento III – FIIAH	119 920	-	-	32 794
Montepio Geral – Associação Mutualista	477 304	1 272 643	4	-
Montepio Gestão de Activos – S.G.F.I., S.A.	980	-	-	-
Montepio Gestão de Activos Imobiliários, ACE	2 396	-	-	0
Montepio Imóveis - Sociedade Imobiliária de Serviços Auxilares, S.A.	-	-	13 146	-
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	830	-	-	-
Montepio Recuperação de Crédito, ACE	9	-	-	-
Montepio Seguros, S.G.P.S., S.A.	86 435	61 799	9 333	-
NEBRA, Energias Renovables, S.L.	-	-	1 756	-
Nova Câmbios, S.A.	101	135	1 779	-
Polaris - Fundo de Investimento Imobiliário Aberto	10	-	5 350	-
Portugal Estates Fund- Fundo de Investimento Imobiliário Fechado	-	-	3 629	
Residências Montepio, Serviços de Saúde, S.A.	1 055	-	1 472	-
	1 043 675	1 339 611	145 070	99 994

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, Loans and advances to customers and Other liabilities are analysed as follows:

(thousands of Euros)

	Dec 2013		
Companies	**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	-	0
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 30 June 2014, the Group's income with subsidiaries, included in the balances Interest and similar expenses, Interest and similar income and Fee and commission income are analysed as follows:

(thousands of Euros)

Companies	Jun 2014 Interest and similar expense	Interest and similar income	Fee and comission income
Finibanco Vida – Companhia de Seguros de Vida, S.A.	107	2	45
Finipredial – Fundo de investimento Imobiliário Aberto	2	1 423	-
Fundação Montepio Geral	3	-	-
Fundo de Pensões CEMG - Gerido pela Futuro	2 507	31	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
MG Investimentos Imobiliários, S.A.	-	-	1
Montepio Arrendamento – FIIAH	209	262	-
Montepio Arrendamento II – FIIAH	59	4	-
Montepio Arrendamento III – FIIAH	109	8	-
Montepio Geral - Associação Mutualista	18 109	385	18
Montepio Gestão de Activos – S.G.F.I., S.A.	20	-	2
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	2	3 517	-
Montepio Seguros, S.G.P.S., S.A.	985	354	473
N Seguros, S.A.	58	1	21
NEBRA, Energias Renovables, S.L.	-	56	17
Nova Câmbios, S.A.	-	68	19
Nutre S.G.P.S., S.A.	-	230	-
Residências Montepio, Serviços de Saúde, S.A.	1	62	82
SIBS - Sociedade Interbancária de Serviços, S.A.	45	-	-
	22 266	6 573	683

As at 30 June 2013, the CEMG's income with subsidiaries, included in the balances Interest and similar expenses, Interest and similar income and Fee and commission income are analysed as follows:

(thousands of Euros)

Companies	Jun 2013 Interest and similar expense	Interest and similar income	Fee and comission income
Bolsimo – Gestão de Activos, S.A.	-	-	-
Finibanco Vida – Companhia de Seguros de Vida, S.A.	66	1	22
Finimóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	-	1 526	-
Fundação Montepio Geral	1	-	-
Fundo de Pensões CEMG - Gerido pela Futuro	1 531	17	-
Fundo de Pensões Finibanco - Gerido pela Futuro	205	3	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	30	-	2
Germont – Empreendimentos Imobiliários, S.A.	-	88	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	1	-	-
Iberpartners Cafés S.G.P.S., S.A.	-	30	3
Lestinvest, S.G.P.S., S.A.	-	-	-
Lusitania Vida, Companhia de Seguros, S.A.	224	6	33
Lusitania, Companhia de Seguros, S.A.	147	126	153
MG Investimentos Imobiliários, S.A.	-	-	1
Montepio Geral - Associação Mutualista	8 156	183	16
Montepio Gestão de Activos – S.G.F.I., S.A.	142	-	-
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	8	-	-
N Seguros, S.A.	58	1	4
NEBRA, Energias Renovables, S.L.	-	19	17
Nova Câmbios, S.A.	-	32	3
Nutre S.G.P.S., S.A.	-	230	-
Prio Energy S.G.P.S., S.A.	1	180	275
Residências Montepio, Serviços de Saúde, S.A.	-	32	34
SIBS - Sociedade Interbancária de Serviços, S.A.	8	-	-
Silvip, S.A.	21	-	-
	10 599	2 474	563

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 the first semester of 2014 and the exercise year of 2013, there were no transactions with pension's fund of the Group.

56 Securitisation transactions

As at 30 June 2013, there are eight securitisation transactions, seven of which originated in the Group and one in Finibanco Holding Group, currently integrated into the Group following the success of General and Voluntary Initial Public Offering on the equity representative shares of Finibanco - Holding, SGPS, S.A., as described in accounting policy in note 1 a).

In 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, Finibanco 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 operation deadline is 14 years, with an 18 months resolving period and an Aggregate Principal Amount Outstanding (APAO) fixed by Euro 294 million. The sell was made at pair, and the cost for the initial selling process was 0.1871% of the Asset Backed Notes.

The entity that guarantees the debt service (servicer) of these 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 and Aqua Mortgages No. 1 and *Aqua Finance No. 3*).

As at 31 December 2004, in accordance with accounting principles, as established by the Bank of Portugal, the assets, loans and securities transfer under above transactions were derecognized. The acquired securities under these transactions were classified as financial assets held-to-maturity and provision in accordance with Regulation no. 27/2000 of the Bank of Portugal.

In accordance with IFRS 1, the Group follows derecognized criteria to individual statements to all transactions occur until 1 January 2004. For the all transactions after this date, the Group follows de guidance of IAS 39 concerning derecognize, which refers that recognition have to occur either when risks and rewards have substantially been transferred or has not retained control of the assets.

As at 30 June 2014, the securitisation operations 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

The impact of gross loans transferred under the securitisation programs in the Loans and advances to customers, is analysed as follows:

(thousands of Euros)

	Jun 2014	Dec 2013
Pelican Mortgages No.1	67 658	71 938
Pelican Mortgages No.2	135 306	142 536
	202 964	214 474

As at 30 June 2014, the notes issued by the special purpose vehicles, are analysed as follows:

				CEMG's		Rating (Initial)				Rating (Current)			
Issue	**Bond issued**	**Issue amount Euro**	**Current amount Euro**	**interest retention Euro**	**Maturity date**	**Fitch**	**Moody's**	**S&P**	**DBRS**	**Fitch**	**Moody's**	**S&P**	**DBRS**
Pelican Mortgages No.1	Class A	611 000 000	23 954 574	7 349 859	2037	AAA	Aaa	n/a	n/a	A	Baa3	n/a	n/a
	Class B	16 250 000	16 250 000	-	2037	AAA	A2	n/a	n/a	A	Baa3	n/a	n/a
	Class C	22 750 000	22 750 000	-	2037	BBB+	Baa2	n/a	n/a	n/a	Ba2	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	93 453 889	39 161 976	2036	AAA	Aaa	AAA	n/a	A	Baa3	A-	n/a
	Class B	17 500 000	17 500 000	10 060 000	2036	AA+	A1	AA-	n/a	A	Ba1	A-	n/a
	Class C	22 750 000	22 750 000	8 600 000	2036	A-	Baa2	BBB	n/a	BBB	B2	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	293 870 475	124 042 839	2054	AAA	Aaa	AAA	n/a	A	Ba2	A-	n/a
	Class B	14 250 000	7 587 320	7 294 428	2054	AA-	Aa2	AA-	n/a	BBB	B3	BBB	n/a
	Class C	12 000 000	6 389 322	6 159 266	2054	A	A3	A	n/a	BB	Caa2	BBB-	n/a
	Class D	6 375 000	3 394 327	3 394 327	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	603 772 309	603 772 309	2056	AAA	n/a	n/a	n/a	A	n/a	n/a	A
	Class B	55 500 000	53 448 186	53 448 186	2056	AA	n/a	n/a	n/a	A-	n/a	n/a	n/a
	Class C	60 000 000	57 781 823	57 781 823	2056	A-	n/a	n/a	n/a	BBB-	n/a	n/a	n/a
	Class D	25 000 000	27 075 759	27 075 759	2056	BBB	n/a	n/a	n/a	BB	n/a	n/a	n/a
	Class E	27 500 000	26 483 335	26 483 335	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
Pelican Mortgages No.5	Class A	750 000 000	536 941 915	536 941 915	2061	AAA	n/a	n/a	n/a	A	n/a	n/a	AAH
	Class B	195 000 000	188 057 007	188 057 007	2061	BBB-	n/a	n/a	n/a	BBB-	n/a	n/a	n/a
	Class C	27 500 000	26 520 860	26 520 860	2061	B	n/a	n/a	n/a	B	n/a	n/a	n/a
	Class D	27 500 000	26 520 860	26 520 860	2061	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Class E	4 500 000	891 784	891 784	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	686 713 441	686 713 441	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
Aqua Mortgage No.1	Class A	203 176 000	133 223 968	133 223 968	2063	n/a	n/a	AAA	n/a	n/a	n/a	A-	AAH
	Class B	29 824 000	29 824 000	29 824 000	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
Pelocan Finance No.1	Class A	202 900 000	202 900 000	202 900 000	2028	A	n/a	n/a	A	A	n/a	n/a	A
	Class B	91 100 000	91 100 000	91 100 000	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	14 700 000	2028	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

57 Segmental reporting

During 2012, 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, according to the accounting policy described in note 1x).

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 capitation, 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 459 branches in Portugal and with one branch in Cabo verde, one financial institution in Angola 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 and Angola (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 business, 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 centres. 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. and Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI).

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 30 June 2014, is as follows:

(thousands of Euros)

Income statement indicators	**Retail**	**Corporate and Institutional**	**Operations between segments**	**Total**
Interest and similar income	197 895	245 620	19 756	463 271
Interest and similar expense	140 708	77 749	84 238	302 695
Net interest income	57 187	167 871	(64 482)	160 576
Dividends from equity instruments	-	-	493	493
Fees and comissions income	39 955	12 106	17 174	69 235
Fees and comissions expense	(4 055)	(443)	(13 019)	(17 517)
Net gains/(losses) arising from assets and liabilities at fair value through profit ans losses	-	-	508	508
Net gains/(losses) arising from available-for-sale financial assets	-	-	275 067	275 067
Net gains arising from foreign exchange differences	-	-	9 849	9 849
Net gains from sale of other financial assets	-	-	(14 176)	(14 176)
Other operating income	2 705	441	(3 676)	(530)
Total operating income	95 792	179 975	207 738	483 505
Staff costs	64 679	18 238	12 365	95 282
General and administrative expenses	36 748	9 630	8 126	54 504
Depreciation and amortisation	10 402	2 726	2 300	15 428
Total operating costs	111 829	30 594	22 791	165 214
Total of Provisions and Impairment	36 047	228 984	27 875	292 906
Operating profit	(52 084)	(79 603)	157 072	25 385
Equity accounted earnings	-	-	208	208
Income before taxes and non-controlling interests	(52 084)	(79 603)	157 280	25 593
Current taxes	-	-	(39 658)	(39 658)
Deferred taxes	-	-	26 939	26 939
Non-controlling interests	-	-	-	-
Consolidated profit for the period related to the institutional capital and the participation fund	(52 084)	(79 603)	144 561	12 874
Net Assets	12 881 718	5 043 133	4 439 141	22 363 992
Liabilities	13 510 192	827 954	6 293 305	20 631 451
Investments in Associates	-	-	32 279	32 279

The report by operating segments as at 30 June 2013, is as follows:

(thousands of Euros)

Income statement indicators	**Retail**	**Corporate and Institutional**	**Operations between segments**	**Total**
Interest and similar income	241 245	147 987	42 822	432 054
Interest and similar expense	135 315	32 413	162 399	330 127
Net interest income	105 930	115 574	(119 577)	101 927
Dividends from equity instruments	-	-	435	435
Fees and commissions income	46 723	17 869	3 123	67 715
Fees and commissions expense	(7 595)	(929)	(3 960)	(12 484)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	-	-	4 607	4 607
Net gains/(losses) arising from available-for-sale financial assets	-	-	38 190	38 190
Net gains arising from foreign exchange differences	-	-	8 607	8 607
Net gains from sale of other financial assets	-	-	(3 198)	(3 198)
Other operating income	4 719	1 869	(15 257)	(8 669)
Total operating income	149 777	134 383	(87 030)	197 130
Staff costs	70 636	16 290	9 729	96 655
General and administrative expenses	35 671	8 856	7 648	52 175
Depreciation and amortisation	10 477	2 601	2 246	15 324
Total operating costs	116 784	27 747	19 623	164 154
Total of Provisions and Impairment	67 816	44 665	14 930	127 411
Operating profit	(34 823)	61 971	(121 583)	(94 435)
Share of profit of associates under the equity method	-	-	(3 935)	(3 935)
Income before taxes and non-controlling interests	(34 823)	61 971	(125 518)	(98 370)
Current taxes	-	-	(4 243)	(4 243)
Deferred taxes	-	-	33 716	33 716
Non-controlling interests	-	-	757	757
Consolidated profit for the period related to the institutional capital and the participation fund	(34 823)	61 971	(96 802)	(69 654)
Net Assets	13 274 078	3 314 084	4 387 114	20 975 276
Liabilities	13 495 041	2 325 961	3 629 673	19 450 675
Investments in Associates and others	-	-	54 218	54 218

Geographical Segments

The Group develops bank activities as well as financial services in Portugal, Angola and in Cabo Verde.

The Group operates with special emphasis in markets such as Portugal, Angola and Cabo Verde. Considering this, the geographical segments information includes Portugal and Cabo Verde, 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. and by Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI).

As at 30 June 2014, the net contribution of the main geographical segments is as follows:

(thousands of Euros)

Income statement indicators	**Domestic**	**International**	**Adjustments**	**Consolidated**
Interest and similar income	446 650	29 279	(12 658)	463 271
Interest and similar expense	295 742	19 611	(12 658)	302 695
Net interest income	150 908	9 668	-	160 576
Dividends from equity instruments	493	-	-	493
Fees and commissions income	64 254	4 981	-	69 235
Fees and commissions expense	(17 132)	(385)	-	(17 517)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	508	-	-	508
Net gains/(losses) arising from available-for-sale financial assets	275 067	-	-	275 067
Net gains arising from foreign exchange differences	2 006	7 843	-	9 849
Net gains from sale of other financial assets	(14 176)	-	-	(14 176)
Other operating income	1 065	(1 109)	(486)	(530)
Total operational income	462 993	20 998	(486)	483 505
Staff costs	92 116	3 166	-	95 282
General and administrative expenses	50 750	4 240	(486)	54 504
Depreciation and amortisation	14 575	853		15 428
Total operating costs	157 441	8 259	(486)	165 214
Loans impairment	260 048	5 305	-	265 353
Other assets impairment	25 708	-	-	25 708
Other financial assets impairment	2 795	302	-	3 097
Other provisions	(1 252)	-	-	(1 252)
Operating profit	18 253	7 132	-	25 385
Share of profit of associates under the equity method	208	-	-	208
Income before taxes and non-controlling interests	18 461	7 132	-	25 593
Current taxes	(38 079)	(1 579)	-	(39 658)
Deferred taxes	26 939			26 939
Non-controlling interests	-	-	(1 003)	(1 003)
Consolidated profit for the period related to the institutional capital and the participation fund	7 321	5 553	(1 003)	11 871

(thousands of Euros)

Balance Sheet	**Domestic**	**International**	**Adjustments**	**Consolidated**
Cash and deposits at central banks	202 694	70 931	-	273 625
Loans and advances to credit institutions repayable on demand	232 292	13 441	(23 925)	221 808
Other loans and advances to credit institutions	459 459	736 875	(683 537)	512 797
Loans and advances to customers	15 259 641	257 289	-	15 516 930
Financial assets held for trading	62 080	-	-	62 080
Financial assets available-for-sale	3 425 607	179	-	3 425 786
Hedging derivatives	546	-	-	546
Held-to-maturity investments	17 532	66 281	-	83 813
Investments in associated companies and others	71 128	-	(38 849)	32 279
Non- current assets held for sale	715 139	150	-	715 289
Investment properties	715 728	-	-	715 728
Other tangible assets	84 645	36 111	-	120 756
Intangible assets	61 504	1 955	-	63 459
Current tax assets	559	-	-	559
Deferred tax assets	339 680	-	-	339 680
Other assets	270 952	7 905	-	278 857
Total Assets	21 919 186	1 191 117	(746 311)	22 363 992
Deposits from central banks	2 010 197	-	-	2 010 197
Deposits from other credit institutions	1 663 248	15 494	(669 057)	1 009 685
Deposits from customers	13 327 223	1 064 228	(12 392)	14 379 059
Debt securities issued	2 294 119	-	-	2 294 119
Financial liabilities associated to transferred assets	170 773	-	-	170 773
Financial liabilities held for trading	63 495	-	-	63 495
Hedging derivatives	2 148	-	-	2 148
Provisions	5 326	851	-	6 177
Current tax liabilities	3 121	68		3 189
Other subordinated debt	371 403	22 361	(22 312)	371 452
Other liabilities	312 441	8 716		321 157
Total Liabilities	20 223 494	1 111 718	(703 761)	20 631 451
Intitutional capital	1 500 000	43 559	(43 559)	1 500 000
Participation fund	200 000	-	-	200 000
Other equity instruments	8 273	-	-	8 273
Own Securities	(3 577)	-	-	(3 577)
Fair value reserves	43 489	(3 770)		39 719
Other reserves and retained earnings	(59 817)	30 358	(6 461)	(35 920)
Profit for the period	7 320	5 554	(1 003)	11 871
Consolidated profit for the period related to the institutional capital and the participation fund	1 695 688	75 701	(51 023)	1 720 366
Non-controlling interests	-	-	12 175	12 175
Total Equity	1 695 688	75 701	(38 848)	1 732 541
Total Liabilities and Equity	21 919 182	1 187 419	(742 609)	22 363 992

As at 30 June 2013, the net contribution of the main geographical segments is as follows:

(thousands of Euros)

Income statement indicators	**Domestic**	**International**	**Adjustments**	**Consolidated**
Interest and similar income	422 736	20 740	(11 422)	432 054
Interest expense and similar charges	327 317	14 232	(11 422)	330 127
Net interest income	95 419	6 508	-	101 927
Dividends from equity instruments	839	-	(404)	435
Fees and commissions income	63 310	4 405	-	67 715
Fees and commissions expense	(12 370)	(114)	-	(12 484)
Net gains/(losses) arising from assets and liabilities at fair value through profit	4 607	-	-	4 607
Net gains/(losses) arising from available-for-sale financial assets	38 190	-	-	38 190
Net gains arising from foreign exchange differences	1 445	7 162	-	8 607
Net gains from sale of other financial assets	(3 198)	-	-	(3 198)
Other operating income	(8 698)	302	(273)	(8 669)
Total operating income	179 544	18 263	(677)	197 130
Staff costs	94 249	2 406	-	96 655
General and administrative expenses	49 808	2 640	(273)	52 175
Depreciation and amortisation	14 775	549	-	15 324
Total operating costs	158 832	5 595	(273)	164 154
Loans impairment	80 479	3 087	32	83 598
Other financial assets impairment	20 006	-	-	20 006
Other assets impairment	22 659	-	-	22 659
Other provisions	1 068	80	-	1 148
Operating profit	(103 500)	9 501	(436)	(94 435)
Share of profit of associates under the equity method	(3 935)	-	-	(3 935)
Consolidated profit for the period	(107 435)	9 501	(436)	(98 370)
Current taxes	(1 157)	(3 086)	-	(4 243)
Deferred taxes	33 716	-	-	33 716
Non-controlling interests	757	-	-	757
Consolidated profit for the period related to the institutional capital and the participation fund	(75 633)	6 415	(436)	(69 654)

As at 31 December 2013, the net contribution of the main geographical segments is as follows:

(thousands of Euros)

Balance sheet indicators	**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
Deferred tax liabilities	-	-	-	-
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	1 500 000	43 559	(43 559)	1 500 000
Participation fund	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	208 605	18 097	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	1 605 951	73 689	(43 332)	1 636 308
Non-controlling interests	11 035	-	-	11 035
Total Equity	1 616 986	73 689	(43 332)	1 647 343
Total Liabilities and Equity	22 734 081	1 007 236	(702 114)	23 039 203

58 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.

The "Direcção de Risco" ("DRI") helps Executive Board of Directors in decision-making related to the management of several risk types inherent to the activity, in CEMG Group. DRI includes three departments:

- 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.

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.

DRI equally assures the following of a set of prudential reports to the supervision authority, particularly in own funds requisites, control of high risks and related parts funding, liquidity risk, interest rate risk, country risk, counterparty risk, self-valuation of adequacy of Own Capital, Market Discipline, Recovery Plan and Resolving Plan.

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;
- 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 "Rooom" 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, was created the "Direcção de Análise de Crédito", which ensures the assessment of credit proposals from companies and individuals, as well as the assignment of internal ratings in the corporate segment.

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. 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 in what's concerned 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 according with the Notice no. 6/2013 of Bank of Portugal, being the first official report made with reference at March 2014, in accordance with the new rules.

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).

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, includes the coordination of the Risk Committee and Internal Control and reporting the level of the Asset and Liability Committee (“ALCO”) and the Committee on Information Technology.

The Internal Auditing Management, as support to the Executive Board of Directors, has the main duties to assessing reports on the internal control system to be sent annually to the Bank of Portugal, to check compliance with the applicable legislation on the part of the various departments, and to identify major risk areas and submitting its conclusions to the Executive Board of Directors.

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.

The trading room shall cooperate with the Risk Analysis and Management in order to measure and control operations and portfolio risks, as well as suitably monitor the Group's overall risk positions.

In terms of compliance risk, the Head of Compliance in the dependence of the Executive Board of Directors, shall control, identify and assess the various situations that contribute to this risk, namely in terms of transactions/activities, business, products and departments.

In this context, the Internal Auditing Management shall also assess the internal control system, identifying the areas of major importance/risk, to ensure efficient governance.

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).

To corporate credit are used internal rating models to medium and large companies, distinguishing construction 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)

	Jun 2014	Dec 2013
Deposits with Other credit institutions	221 808	233 785
Deposits with banks	512 797	330 063
Loans and advances to customers	15 516 930	15 555 141
Financial assets held for trading	52 381	56 297
Other Financial assets at fair value through profit or loss	-	3 450
Available-for-sale financial assets	3 064 604	4 001 982
Hedging derivatives	546	503
Held-to-maturity investments	83 813	34 631
Investments in associated companies and others	39 593	42 399
Other assets	260 606	182 422
Guarantees granted	467 984	471 714
Documentary credits	12 501	6 962
Irrevocable commitments	465 312	391 689
Credit default swaps (notionals)	22 000	25 000
	20 720 875	21 336 038

The analysis of the risk exposure by sector of activity, as at 30 June 2014, can be analysed as follows:

(Thousands of Euros)

	Jun 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**	**Gross Amount**	**Gross Amount**	**Gross Amount**	**Impairment**	**Gross Amount**	**Gross Amount**
Agriculture	149 672	(6 162)	-	-	-	-	-	7 012
Mining	45 058	(4 475)	516	-	10 244	-	-	2 055
Food, beverage and tobacco	226 225	(15 758)	-	-	10 633	-	-	2 803
Textiles	87 064	(14 394)	-	-		-	-	1 996
Shoes	30 561	(2 955)	-	-		-	-	770
Wood and cork	51 363	(11 460)	-	-		-	-	1 478
Printing and publishing	95 778	(7 752)	-	-		-	-	452
Petroleum refining	51	(10)	-	-	14 047	-	-	-
Chemicals and rubber	127 615	(8 926)	-	-	402	-	-	2 052
Non-metallic minerals	82 636	(3 876)	-	-		-	-	2 284
Basis metallurgic industries and metallic products	153 216	(12 017)	-	-	64 031	-	-	9 423
Production of machinery	46 660	(2 011)	-	-		-	-	1 480
Production of transport material	34 232	(1 671)	-	-		-	-	649
Other transforming material	47 339	(4 803)	-	-	98 726	-	-	6 898
Electricity, gas and water	126 199	(492)	-	-	290 574	-	-	1 018
Construction	1 843 979	(346 849)	110	-	24 816	(998)	-	183 921
Wholesale and retail	1 232 231	(133 507)	-	-		-	-	80 156
Tourism	407 509	(19 628)	-	-	524	-	-	7 780
Transports	435 761	(56 052)	-	-	49 311	-	-	14 559
Communications and information activities	69 764	(5 858)	-	-	84 149	-	-	1 154
Financial activities	971 372	(94 325)	51 755	-	327 382	(7 245)	-	80 636
Real estates activities	772 224	(136 199)	-	-	500	-	-	23 966
Services provided to companies	628 921	(106 175)	-	-		-	-	12 614
Public services	142 368	(1 766)	-	-	1 950 642	(8 415)	83 813	535
Other activities of collective services	493 292	(14 096)	-	-		-	-	11 789
Mortgage loans	8 260 383	(298 447)	-	-	46 064	-	-	-
Others	269 016	(3 895)	-	-	109 217	-	-	10 504
Total	16 830 489	(1 313 559)	52 381	-	3 081 262	(16 658)	83 813	467 984

The analysis of the risk exposure by sector of activity, as at 31 December 2013, can be analysed as follows:

(thousands of Euros)

Activity sector	Dec 2013							
	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	Gross Amount	Gross Amount	Gross Amount	Impairment	Gross Amount	Gross Amount
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	-	-	4 134
Textiles	69 158	(23 871)	-	-	-	-	-	448
Shoes	22 968	(4 935)	-	-	-	-	-	384
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	-	-	1 808
Non-metallic minerals	52 000	(3 633)	-	-	-	-	-	2 974
Basis metallurgic industries and metallic products	148 452	(11 795)	-	-	74 227	-	-	10 290
Production of machinery	38 099	(2 849)	-	-	-	-	-	1 491
Production of transport material	29 976	(1 275)	-	-	-	-	-	198
Other transforming material	37 591	(4 975)	-	-	91 895	-	-	7 101
Electricity, gas and water	130 692	(650)	-	-	202 563	-	-	2 595
Construction	1 763 786	(321 369)	102	-	21 289	(998)	-	176 321
Wholesale and retail	962 834	(138 207)	-	-	5 074	-	-	74 380
Tourism	323 244	(19 415)	-	-	-	-	-	8 109
Transports	358 906	(22 448)	-	-	22 282	-	-	15 608
Communications and information activities	44 804	(6 056)	-	-	36 774	-	-	812
Financial activities	1 212 406	(33 298)	55 713	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)	482	-	1 224	-	-	15 869
Public services	115 608	(8 035)	-	-	3 089 700	(8 415)	34 631	6 285
Other activities of collective services	388 529	(13 685)	-	-	-	-	-	12 713
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)	56 297	3 450	4 013 254	(11 272)	34 631	471 714

In terms of risk credit, the financial assets portfolio continued to be concentrated in investment grade bonds issued by financial institutions.

During the first semester of 2014, there was a reduction of the nominal credit default swaps portfolio, by the maturity of several deals, with the buying and selling of credit protection decreasing to Euro 6,000 thousands and Euro 16,000 thousands, respectively (31 December 2013: Euro 9,000 thousands and Euro 16,000 thousands, respectively).

In terms of credit quality, there was a small decrease in the average level of counterparties, on maturity of Euro 3 million of the risk positions (BBB-), given the predominance of portuguese counterparts with BB+ rating. Credit protection of Portuguese counterparts continues to involve buying and selling protection positions of Euro 13,000 thousand and Euro 3,000 thousand, respectively.

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 monitoring of static and dynamic gaps calculated.

Usually 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 mean 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 the first semester represented 84.3% 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 mainly indicators of these measures, as at 30 June 2014 and 31 December 2013:

(thousands of Euros)

	Jun 2014				Dec 2013			
	June	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Interest rate Gap	(967 914)	(967 914)	(967 914)	(967 914)	(556 462)	(538 159)	(519 855)	(556 462)

Following the recommendations of Basel II (Pillar II) and Instruction no. 19/2005, 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
30 June 2014					
Assets	11 241 605	4 077 926	567 708	1 585 921	1 234 036
Off balance sheet	8 520 783	64 952	261 147	114 809	-
Total	19 762 388	4 142 878	828 855	1 700 730	1 234 036
Liabilities	6 175 187	1 828 271	3 372 927	8 338 755	164 440
Off balance sheet	8 532 428	177 241	-	252 022	-
Total	14 707 615	2 005 512	3 372 927	8 590 777	164 440
Gap (Assets - Liabilities)	5 054 773	2 137 366	(2 544 072)	(6 890 047)	1 069 596
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 30 June 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 47,875 thousands (31 December 2013: Euro 32,893 thousands).

The following table presents the average interests, in relation to the Group major assets and liabilities categories for the period ended at 30 June 2014 and the period ended at 31 December 2013, as well as the average balances and the income and expense for the periods:

(Thousands of Euro)

	Jun 2014			Dec 2013		
Products	**Average balance for the period**	**Average interest rate (%)**	**Income / Expense**	**Average balance for the exercise**	**Average interest rate (%)**	**Income / Expense**
Assets						
Loans and advances to customers	16 661 605	3.58	295 843	16 385 139	3,31	542 696
Deposits	180 898	0.14	123	124 482	1,46	1 818
Securities portfolio	3 908 700	5.68	110 028	3 281 675	4,78	156 907
Inter-bank loans and advances	409 341	0.95	1 923	225 380	0,12	277
Swaps	-	-	53 687	-	-	110 526
Total Assets	21 160 544		461 604	20 016 676		812 224
Liabilities						
Deposits from customers	14 014 518	2.36	163 802	13 154 293	2,57	337 444
Securities deposits	3 079 479	5.16	78 781	3 496 462	3,37	117 738
Interbank deposits	3 369 920	0.22	3 698	2 742 338	0,87	23 758
Other liabilities	466	-	-	156	0,64	1
Swaps	-	-	54 747	-	-	108 036
Total liabilities	20 464 383		301 028	19 393 249		586 977

About foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 30 June 2014 is analysed as follows:

(thousands of Euros)

	Jun 2014							
	Euro	**United States Dollar**	**Sterling Pound**	**Canadian Dollar**	**Suisse Franc**	**Japanese Yen**	**Other foreign currencies**	**Total amount**
Assets by currency								
Cash and deposits at central banks	195 568	25 918	1 195	663	489	306	49 485	273 625
Loans and advances to credit institutions repayable on demand	208 358	11 522	408	438	675	-	407	221 808
Loans and advances to credit institutions	277 763	141 032	-	-	-	-	94 002	512 797
Loans and advances to customers	15 434 585	95 152	1	-	858	-	(13 666)	15 516 930
Financial assets held for trading	57 052	5 028	-	-	-	-	-	62 080
Other financial assets at fair value trough profit or loss	-	-	-	-	-	-	-	-
Available-for-sale financial assets	3 420 985	3 636	32	19	730	-	384	3 425 786
Hedging derivatives	546	-	-	-	-	-	-	546
Held-to-maturity investments	17 583	-	-	-	-	-	66 230	83 813
Investments in associated companies and others	32 279	-	-	-	-	-	-	32 279
Non- current assets held for sale	715 139	-	-	-	-	-	150	715 289
Property and equipment	715 728	-	-	-	-	-	-	715 728
Property and equipment	84 770	-	-	-	-	-	35 986	120 756
Intangible assets	59 573	-	-	-	-	-	3 886	63 459
Current tax assets	559	-	-	-	-	-	-	559
Deferred tax assets	339 680	-	-	-	-	-	-	339 680
Other assets	(417 052)	193 423	15 985	41 744	914	70	443 773	278 857
Total Assets	21 143 115	475 710	17 621	42 865	3 666	376	680 640	22 363 992
Liabilities by currency								
Deposits from central banks	2 010 197	-	-	-	-	-	-	2 010 197
Deposits from other credit institutions	860 606	105 593	7 440	35 297	665	61	23	1 009 685
Deposits from customers	14 173 681	181 213	8 261	7 212	2 239	11	6 442	14 379 059
Debt securities issued	2 252 034	42 085	-	-	-	-	-	2 294 119
Financial liabilities associated to transferred assets	170 773	-	-	-	-	-	-	170 773
Financial liabilities held for trading	62 405	1 090	-	-	-	-	-	63 495
Hedging derivatives	2 148	-	-	-	-	-	-	2 148
Provisions	5 326	-	-	-	-	-	851	6 177
Deferred tax liabilities	3 121	-	-	-	-	-	68	3 189
Other subordinated debt	349 141	22 311	-	-	-	-	-	371 452
Other liabilities	(462 166)	123 164	1 919	356	599	304	656 981	321 157
Total Liabilities	19 427 267	475 456	17 620	42 865	3 503	376	664 364	20 631 451
Net asset / liability by currency	1 715 848	254	1	(0)	163	(0)	16 275	1 732 541

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 Euros)

	Dec 2013							
	Euro	**United States Dollar**	**Sterling Pound**	**Canadian 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
Property and equipment	543 534	-	-	-	-	-	-	543 534
Property and equipment	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 30 June 2014, the global collateral value available on the European Central bank (“ECB”) rises to Euro 4,253,770 thousands with an usage of Euro 2,010,192 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. This system is held by an organizational structure, included in the DRI and exclusively dedicated to this assignment, delegates designated by each department.

Capital management and Solvency Ratio

According with the rules of the Bank of Portugal

In prudential matters, the Group is subject to Bank of Portugal supervision that, under the capital adequacy Directive from the CE, establishes the rules to be attended by the institutions under its supervision. These rules determine a minimum solvency ratio in relation to the requirements of the assumed risks that institutions have to fulfil.

The capital elements of the Group are divided into: Basic Own Funds, Complementary Own Funds and Deductions, as follows:

– Basic Own Funds ("BOF"): This category includes the share capital, the eligible reserves (excluding positive fair value reserves), the retained earnings, minority interest and preferential stocks. It is deducted the negative fair value reserves associated to stocks or other capital instruments, by the book value related to the Goodwill, intangible assets, deferred costs, actuarial losses and negative fair value reserves that come from responsibilities with benefits of post-employment to employees above the corridor limit of 10% of maximum between those responsibilities and assets of the pension fund. They are also deducted 50% of its value the shares above 10% in financial institutions, as well as stakes in insurers. It is also a negative element the deposits amount with overpayment remuneration, in accordance with Instruction no.28/2011;

– Complementary Own Funds ("COF"): Essentially incorporates the subordinated eligible debt, the revaluation reserves of tangible assets and 45% of the positive fair value reserve and is deducted by 50% of the book value of equity investments in banking and insurance entities, in participations higher than 10%, as well as in participations in insurance entities;

– It is deducted to the total Own Funds the non-current assets held for sale acquired in exchange for loans at more than 4 years. This value is calculated in accordance with a progressiveness method that leads that in 9 to 12 years in portfolio (considering the date of the operation), the net value of the asset, are totally deducted in the own funds.

The composition of the capital base is subject to a number of boundaries. Additionally there are several rules limiting the capital basis of the Group. The prudential rules determine that the COF cannot exceed the COF. In addition, some components of the COF (Lower Tier II) cannot exceed 50% of the BOF.

In 2008, the Bank of Portugal issued Regulation no. 6/2008, which changed the rules to determine capital requirements. This regulation along with the treatment given to credits and other values to receive, excluded the potential in debt securities classified as available for sale of Own Funds, in what exceeds the impact of eventual hedged operations, maintaining, however, the obligation of not consider in basis Own Funds positive re-evaluation reserves, in what exceeds the impairment which eventually had been registered, related to non-realized gains in capital available for sale securities (net from taxes).

In 2011, the Group adapted the accounting policy of Pension Fund to the changes in International Accounting Standards. Previously, it was used to rule the designated corridor rule and in December 2011 came to recognize that the whole of actuarial reserves. Despite this change to accounting, in regulatory terms there were no changes since the Instruction no. 2/2012 2012 sets prudential treatment for this new accounting procedure, similar to that designated by rule of the corridor.

The confirmation that an entity has an amount of own funds not below of its capital requirements assures the adequacy of its capital, reflected on a solvency ratio – represented by the percentage of total own funds to the result of 12.5 times the capital requirements. Instruction no. 3/2001, 18 May, of the Bank of Portugal released a recommendation in order to the financial groups submitted to its supervision, as well as the respective mother-companies, strengthen their Core Tier 1 ratio to a figure not below 10%.

The capital adequacy of the Group as at 30 June 2014 and 31 December 2013 is presented as follows:

		(thousands of Euros)
	Jun 2014	**Dec 2013**
Core Tier 1		
Paid-up capital	1 700 000	1 700 000
Net profit, General reserves, Special reserves and Retained earnings	(7 198)	(60 431)
Other regulatory adjustments	(112 457)	(77 334)
	1 580 345	1 562 235
Basic own funds		
Other equity instruments	8 273	8 273
Deduction to basic own funds	(13 677)	(11 087)
	1 574 941	1 559 421
Complementary own funds		
Upper Tier 2	13 491	12 918
Lower Tier 2	246 075	303 638
Deductions to complementary own funds	(13 677)	(11 087)
	245 889	305 469
Deductions to total own funds	(16 651)	(15 615)
Total owned funds	1 804 179	1 849 275
Own funds requirements		
Credit risk	1 115 428	1 067 147
Market risk	3 044	3 664
Operational risk	63 169	64 281
	1 181 641	1 135 092
Prudential Ratio		
Ratio core Tier 1	10,70%	11,01%
Ratio Tier 1	10,66%	10,99%
Solvency ratio	12,21%	13,03%
EBA ratio		

<u>In accordance with the CRD IV/CRR methodology</u>

Own funds, determined according to the Directive 2013/36/EU and the Regulation (EU) no. 575/2013 approved by the European Parliament and the European Counsel, includes the level 1 own funds (Tier 1) and the level 2 own funds (Tier 2). The Tier 1 includes the main own funds of level 1 (common equity tier 1) and the additional own funds of level 1.

In accordance with the prudential rules of Basel III, CEMG's Own Funds are grouped in Main Own Funds of Level 1 or Common 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 follow composition:

- **Main Own Funds 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 ascertained goodwill, others intangible assets, profits non-realized 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 participations on financial sector entities and Assets by Deferred Taxes have differential 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 subjects to weight of 250% for the fullness of risk-weighted assets. Relatively to participations 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, will exist a transitory period that will allow to gradually acknowledge the majors impacts of this new regulation. Emphasis for the transitory plan applied to deferred taxes assets and negative actuarial deviations of the pensions fund that allow to acknowledge 20%/year the eventual negatives 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 Standards, and replace the IAS 39.
- **Own Funds of Level 1 or Tier 1 (T1)**: includes capital equivalents instruments, whose conditions will be 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.
- **Own Funds of Level 2 or Tier 2 (T2)**: includes capital equivalents instruments, whose conditions will be in accordance with the article 63º from Regulation no.575/2013 and approved by the Bank of Portugal. From this capital is deducted the eventual detentions of capital T2 from financial institutions subjected to deduction.

The Own Fund Total or Total Capital is calculated by the sum of the three capital levels previously 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 than 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 (that used to be the solvability ratio, represented by the percentage of capital level correspondent to the amount of 12.5 times the own funds requisites). 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 CEMG's capital requisites at 30 June 2014 is presented as follows:

	(Thousands of Euro)
	June 2014
Capital Common Equity Tier 1	
Paid-up capital	1 700 000
Net profit, General reserves, Special reserves and Retained earnings	(7 227)
Other regulatory adjustments	(122 077)
	1 570 696
Capital Tier 1	
Other equity instruments	6 618
regulatory adjustments	(6 619)
	1 570 695
Capital Tier 2	
subordinated loans	246 075
regulatory adjustments	(14 126)
	231 949
Total owned funds	1 802 644
Own funds requirements	
Credit risk	1 093 096
Market risk	3 044
Operational risk	63 169
other requirements	36 083
	1 195 392
Prudential ratios	
Common Equity Core Ratio - Tier 1	10.5%
Ratio Tier 1	10.5%
Total capital ratio	12.1%

59 Sovereign debt of European Union countries subject to bailout

As at 30 June 2014, the exposure of the Group to sovereign debt of European Union countries subject to bailout is as follows:

(thousands of Euros)

Issuer / Porfolio	Accounting Value	Fair value	Fair value reserves	Impairment	Average interest rate (%)	Average maturity (years)	Fair value measurement level
	Jun 2014						
Greece							
Financial assets held for trading	12 806	12 806	3 044	(8 415)	1.26	23.66	1

The securities value includes the respective accrued interests.

At May 2014, the validation 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 Group to sovereign debt of European Union countries subject to bailout is as follows:

(thousands of Euro)

Issuer/Portfolio	Accounting value	Fair value	Fair value reserves	Impairment	Average Interest rate (%)	Average maturity (years)	Fair value measurement levels
	Dec 2013						
Portugal							
Financial assets held for trading	3 053 183	3 053 183	33 402	-	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	33 402	-			
Greece							
Financial assets held for trading	10 066	10 066	123	(8 415)	1.26	24.16	1
	3 069 398	3 069 547	33 525	(8 415)			

60 Transfers of assets

The Group performed an operation of sale of financial assets (namely loan 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 transaction are derecognized 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 Fund.

These funds (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 the evaluations 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, 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 position). 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; and

- 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 39.21 c (i) and the recognition of the assets received as follows:

(thousands of Euro)

	Jun 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
Fundo de Reestruturação Empresarial, FCR	-	-	-	25 655	25 777	122
Discovery Portugal Real Estate Fund	3 675	3 731	56	9 995	11 681	1 686
Fundo Aquarius, FCR	12 868	13 653	785	-	-	-
	16 543	17 384	841	54 444	58 347	3 903

(thousands of Euros)

	Jun 2014				
	Senior Securities	Junior Securities	Total	Junior Impairment	Net Value
Vallis Construction Sector Fund	15 950	6 153	22 103	6 153	15 950
Fundo de Reestruturação Empresarial, FCR	46 050	-	46 050	-	46 050
Fundo de Reestruturação Empresarial, FCR	11 955	-	11 955	-	11 955
Fundo Aquarius	13 653	-	13 653	-	13 653
	87 608	6 153	93 761	6 153	87 608

(thousands of Euro)

	Dec 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

As at 30 June 2014 and 31 December 2013, the net assets transferred amounted Euro 70,987 thousands, as described in note 22.

As at 30 June 2014 and 31 December 2013, the junior securities correspond to supplementary capital in the amount of Euro 6.153 thousands. 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 25.

Although the junior bonds are fully provided, the Group 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).

61 Subsidiary companies

As at 30 June 2014, the companies under full consolidation 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	Euros 8 996 000	Banking	100.00%
Montepio Holding, S.G.P.S., S.A.	Porto	Euros 175 000 000	Holding company	100.00%
Montepio Investimento, S.A.	Porto	Euros 180 000 000	Banking	100.00%
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Porto	Euros 30 000 000	Finance lease	100.00%
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.	Porto	Euros 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	87.67%

According to the accounting policy described in note 1b), 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
Pelican Mortgages No. 1	2002	2002	Dublin	100%
Pelican Mortgages No. 2	2003	2003	Dublin	100%
Finipredial - Fundo de Investimento Imobiliário Aberto	1997	2012	Lisboa	58.682%
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2011	2011	Lisboa	100%
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisboa	100%
Montepio Arrendamento II – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2013	2013	Lisboa	100%
Montepio Arrendamento III – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2013	2013	Lisboa	100%
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto	2013	2013	Lisboa	100%

As at 30 June 2014, the companies included in the consolidated accounts under the equity method are as follows:

Subsidiary Company	Head of office	Share Capital	Activity	% Held
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	Ilha de São Miguel	Euros 10 000 000	Alojamento, Restauração e Similares / Hóteis com Restaurante	20.00%
Iberpartners Cafés S.G.P.S., S.A.	Lisboa	Euros 3 400 000	Sociedade Gestora de Participações Sociais	29.41%
Montepio Seguros, S.G.P.S., S.A.	Lisboa	Euros 137 750 000	Sociedade Gestora de Participações Sociais	33.65%
Nutre S.G.P.S., S.A.	Oliveira de Frades	Euros 5 000 000	Sociedade Gestora de Participações Sociais	20.00%

The presented percentage reflects the economic interest of the Group.

The Group realized a set of operations relative, essentially, to mortgage loans, consumer credits and loans to companies, which were made through special purpose entities (SPE's). As referred in accounting policy described in note 1 b), when the relation's base with such entities shows that the Group is in control over their activities, those SPE's must be consolidated by full method, according to IFRS 10.

62 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.

9.2. Individual Financial Statements

INDIVIDUAL BALANCE SHEET AS AT 30 JUNE 2014 AND 31 DECEMBER 2013

(thousand euros)

	2014			2013
	Gross Assets	**Impairment and Amortisations**	**Net Assets**	**Net Assets**
ASSETS				
Cash and deposits at central banks	202 692	-	202 692	242 372
Deposits at other credit institutions	68 241	-	68 241	84 578
Financial assets held for trading	63 202	-	63 202	62 531
Other financial assets at fair value through profit or loss	-	-	-	3 450
Financial assets available for sale	7 518 249	59 538	7 458 711	8 942 287
Investments in credit institutions	726 014	367	725 647	291 644
Credit to customers	16 431 180	1 307 600	15 123 580	15 139 969
Investments held to maturity	17 532	-	17 532	17 227
Hedging derivatives	546	-	546	503
Non-current liabilities held for sale	784 540	87 527	697 013	663 231
Other tangible assets	192 213	151 628	40 585	44 316
Intangible assets	151 572	34 839	116 733	112 240
Investments in subsidiaries, associates and joint ventures	419 183	-	419 183	418 547
Current tax assets	10	-	10	10
Deferred tax assets	317 714	-	317 714	313 702
Other assets	167 427	3 084	164 343	130 329
TOTAL ASSETS	**27 060 315**	**1 644 583**	**25 415 732**	**26 466 936**
LIABILITIES				
Resources from central banks			2 010 197	3 427 354
Financial liabilities held for trading			63 478	62 242
Resources from other credit institutions			1 714 952	1 100 965
Resources from customers and other resources			13 753 822	13 620 187
Debt securities issued			2 086 205	2 166 018
Financial liabilities associated to transferred assets			3 161 991	3 444 852
Hedging derivatives			2 148	1 849
Provisions			116 793	115 911
Current tax liabilities			-	1 353
Other subordinated liabilities			387 393	386 378
Other liabilities			341 729	439 821
TOTAL LIABILITIES			**23 638 708**	**24 766 930**
EQUITY				
Capital			1 700 000	1 700 000
Institutional Capital			1 500 000	1 500 000
Participation Fund			200 000	200 000
Other equity instruments			8 273	8 273
Revaluation reserves			81 896	33 279
Other reserves and retained earnings			-20 395	220 967
Net income for the period			7 250	-262 513
TOTAL EQUITY			**1 777 024**	**1 700 006**
TOTAL LIABILITIES AND EQUITY			**25 415 732**	**26 466 936**

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

INDIVIDUAL INCOME STATEMENT AS AT 30 JUNE 2014 AND 2013

(thousand euros)

	2014	2013
Interest and similar income	438 585	413 909
Interest and similar expense	292 552	321 833
NET INTEREST INCOME	**146 033**	**92 076**
Income from equity instruments	1 311	1 783
Income from fees and commissions	60 555	61 574
Fees and commission expenses	8 845	8 815
Gains arising from assets and liabilities at fair value through profit or loss	1 597	-5 977
Gains arising from financial assets available for sale	253 077	39 330
Gains arising from currency revaluation	2 185	1 707
Gains arising from sale of other assets	-8 641	-3 576
Other net operating income	11 284	2 900
OPERATING INCOME	**458 556**	**181 002**
Personnel Expenses	88 561	90 514
General administrative overheads	49 244	47 601
Amortisation and depreciation for theperiod	12 214	13 295
Provisions net of adjustments	882	-2 948
Net adjustments for credit to customers and receivables from other debtors	267 387	102 174
Impairment of other financial assets net of reversals and recoveries	25 800	20 017
Impairment of other assets net of reversals and recoveries	-889	24 207
EARNINGS BEFORE TAX	**15 357**	**-113 858**
Taxes	**-8 107**	**34 996**
PROFIT AFTER TAX	**7 250**	**-78 862**

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

Caixa Económica Montepio Geral

Interim Individual Financial Statements

30 June 2014

(With Limited Review Report)

This Report is a translation to English of the Portuguese version. In case of doubt, or misinterpretation the Portuguese version will prevail.

August 2014
This report contains 132 pages

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
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LIMITED REVIEW REPORT ON INTERIM FINANCIAL INFORMATION ISSUED BY THE CMVM REGISTERED AUDITOR

(This report is a free translation to English from the original Portuguese version)

Introduction

1 In accordance with the requirements of "Código dos Valores Mobiliários" (CVM), we hereby present our Limited Review Report, on the interim consolidated financial information for the six months period ended 30 June 2014, of **Caixa Económica Montepio Geral**, which includes the statement of financial position (which shows a total of Euro 1,497,137 thousands and total equity attributable to equity holders of CEMG of Euro 1,524,601 thousands, including a net profit of 7,250 thousands of Euro) and the statement of income, comprehensive income, changes in equity, and cash flows for the six months period then ended and in the corresponding notes to the financial statements.

2 The amounts included in the consolidated financial statements and in the additional financial information were extracted from the accounting records.

Responsabilities

3 The Executive Board of Directors is responsible for:

a) the preparation of financial information that present fairly the financial position of Caixa Económica Montepio Geral, the result of its operations, the comprehensive income, the changes in equity and the cash flows;

b) the historical financial information prepared in accordance with the Adjusted Accounting Standards ("Normas de Contabilidade Ajustadas") issued by Bank of Portugal which is complete, true, current, clear, objective and lawful as established by the Stock Exchange 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 matter that may have influenced the activity, financial position or results.

4 Our responsibility is to verify the financial information included in the above mentioned documents, namely if 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 work.

Scope

5 The work that we have performed was conducted with the objective of obtaining a moderate level of assurance about whether the financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the "Ordem dos Revisores Oficiais de Contas", and planned in accordance with that objective and included the following procedures:

a) mainly, inquiries and analytical procedures performed to review:

- the reliability of the assertions included in the consolidated financial information;
- the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
- the application, or not, of the going concern principle;
- the presentation of the financial information;
- if the financial information is complete, true, current, clear, objective and lawful; and

b) substantive tests on material non usual significant transactions.

6 Our work also included the verification of the consistency of the financial information contained in the Management Report with the remaining documents mentioned above.

7 We believe that our work provides a reasonable basis to issue our report on the interim financial information.

Conclusion

8 Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2014, is not free of material misstatements that affect its compliance with IAS 34 - Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 14 August 2014

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (no. 189)
Represented by
Jean-éric Gaign (ROC no. 1013)

FINANCIAL STATEMENTS

- NOTES TO THE FINANCIAL STATEMENTS
(Pages 4 to 132)

Caixa Económica Montepio Geral

Income Statement
for the six months period ended at 30 June 2014 and 2013

(Amounts expressed in thousands of Euro)

	Notes	30 June 2014	30 June 2013
Interest and similar income	3	438 585	413 909
Interest and similar expense	3	(292 552)	(321 833)
Net interest income		146 033	92 076
Dividends from equity instruments	4	1 311	1 783
Fee and commission income	5	60 555	61 574
Fee and commission expense	5	(8 845)	(8 815)
Net gains/ (losses) arising from assets and liabilities at fair value through profit or loss	6	1 597	(5 977)
Net gains/(losses) arising from available-for-sale financial assets	7	253 077	39 330
Net gains/ (losses) arising from foreign exchange differences	8	2 185	1 707
Net gains/ (losses) arising from sale of other assets	9	(8 641)	(3 576)
Other operating income / (costs)	10	11 284	2 900
Total operating income		458 556	181 002
Staff costs	11	88 561	90 514
General and administrative expenses	12	49 244	47 601
Depreciation	13	12 214	13 295
Total operating costs		150 019	151 410
Loans impairment	14	(267 387)	(102 174)
Other financial assets impairment	15	(25 800)	(20 017)
Other assets impairment	16	889	(24 207)
Other provisions	17	(882)	2 948
Operating profit		15 357	(113 858)
Taxes			
Current	31	34 018	603
Deferred	31	(25 911)	(35 599)
Net profit / loss for the period		7 250	(78 862)

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Balance Sheet as at 30 June, 2014 and 31 December, 2013

(Amounts expressed in thousands of Euro)

	Notes	30 June 2014	31 December 2013
Assets			
Cash and deposits at central banks	18	202 692	242 372
Loans and advances to other credit institutions repayable on demand	19	68 241	84 578
Other loans and advances to credit institutions	20	725 647	291 644
Loans and advances to customers	21	15 123 580	15 139 969
Financial assets and liabilities held for trading	22	63 202	62 531
Other financial assets held for trading at fair value through profit or loss	23	-	3 450
Financial assets available for sale	24	7 458 711	8 942 287
Hedging derivatives	25	546	503
Held-to-maturity investments	26	17 532	17 227
Investments in associated companies and others	27	419 183	418 547
Non current assets held for sale	28	697 013	663 231
Property and equipment	29	40 585	44 316
Intangible assets	30	116 733	112 240
Current income tax assets		10	10
Deferred income tax assets	31	317 714	313 702
Other assets	32	164 343	130 329
Total Assets		25 415 732	26 466 936
Liabilities			
Deposits from central banks	33	2 010 197	3 427 354
Deposits from other financial institutions	34	1 714 952	1 100 965
Deposits from customers	35	13 753 822	13 620 187
Debt securitites issued	36	2 086 205	2 166 018
Financial liabilities relating to transferred assets	37	3 161 991	3 444 852
Financial liabilities held for trading	22	63 478	62 242
Hedging derivatives	25	2 148	1 849
Provisions	38	116 793	115 911
Current income tax liabilities		-	1 353
Other subordinated debt	39	387 393	386 378
Other liabilities	40	341 729	439 821
Total Liabilities		23 638 708	24 766 930
Equity			
Share capital	41	1 500 000	1 500 000
Participation fund	42	200 000	200 000
Other equity instruments	43	8 273	8 273
Revaluation reserves	45	81 896	33 279
Reserves and retained earnings	44 and 45	(20 395)	220 967
Profit for the period		7 250	(262 513)
Total Equity		1 777 024	1 700 006
		25 415 732	26 466 936

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

See accompanying notes to the Interim Individual Financial Statements

Caixa Económica Montepio Geral

Income Statement
for the three months period between 1 April and 30 June 2014 and 2013

(Amounts expressed in thousands of Euro)

	Notas	2nd Quarter 2014	2nd Quarter 2013
Interest and similar income	3	215 678	203 701
Interest and similar expense	3	(144 641)	(158 773)
Net interest income		71 037	44 928
Dividends from equity instruments	4	1 277	1 759
Fee and commission income	5	31 447	31 692
Fee and commission expense	5	(4 618)	(4 717)
Net losses arising from assets and liabilities at fair value through profit or loss	6	766	(2 091)
Net gains/(losses) arising from available-for-sale financial assets	7	48 171	24 684
Net gains arising from foreign exchange differences	8	1 382	844
Net gains from sale of other assets	9	(3 694)	(2 041)
Other operating income	10	8 828	(1 840)
Total operating income		154 596	93 218
Staff costs	11	45 853	45 468
General and administrative expenses	12	26 879	26 389
Depreciation	13	5 910	6 748
Total operating costs		78 642	78 605
Loans impairment	14	(89 775)	(94 704)
Other financial assets impairment	15	(9 830)	(15 740)
Other assets impairment	16	1 644	(15 236)
Other provisions	17	(520)	493
Operating profit		(22 527)	(110 574)
Taxes			
Current	31	13 759	324
Deferred	31	(17 284)	(31 000)
Net profit / loss for the period		(19 002)	(79 898)

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Statement of Cash Flow
for the six months period ended at 30 June 2014 and 2013

(Amounts expressed in thousands of Euro)

	30 June 2014	30 June 2013
Cash flows arising from operating activities		
Interest income received	414 126	435 131
Commissions income received	62 809	60 707
Interest expense paid	(259 960)	(357 660)
Commissions expense paid	(15 723)	(13 143)
Payments to employees and supliers	(146 158)	(140 243)
Recoveries on loans previously written off	4 976	2 393
Other payments and receivables	169 704	(85 705)
	229 774	(98 520)
(Increase) / decrease in operating assets		
Loans and advances to credit institutions and customers	(947 178)	124 829
Other assets	(60 753)	(77 414)
	(1 007 931)	47 415
(Increase) / decrease in operating liabilities		
Deposits from clients	138 591	(84 057)
Deposits from credit institutions	(2 780 262)	(1 732 736)
Deposits from central banks	1 990 000	1 830 000
	(651 671)	13 207
	(1 429 828)	(37 898)
Cash flows arising from investing activities		
Dividends received	1 311	1 783
(Acquisition) / sale of trading financial assets	(2 166)	46 809
(Acquisition) / sale of other financial assets at fair value through profit or loss	3 450	5 491
(Acquisition) / sale of available for sale financial assets	1 494 653	(263 133)
(Acquisition) / sale of hedging derivatives	328	(589)
(Acquisition) / sale of held to maturity investments	(50)	(42)
(Acquisition) / sale of shares in associated companies	(637)	-
Deposits owned with the purpose of monetary control	19 833	(45 894)
Proceeds from sale of fixed assets	-	166
Acquisition of fixed assets	-	(12 177)
	1 516 722	(267 586)
Cash flows arising from financing activities		
Dividends paid	-	(1 692)
Proceeds from issuance of bonds and subordinated debt	259 553	1 156 488
Reimbursement of bonds and subordinated debt	(381 571)	(842 906)
Increase / (decrease) in other sundry liabilities	(1 060)	(15 601)
	(123 078)	296 289
Net changes in cash and equivalents	(36 184)	(9 195)
Cash and equivalents balance at the beginning of the period	239 491	196 376
Net changes in cash and equivalents	(36 184)	(9 195)
Cash and equivalents balance at the end of the period	203 307	187 181
Cash and equivalents balance at the end of the period includes:		
Cash (note 18)	135 066	130 773
Loans and advances to credit institutions repayable on demand (note 19)	68 241	56 408
Total	203 307	187 181

See accompanying notes to the Interim Individual Financial Statements

Caixa Económica Montepio Geral

Statement of Changes in Equity
for the six months period ended at 30 June 2014 and 2013

(Amounts expressed in thousands of Euro)

	Total Equity	Share capital	Participation fund	Other capital instruments	General and special reserves	Other revaluation reserves	Revaluatuion reserves	Retained earnings
Balance on 31 December, 2012	1 608 472	1 295 000	-	15 000	253 709	8 404	(4 783)	41 142
Amortization of the transition adjustment to pensions net of deferred taxes (Regulation no.12/01) (note 49)	(1 744)	-	-	-	-	-	-	(1 744)
Actuarial losses for the period (note 49)	(21 461)	-	-	-	-	-	-	(21 461)
Deferred taxes related to balance sheet changes accounted for reserves (note 31)	2 336	-	-	-	-	-	2 762	(426)
Changes in fair value (note 48)	(9 523)	-	-	-	-	-	(9 523)	-
Profit for the period	(78 862)	-	-	-	-	-	-	(78 862)
Dividends paid (note 46)	(1 692)	-	-	-	-	-	-	(1 692)
Costs related to the issue of perpetual subordinated instruments	(389)	-	-	-	-	-	-	(389)
Transfers of reserves:								
General Reserve	-	-	-	-	451	-	-	(451)
Special Reserve	-	-	-	-	113	-	-	(113)
Balance on 30 June, 2013	1 497 137	1 295 000	-	15 000	254 273	8 404	(11 544)	(63 996)
Amortization of the transition adjustment to pensions net of deferred taxes (Regulation no.12/01) (note 49)	(1 744)	-	-	-	-	-	-	(1 744)
Actuarial losses for the period (note 49)	(43 963)	-	-	-	-	-	-	(43 963)
Deferred taxes related to balance sheet changes accounted for reserves (note 31)	(17 239)	-	-	-	-	-	(15 146)	(2 093)
Changes in fair value (note 45)	51 565	-	-	-	-	-	51 565	-
Profit of the period	(183 651)	-	-	-	-	-	-	(183 651)
Increase in institutional capital (note 41)	205 000	205 000	-	-	-	-	-	-
Increase in share capital by subscription of Participation fund (note 42)	200 000	-	200 000	-	-	-	-	-
Repurchase of perpetual subordinated Instruments	(6 727)	-	-	(6 727)	-	-	-	-
Costs related to the issue of perpetual subordinated instruments	(372)	-	-	-	-	-	-	(372)
Balance on 31 December, 2013	1 700 006	1 500 000	200 000	8 273	254 273	8 404	24 875	(295 819)

Caixa Económica Montepio Geral

Statement of Comprehensive income
for the six and three months periods ended at 30 June 2014 and 2013

(Amounts expressed in thousands of Euro)

	Notes	Six months period ended at 30 June 2014	Six months period ended at 30 June 2013	Three months period ended at 30 June 2014	Three months period ended at 30 June 2013
Items that may be reclassified into the Income Statement					
Fair value reserve					
Available-for-sale financial assets	45	69 007	(9 523)	(5 889)	(21 662)
Taxes	31	(20 390)	2 762	1 699	6 282
		48 617	(6 761)	(4 190)	(15 380)
Items that won't be reclassified into the Income Statement					
Actuarial losses for the period	49	24 559	(21 461)	24 559	(10 709)
Amortization of the transition adjustment to pensions (Regulation no. 12/01)	49	(1 899)	(1 744)	-	(872)
Deferred taxes	31	(1 509)	(426)	(754)	(1 079)
		21 151	(23 631)	23 805	(12 660)
Profit for the period		7 250	(78 862)	(19 002)	(79 898)
Total comprehensive income/(loss) for the period		77 018	(109 254)	613	(107 938)

Caixa Económica Montepio Geral

Notes to the Interim Individual Financial Statements

30 June, 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 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 is designation to Montepio Holding, S.G.P.S., S.A. and as at 12 July 2013, Finibanco S.A. changed is 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 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 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 4/2005 of Bank of Portugal: i) valuation and provisioning of loans, for which it will be kept the current system, 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 of application some options in the IAS / IFRS.

The financial statements presented herein were approved by the Executive Board of Directors of CEMG on 6 August, 2014. The financial statements are presented in Euro rounded to the nearest thousand.

All the references in this document relate to any normative always report to current version.

CEMG financial statements for the six months period ended 30 June 2014 have been prepared in terms of recognition and measurement in accordance with the NCA's, established by Bank of Portugal and in use in the period.

The accounting policies in this note were applied consistently to all entities of Group and are consistent with those used in the preparation of the financial statements of the previous period, the changes arising from the adoption of the following standards have been introduced: IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements and IFRS 12 - Disclosure of Interests in Other Entities, mandatory at 1 January 2014.

- *IFRS 10 - Consolidated Financial Statements*

IFRS 10 revoked part of IAS 27 – Separate Financial Statements and SIC 12, and introduced a single control model that defines if an investment should be consolidated. The new control concept involves the evaluation of power that the entity has over an investee, the exposure to variable returns and the link between booths.

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 NCA'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 note 1 z).

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 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 latent 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 Bank of Portugal.

Provision for country risk

The provision for country risk is in accordance with Regulation no. 3/95, of 30 June from 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 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 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 recognized 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 own bond issues, loans and time deposits that contain embedded derivatives or with related hedging derivatives. The variations of CEMG’s credit risk related with financial liabilities accounted under the Fair Value Option are disclosed in Net gains / (losses) arising from financial 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 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 recognized at fair value and subsequently measured at amortized cost. The interest is calculated using the effective interest rate method and recognized in Net interest income. The impairment losses are recognized 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, CEMG recognizes in this category unquoted bonds and commercial paper. The financial assets recognized 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 recognized in Net interest income.

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

5) Other financial liabilities

Other financial liabilities are all financial liabilities that are not recognized 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 recognized 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 recognized in net interest income.

The financial gains or losses calculated at the time of the repurchase of other financial liabilities are recognized as Net gains/(losses) arising from trading and hedging activities 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized in equity - cash flow hedge reserves. Any gain or loss relating to the ineffective portion of the hedge is immediately recognized 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

- Recognized 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 recognized in equity at that time remains in equity until the forecasted transaction is ultimately recognized 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 recognized 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 recognized in equity. The gain or loss relating to the ineffective portion is immediately recognized 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 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.

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

Income from equity instruments (dividends) are recognized 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 recognized in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognized as a financial liability. Securities borrowed under securities borrowing agreements are not recognized. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognized 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 recognized on the balance sheet. The amounts paid are recognized 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 recognized 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 recognized 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 it is 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 net of selling costs. In case of unrealised losses, these should be recognised as impairment losses against results in the period.

k) Finance lease transactions

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

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 amortization 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 recognized in the interest income or 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 recognized 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 recognized 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 collaterall 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) from trading and hedging activities. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities recognized in the Fair Value Option category, the interest component of the changes in their fair value is recognized under interest income or expense (Net interest income).

m) Fee and commission income

Fees and commissions are recognized according to the following criteria:

- Fees and commissions which are earned as services are provided are recognized 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 recognized 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 recognized in Net interest income.

n) Financial results (Results arising from trading and hedging activities and available for sale financial assets)

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 recognized in this caption.

o) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognized in CEMG financial statements. Fees and commissions arising from this activity are recognized in the income statement in the period to which they relate.

p) Property and equipment

Property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 funds that are 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 and 30 June 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 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 6.5% 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 Code ("IRC"), in accordance with subparagraph a) n. 1 of Article 10 of the IRC. This exemption been recognized by Order of 3 December 1993, 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 recognized in the income statement, except to the extent that it relates to items recognized directly to reserves in which case it is recognized in reserves. Deferred taxes arising from the revaluation of financial assets available for sale and cash flow hedging derivatives are recognized in shareholders‟ equity and are recognized in the profit and loss in the year the results that originated the deferred taxes are recognized.

Current tax is the expected tax payable on the taxable income for the period, 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 recognized 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 - Operating Segments for the purposes of disclosure of financial information by operating segments. A business segment is a component of the Group: (i) which develops business activities that can obtain revenues or expenses; (ii) whose operational results are regularly review by the main responsible for taking 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 report, in accordance with the paragraph 4 of IFRS 8, CEMG is dismissed to present individual information regarding Segmental Reporting.

x) Provisions

Provisions are recognized 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 provisions measurement is based in the principles set out in IAS 37 regarding the best estimate of the expected cost, the most likely result on the actions and taking into account the risks and uncertainties inherent in the process result.

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 derecognized 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 refer to:

- Commission that includes a fixed and a variable component. The fixed component is calculated by applying a predetermined rate over the amounts of subscriptions made through CEMG and a variable component calculated based on predetermined criteria, total annual fees being the sum of the fees calculated monthly; 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 recognized in an accruals basis. Fees paid in a different period from that to which it relates is recorded as a receivable in the caption Other assets by corresponding entry to Income from services and commissions - for insurance brokerage services.

CEMG does not collect insurance premiums on behalf of Insurers, or receive or pay funds relating to insurance contracts. Thus, there are no other assets, liabilities, income or expenses to be recognized 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 Executive Board of Directors, CEMG reported results would differ if a different treatment was chosen. The Executive Board 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 recognized 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 investments to maturity.

If CEMG 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 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 amounts 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 consolidated income statement of CEMG.

Securitizations and special purpose entities (SPE)

CEMG sponsors the formation of SPE 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 No. 1 were not derecognized in CEMG financial statements.

CEMG derecognized the following SPE which also resulted from operations of securitization: Pelican Mortgages No. 1 e 2. For these SPE, CEMG concluded that the main risks and the benefits were transferred, as CEMG does not hold detain any security issued by the SPE, 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, recognized in the period.

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, estimated returns on investment, 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 assets without useful life defined recoverable amount recognised as a CEMG's asset, 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 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)

	Jun 2014	**Jun 2013**
Net interest income	146 033	92 076
Net gains arising from assets and liabilities at fair value through profit and loss	1 597	(5 977)
Net gains arising from available-for-sale financial assets	253 077	39 330
	400 707	125 429

3 Net interest income / (costs)

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014			Jun 2013		
	Assets/ liabilities at amortized cost and available-for-sale	**Assets/ liabilities at fair value through profit or loss**	**Total**	**Assets/ liabilities at amortized cost and available-for-sale**	**Assets/ liabilities at fair value through profit or loss**	**Total**
Interest and similar income:						
Interest from loans and advances	241 153	-	241 153	225 505	-	225 505
Interest from other assets	516	-	516	436	-	436
Interest from deposits with banks	125	-	125	308	-	308
Interest from available-for-sale financial assets	119 976	-	119 976	105 297	-	105 297
Interest from held-to-maturity investments	343	-	343	337	-	337
Interest from hedging derivates	413	-	413	421	-	421
Interest from held for trading financial assets	-	56 326	56 326	-	57 826	57 826
Other interest and similar income	19 733	-	19 733	23 779	-	23 779
	382 259	56 326	438 585	356 083	57 826	413 909
Interest and similar expense:						
Interest from deposits	145 060	-	145 060	153 329	-	153 329
Interest from securities issued	47 100	-	47 100	54 796	-	54 796
Interest from loans	1 994	-	1 994	1 960	-	1 960
Interest from other funding	16 233	-	16 233	23 840	-	23 840
Interest from hedging derivates	632	-	632	647	-	647
Interest from held for trading financial assets	-	54 404	54 404	-	54 163	54 163
Other interest and similar expense	27 129	-	27 129	33 098	-	33 098
	238 148	54 404	292 552	267 670	54 163	321 833
Net interest income	144 111	1 922	146 033	88 413	3 663	92 076

The balance Interest from loans and advances includes, at 30 June 2014, the amount of Euro 11,079 thousands (30 June 2013: Euro 10,553 thousands) related to commissions and other gains / losses which are accounted for under the effective interest method, as referred in the accounting policy described in note 1l).

The balance Interest and similar expense – Interest from deposits includes, the amount of negative Euro 4,293 thousands (30 June 2013: negative Euro 3,525 thousands), related to accounting to 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)

	Jun 2014	Jun 2013
Dividends from financial assets available for sale	493	434
Dividends from subsidiaries and associated companies	818	1 349
	1 311	1 783

The balance Dividends from financial assets available for sale includes dividends and income from investment fund units received during the period.

5 Net fee and commissions income

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014	Jun 2013
Fee and commission income:		
From banking services	42 545	43 174
From transactions order by third parties	10 394	11 114
From insurance activity	3 712	3 175
From commitments to third parties	3 739	3 810
Other fee and commission income	165	301
	60 555	61 574
Fee and commission expenses:		
From banking services rendered by third parties	7 969	7 976
From transactions with securities	283	263
Other fee and commission expense	593	576
	8 845	8 815
Net fee and commission income	51 710	52 759

At 30 June 2014 and 2013, commissions received on insurance brokerage services or reinsurance is made up as follows:

(Thousands of Euro)

	Jun 2014	Jun 2013
Life insurance:		
Mortgage	584	589
Consumer	625	336
Other	819	695
	2 028	1 620
Non-life insurance:		
Mortgage	1 011	1 042
Consumer	69	55
Other	604	458
	1 684	1 555
	3 712	3 175

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)

	Jun 2014			Jun 2013		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Financial assets and liabilities held for trading						
Bonds and other fixed income securities						
Issued by public entities	96	-	96	1	-	1
Issued by other entities	108	57	51	48	69	(21)
Shares	22 798	21 831	967	2 917	2 249	668
Investment Units	4 207	4 041	166	46	64	(18)
	27 209	25 929	1 280	3 012	2 382	630
Derivative financial instruments						
Exchange rate contracts	37 080	36 833	247	47 859	47 550	309
Interest rate contracts	64 276	63 566	710	199 771	230 570	(30 799)
Credit default contracts (CDS)	134	107	27	365	228	137
Others	10 125	11 206	(1 081)	45 963	16 818	29 145
	111 615	111 712	(97)	293 958	295 166	(1 208)
	138 824	137 641	1 183	296 970	297 548	(578)
Other financial assets at fair value through profit or loss						
Bonds and other fixed income securities Issued by Other Entities	1 216	275	941	1 059	-	1 059
	1 216	275	941	1 059	-	1 059
Financial liabilities						
Other loans and advances to credit institutions	188	-	188	204	-	204
Deposits from customers	84	107	(23)	275	219	56
Other subordinated debt	732	801	(69)	5 414	4 901	513
Other	4 643	5 266	(623)	1 606	8 837	(7 231)
	5 647	6 174	(527)	7 499	13 957	(6 458)
	145 687	144 090	1 597	305 528	311 505	(5 977)

The balance Financial liabilities – Other, includes fair value changes related with changes in own credit risk (spread) of operations for financial liabilities at fair value through profit and loss, according to note 36.

In accordance with the accounting policies followed by CEMG, financial instruments are initially recognized 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 an evaluation techniques, may differ from the transaction price, namely due to the existence of a built-in fee, originating a day one profit.

CEMG 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)

	Jun 2014			Jun 2013		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Bonds and other fixed income securities						
Issued by public entities	241 668	263	241 405	32 508	653	31 855
Issued by other entities	532	33	499	5 494	446	5 048
Shares	798	2	796	184	621	(437)
Other variable income securities	10 383	6	10 377	2 866	2	2 864
	253 381	304	253 077	41 052	1 722	39 330

As at 30 June 2014, the balance Bonds and other fixed income securities - Issued by public entities includes the amount of Euro 241,298 thousands (30 June 2013: Euro 27,127 thousands) related to capital gains arising on sale of treasury bonds of portuguese domestic debt.

The balance Bonds and other fixed income securities – Issued by other entities includes the amount of Euro 6 thousands (30 June 2013: Euro 4,342 thousands) resulting from a set of repurchase transactions carried out under a number of initiatives undertaken by the Group, regarding the management of financial and capital structure, namely the repurchase operations of bonds (Pelican Mortgages no.3), as described in notes 37 and 51.

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

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014			Jun 2013		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Foreign exchange differences	14 706	12 521	2 185	21 881	20 174	1 707

This account is comprised of 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 assets

The amount of this account is comprised of:

	Jun 2014	**Jun 2013**
Sale of real estate properties	(8 539)	(3 550)
Other	(102)	(26)
	(8 641)	(3 576)

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)

	Jun 2014	Jun 2013
Other operating income:		
Income from services	3 065	3 076
Expenses reimbursement	776	902
Profits arising from deposits on demand management	4 225	7 970
Repurchase of own securities	834	420
Other	16 688	7 246
	25 588	19 614
Other operating costs:		
Indirect taxes	554	605
Donations and membership	153	159
Deposit Guarantee Fund	1 547	1 597
Specific contribution on the Resolution Fund	901	1 127
Specific contribution on the banking sector	3 790	2 555
Other	7 359	10 671
	14 304	16 714
Other net operating income	11 284	2 900

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.

11 Staff costs

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014	Jun 2013
Remunerations	64 024	66 906
Mandatory social security charges	17 831	18 753
Charges with the pensions fund	4 279	2 448
Other staff costs	2 427	2 407
	88 561	90 514

As at 30 June 2014, the caption Charges with the pensions fund includes the amount of Euro 344 thousands related to the impact of early retirements.

According to IAS 19, when exist changes on benefits plan, that consubstantiates in a current value decrease of the provided services responsibilities, is named as negative past service cost. In the same base and as referred in note 49, CEMG had recorded the referred impact in the income statement.

12 General and administrative expenses

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014	**Jun 2013**
Rental costs	14 146	14 138
Specialised services		
IT services	5 277	4 469
Independent work	1 898	1 902
Other specialised services	6 937	7 302
Advertising and publications	3 496	2 003
Communications and dispatch	3 944	4 382
Water, energy and fuel	2 182	2 515
Maintenance and repair	1 913	2 048
Transportation	1 382	1 652
Insurance	1 173	1 169
Travel, hotel and representation costs	698	676
Consumables	825	1 228
Tranining costs	117	141
Other supplies and services	5 256	3 976
	49 244	47 601

The balance Rental costs includes the amount of Euro 12,589 thousands (30 June 2013: Euro 12,465 thousands) related to rents paid regarding buildings used by CEMG as renter.

13 Depreciation

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014	Jun 2013
Intangible assets:		
Software	6 360	6 013
Other tangible assets:		
Land and buildings	1 499	1 646
Equipment:		
Furniture	439	499
Other equipment	-	755
Office equipment	41	51
Computer equipment	2 541	3 470
Interior installations	785	165
Motor vehicles	33	48
Security equipment	311	367
Operacional lease assets	146	209
Other tangible assets	59	72
	5 854	7 282
	12 214	13 295

14 Loans impairment

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014	Jun 2013
Other loans and advances to credit instituitions:		
Charge for the period	60	1 098
Write-back for the period	(503)	(440)
	(443)	658
Overdue loans and advances to customers:		
Charge for the period net of reversals	272 806	103 909
Recovery of loans and interest charged-off	(4 976)	(2 393)
	267 830	101 516
	267 387	102 174

In accordance with the accounting policy presented in note 1 a), CEMG applies in its financial statements the NCA's, and therefore the balance Loans impairment accounts the estimate of the incurred losses at the end of the period in accordance with the provision law defined by the rules of 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)

	Jun 2014	Jun 2013
Impairment for financial assets held for sale		
Charge for the period	32 689	34 955
Write-back for the period	(6 889)	(14 938)
	25 800	20 017

As at 30 June 2013, the caption Impairment for financial assets held for sale – charge for the period includes the amount of Euro 1,279 thousands that corresponds to the impairment recognized for investments of 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 54.

16 Other assets impairment

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014	Jun 2013
Impairment for non-current assets held for sale		
Charge for the period	2 742	24 207
Write-back for the period	(3 631)	-
	(889)	24 207

17 Other provisions

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2014	Jun 2013
Provision for credit risks		
Charge for the period	53 801	36 594
Write-back for the period	(51 705)	(40 233)
	2 096	(3 639)
Other provisions for liabilities and charges		
Charge for the period	-	691
Write-back for the period	(1 214)	-
	(1 214)	691
	882	(2 948)

18 Cash and deposits at central banks

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Cash	135 066	154 913
Central Bank	67 626	87 459
	202 692	242 372

The caption Central Bank includes the balance of Bank of Portugal, in order to satisfy legal minimum cash requirements, calculated based on the amount of deposits and other liabilities. The cash reserves requirements, according to European Central Banks System in the Eurozone require the maintenance of a deposit in Central Bank equivalent to 1% of the average amount of deposits and other liabilities, during each reserves requirement period.

As at 30 June 2014, these deposits have earned interest of Bank of Portugal at an average rate of 0.14% (31 December 2013: 0.25%).

19 Loans and advances to other credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Credit institutions in Portugal	388	639
Credit institutions abroad	30 646	49 370
Amounts due for collection	37 207	34 569
	68 241	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)

	Jun 2014	Dec 2013
Loans and advances to credit institutions in Portugal:		
Deposits	1 076	1 135
Loans	-	44 500
Short term deposits	106 968	14 865
Other loans and advances	291 529	4 002
	399 573	64 502
Loans and advances to credit institutions abroad:		
Deposits	10 091	9 991
Short term deposits	203 701	103 701
Other loans and advances	112 649	114 260
	326 441	227 952
	726 014	292 454
Impairment for loans and advances to credit institutions	(367)	(810)
	725 647	291 644

The main loans and advances to credit institutions in Portugal, as at 30 June 2014, bear interest at an average annual interest rate of 0.17% (31 December 2013: 0.35%).

The main loans and advances to credit institutions abroad bear interest at international market rates where CEMG operates.

In operations of financial derivatives instruments with institutional counterparties, and as defined in the respective agreements, CEMG has the amount of Euro 93,492 thousand (30 June 2013: Euro 118,190 thousand) related to applications, given as collateral for the referred operations, in credit institutions.

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

(Thousands of Euro)

	Jun 2014	**Jun 2013**
Balance on 1 January	810	25
Charge for the period	60	1 098
Write-back for the period	(503)	(440)
Balance on 30 June	367	683

21 Loans and advances to customers

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Domestic loans:		
Corporate:		
Loans	2 420 036	2 420 499
Commercial lines of credits	1 545 612	1 289 179
Loans represented by securities	818 731	752 306
Finance leases	243 086	233 648
Discounted bills	95 929	112 778
Factoring	80 024	76 554
Overdrafts	83 489	58 616
Other loans	1 201 885	1 240 843
Retail		
Mortgage Loans	7 918 580	8 070 984
Finance Leases	28 479	28 644
Consumer and other loans	958 297	952 516
	15 394 148	15 236 567
Foreign loans:		
Corporate:		
Overdrafts	95	415
	15 394 243	15 236 982
Correction value of assets subject to hedge operations	1 948	1 788
Overdue loans and interest		
Less than 90 days	92 876	114 830
More than 90 days	942 113	829 872
	1 034 989	944 702
	16 431 180	16 183 472
Impairment for credit risks	(1 307 600)	(1 043 503)
	15 123 580	15 139 969

As at 30 June 2014, the balance Loans and advances to customers includes de amount of Euro 2,727,415 thousands (31 December 2013: Euro 2,718,554 thousands) related to the issue of covered bonds held by CEMG, as referred in note 36.

As referred in note 54, CEMG performed a set of sales of loans and advances to customers for a Fund specialized in the recovery of loans. As at 30 June 2014 and 31 December 2013, the total amount of loans sold amounted to Euro 23,092 thousands.

As at 31 December 2013, CEMG reclassified commercial paper portfolio of financial assets available for sale to Loans and advances to customers in the amount of Euro 752,306 thousand and impairment in the amount of Euro 19,904 thousand, according to note 24. And proceeded to provisions for general credit risk in the amount of Euro 7,558 thousand, according to note 38.

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 1M + 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, according to note 10;

– 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, according to note 10.

– 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%.

In according with "Carta-circular" n.º 15/2009, of January, 28 from Bank of Portugal, 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 30 June 2014, the balance Loans and advances to customers (net of impairment) includes the amount of Euro 3,173,000 thousands (31 December 2013: Euro 3,481,605 thousands) related to securitization transactions and, in accordance with note 1 f), were not subject of derecogniton. Additionally, is recorded as a liability, the securities linked to these transactions as described in note 36.

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). As at 30 June 2014, was recognized the amount of Euro 160 thousand (31 December 2013: Euro 687 thousand) relative to fair value associated with the credit risk of the Group, as described in notes 6 and 21.

The fair value of the portfolio of loans to customers is presented in note 48.

The analysis of Loans and advances to customers, by maturity date and type of credit as at 30 June 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	450 273	1 314 602	9 798 540	633 856	12 197 271
Other guarantee loans	77 241	975 677	424 331	250 801	1 728 050
Unsecured loans	1 050 768	717 113	262 407	123 760	2 154 048
Public sector loans	549	10 123	43 003	-	53 675
Financial leases	75	76 390	195 099	26 572	298 136
	1 578 906	3 093 905	10 723 380	1 034 989	16 431 180

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
Unsecured loans	1 426 770	126 378	264 675	176 701	1 994 524
Public sector loans	395	13 415	32 826	90	46 726
Foreign loans	415	-	-	-	415
Financial leases	108	76 658	185 526	23 553	285 845
	2 677 233	1 889 941	10 671 596	944 702	16 183 472

The balance Financial leases, by the period to maturity as at 30 June 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	57 688	124 074	114 215	295 977
Outstanding interest	(11 616)	(28 362)	(19 049)	(59 027)
Residual values	4 220	8 103	22 292	34 615
	50 292	103 815	117 458	271 565

The balance Financial leases, by the period to 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)

	Jun 2014	Dec 2013
Asset-backed loans	633 856	492 371
Loans with other guarantees	250 801	251 987
Unsecured loans	123 760	176 701
Public sector loans	-	90
Financial lease	26 572	23 553
	1 034 989	944 702

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

(Thousands of Euro)

	Jun 2014	Dec 2013
Corporate		
Construction/Production	237 357	224 435
Investment	215 882	181 205
Treasury	343 378	306 764
Other loans	5 717	7 198
Retail:		
Mortgage loans	108 767	110 278
Consumer credit	33 553	31 381
Other loans	52 951	49 987
Public Sector	-	90
Other segments	37 384	33 364
	1 034 989	944 702

The Impairment for credit risks is analysed as follows:

(Thousands of Euro)

	Jun 2014	Jun 2013
Balance on 1 January	1 043 503	902 703
Charge for the period net of revarsels	272 806	103 909
Loans charged-off	(18 586)	(15 623)
Regularisations	-	-
Transfers	9 877	7 822
Balance on 30 June	1 307 600	998 811

Additionally, as at 30 June 2014, CEMG has a provision for general banking risks in the amount of Euro 113,089 thousands (31 December 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 Impairment for credit risks, by type of credit, is as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Asset-backed loans	781 284	478 080
Other guareteed loans	305 348	253 693
Unsecured loans	220 968	267 038
	1 307 600	998 811

In accordance with the accounting policy described in note 1 b), and according with "Carta Circular" no. 15/2009 of January 28, from 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 collateralized loans, the charge-of 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 and the class of delay associated with the failure determines an allowance of 100% by using impairment losses.

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

(Thousands of Euro)

	Jun 2014	Dec 2013
Asset-backed loans	5 830	32 460
Other guaranteed loans	3 411	125 739
Unsecured loans	9 345	157 306
	18 586	315 505

The recovered loans and overdue interest, performed during the period of 1 January to 30 June 2014 and 2013, related with asset-backed loans recovered, amounts to Euro 4,976 thousands e Euro 2,393 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 area their geographical. The financial collateral is 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

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Financial assets held for trading:		
Securities		
Shares	9 698	7 809
Bonds	626	584
	10 324	8 393
Derivates		
Derivates financial instruments with positive fair value	52 878	54 138
	63 202	62 531
Financial liabilities held for trading:		
Securities		
Short sales	904	1 389
Derivates		
Derivates financial instruments with negative fair value	62 574	60 853
	63 478	62 242

The balance Derivatives financial instruments with positive fair value includes the amount of Euro 29,950 thousands (31 December 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 199 thousands.

The balance Derivatives financial instruments with negative fair value includes the amount of Euro 23,971 thousands (31 December 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 2,332 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, is as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Financial assets held for trading:		
Level 1	10 324	8 393
Level 2	52 878	54 138
	63 202	62 531
Financial liabilities held for trading		
Level 1	904	1 389
Level 2	62 574	60 853
	63 478	62 242

During the first semester of 2014, no significant reclassifications were made between valuation levels.

The balance of Financial assets and liabilities held for trading as at 30 June 2014, is as follows:

(Thousands of Euro)

		Jun 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	Bonds issued	238 053	2 841	(2 822)	5 333	(3 409)	256 099	262 983
Interest rate swap	Deposits	91 410	(1 874)	(713)	(1 717)	3 646	85 985	329 968
Interest rate swap	Resources	86 658	9 251	(699)	(431)	(859)	81 118	60 000
Interest rate swap	Covered bonds	5 455 837	(4 239)	234	-	-	-	-
Interest rate swap	Loans and advances to customers	25 000	(2 133)	(168)	1 948	160	25 700	25 000
Interest rate swap	Other	3 306 195	(13 795)	1 095	-	-	-	-
Currency swap	-	206 710	(261)	124	-	-	-	-
Future options	-	4 240	(23)	(20)	-	-	-	-
Options	-	240 016	474	6	-	-	-	-
Credit Default Swaps	-	6 000	63	(18)	-	-	-	-
		9 660 119	(9 696)	(2 981)	5 133	(462)	448 902	677 951

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

(Thousands of Euro)

		Dec 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	Bonds issued	297 003	5 663	(6 392)	8 742	(24 663)	366 100	318 003
Interest rate swap	Deposits	44 500	(1 161)	(27 216)	(5 363)	10 168	484	362 313
Interest rate swap	Resources	92 559	9 950	(7 376)	428	(8 684)	61 023	100 967
Interest rate swap	Covered bonds	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)	-	6	-	-
Future options		6 034	(3)	(13)	-	-	-	-
Options	-	203 538	468	(317)	-	-	-	-
Credit Default Swaps	-	9 000	81	255	-	-	-	-
		10 821 039	(6 715)	(41 462)	5 595	(23 860)	452 253	806 283

The analysis of financial instruments held for trading, by maturity date as at 30 June 2014, is as follows:

(Thousands of Euro)

	Jun 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	8 797	213 724	8 980 632	9 203 153	45 285	55 234
Options	10 500	85 887	143 629	240 016	7 439	6 965
Exchange rate contracts						
Currency swaps	206 710	-	-	206 710	64	325
Index contracts:						
Index futures	4 240	-	-	4 240	-	23
Credit default contracts:						
Credit default swaps	-	6 000	-	6 000	90	27
	230 247	305 611	9 124 261	9 660 119	52 878	62 574

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

(Thousands of Euro)

	Dec 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	6 034	-	-	6 034	-	3
Credit default contracts:						
Credit default swaps	3 000	6 000	-	9 000	135	54
	257 744	861 934	9 701 361	10 821 039	54 138	60 853

23 Other financial assets at fair value through profit or loss

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 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 in accordance with the valuation levels described in note 48. In this case, 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)

	Jun 2014	Dec 2013
Due within 3 months	-	2 451
Over 1 year	-	999
Undetermined	-	-
	-	3 450
Quoted	-	3 450

24 Financial assets available for sale

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014				
		Fair value reserve			
	Cost [1]	Positive	Negative	Impairment Losses	Book Value
Fixed income securities:					
Issued by public entities					
Portuguese	1 585 817	87 434	(4 500)	-	1 668 751
Foreign	49 346	5 861	(1 314)	(8 415)	45 478
Issued by other entities					
Portuguese	3 721 488	6 676	(19 968)	(22 934)	3 685 262
Foreign	593 295	33 049	(4 544)	(13 485)	608 315
Commercial paper	28 003	-	-	(998)	27 005
Variable income securities:					
Stocks					
Portuguese	14 631	222	-	(3 556)	11 297
Foreign	16 871	2 795	(333)	(3 251)	16 082
Investment fund units	1 404 484	12 464	(13 529)	(6 898)	1 396 521
	7 413 935	148 501	(44 188)	(59 537)	7 458 711

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

(Thousands of Euro)

	Dec 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:					
Stocks					
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 30 June 2014, the balance Financial assets available for sale includes subject titles to hedging operations whose impact on balance sheet value amounts to Euro 1,376 thousand (31 December 2013: Euro 1,478 thousand), as mentioned in note 25.

According to accounting policy described 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 described 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, "Caixa Económica Montepio Geral" 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 recognized was recognized 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 is determined a new effective interest rate 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 recognized;

- 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 recognized 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 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 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 54, the balance Variable income securities – Investment fund units includes the amount of Euro 26,525 thousands (31 December 2013: Euro 26,793 thousands) relating to units in a Fund specialized in the recovery of loans acquired under the sale of loans and advances to customers. This amount includes, as at 30 June 2014 and 31 December 2013, Euro 6,153 thousands engaged to junior securities (investment fund units with a more subordinated character), which are fully provisioned, according to note 54.

Referencing at 30 June 2014 and 31 December 2013, the financial assets available for sale, net of impairment, by appreciation levels are presented as follows:

(Thousands of Euro)

	Jun 2014				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Total**
Fixed income securities:					
Issued by public entities					
Portuguese	1 668 751	-	-	-	1 668 751
Foreign	45 478	-	-	-	45 478
Issued by other entities:					
Portuguese	101 076	401 219	3 182 967	-	3 685 262
Foreign	376 241	50 028	182 046	-	608 315
Commercial paper	27 005	-	-	-	27 005
	2 218 551	451 247	3 365 013	-	6 034 811
Variable income securities:					
Shares					
Portuguese	5 378	2	5 917	-	11 297
Foreign	15 989	-	93	-	16 082
Investment fund units	1 228 733	-	167 788	-	1 396 521
	1 250 100	2	173 798	-	1 423 900
	3 468 651	451 249	3 538 811	-	7 458 711

(Thousands of Euro)

	Dec 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
	3 546 572	549 071	3 431 659	10 100	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
	3 957 678	549 071	4 425 438	10 100	8 942 287

As referred in IFRS 13, financial instruments are measured in accordance with the valuation levels described in note 48.

The movements of the impairment of the financial assets available for sale are analysed as follows:

(Thousands of Euro)

	Jun 2014	**Jun 2013**
Balance on 1 January	77 679	58 286
Charge for the period	32 689	34 955
Write-back for the period	(6 889)	(14 938)
Charged-off	(43 942)	(411)
Balance on 30 June	59 537	77 892

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

As a result of low liquidity and significant volatility in financial markets, the followed factors were taken into consideration on determining the impairment existence:

- Capital instruments: (i) depreciation above 30% the acquisition value; or (ii) market value below the acquisition value during a 12 months period;

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

As described in the accounting policy described in note 1 c), as at 30 June 2014, the portfolio of financial assets available for sale are presented net of the total fair value reserve and impairment. The total fair value reserve for financial assets available for sale is positive and amounts to Euro 104,313 thousands (31 December 2013: negative Euro 35,306 thousands) and impairment amounts to Euro 59,537 thousands (31 December 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.

The analysis of the available-for-sale financial assets by maturity date, as at 30 June 2014, is as follows:

(Thousands of Euro)

	Jun 2014				
	Due within 3 months	**3 months to 1 year**	**Over 1 year**	**Undetermined**	**Total**
Fixed income securities:					
Issued by public entities					
Portuguese	14 989	12 421	1 641 341	-	1 668 751
Foreign	-	-	45 478	-	45 478
Issued by other entities:					
Portuguese	5 010	48 681	3 629 490	2 081	3 685 262
Foreign	776	72 383	531 661	3 495	608 315
Commercial paper	27 005	-	-	-	27 005
	47 780	133 485	5 847 970	5 576	6 034 811
Variable income securities:					
Shares					
Portuguese	-	-	-	11 297	11 297
Foreign	-	-	-	16 082	16 082
Investment fund units	-	-	897	1 395 624	1 396 521
	-	-	897	1 423 003	1 423 900
	47 780	133 485	5 848 867	1 428 579	7 458 711

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

(Thousands of Euro)

	Dec 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 departed as follows:

(Thousands of Euro)

	Jun 2014			Dec 2013		
	Quoted	**Unquoted**	**Total**	**Quoted**	**Unquoted**	**Total**
Fixed income securities:						
Issued by public entities						
Portuguese	1 668 751	-	1 668 751	3 053 122	-	3 053 122
Foreign	45 478	-	45 478	23 088	-	23 088
Issued by other entities:						
Portuguese	544 670	3 140 592	3 685 262	583 215	3 444 420	4 027 635
Foreign	543 119	65 196	608 315	310 662	71 784	382 446
Commercial paper	-	27 005	27 005	-	51 111	51 111
	2 802 018	3 232 793	6 034 811	3 970 087	3 567 315	7 537 402
Variable income securities:						
Shares						
Portuguese	6 955	4 342	11 297	8 839	4 584	13 423
Foreign	15 916	166	16 082	11 909	167	12 076
Investment fund units	1 396 521	-	1 396 521	1 377 386	2 000	1 379 386
	1 419 392	4 508	1 423 900	1 398 134	6 751	1 404 885
	4 221 410	3 237 301	7 458 711	5 368 221	3 574 066	8 942 287

25 Hedging derivatives

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	**Dec 2013**
Asset		
Interest rate swap	546	503
Liability		
Interest rate swap	2 148	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 hedging for future 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)

	Jun 2014	Dec 2013
Deposits from other credit institutions	(21)	(209)
Financial assets available for trading	1 376	1 478
	1 355	1 269

The analysis of the hedging derivatives portfolio by maturity date, as at 30 June 2014 is as follows:

(Thousands of Euro)

	Jun 2014							
	Notional with remaining term				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 derivates with interest rate risk:								
Interest rate swap	10 000	9 500	26 500	46 000	450	(255)	(1 797)	(1 602)
	10 000	9 500	26 500	46 000	450	(255)	(1 797)	(1 602)

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

(Thousands of Euro)

	Dec 2013							
	Notional with remaining term				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 derivates 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)

26 Held-to-maturity investments

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Fixed income securities:		
Bonds issued by Portuguese public entities	6 278	6 149
Bonds issued by foreign public entities	11 254	11 078
	17 532	17 227

The fair value of held-to-maturity investments portfolio is presented in note 48.

CEMG assessed, with reference to 30 June 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 30 June 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%	6 278
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3,250%	5 132
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3,500%	2 062
Belgium Kingdom 05/28-09-2015	March, 2005	September, 2015	Fixed rate of 3,750%	2 043
Buoni Poliennali Del Tes. 05/2015	May, 2005	August, 2015	Fixed rate of 3,750%	2 017
				17 532

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

During the first semester of 2014 and the year of 2013, CEMG did not transfer to or from this assets category.

27 Investments in associated companies and other

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Investments in associated companies and other		
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, as at 30 June 2014 and 31 December 2013, is presented in the following table:

(Thousands of Euro)

	Number of shares	Percentage of direct shares	Unit value Euros	Acquisition cost
30 June 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.)	77 200	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

28 Non-current assets held for sale

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Investments arising from recovered loans	784 540	751 647
Impairment for non-current assets held for sale	(87 527)	(88 416)
	697 013	663 231

The assets included in this balance are accounted for in accordance with accounting policy described in 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 pawn.

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. Meanwhile, given the current market conditions, in some situations it is not possible celebrate the alienations before the expected deadline. At 30 June 2014, this account includes real estates that has already established contracts for the sale in the amount of Euro 105,105 thousands (31 December 2013: Euro 192,777 thousands).

The movements for non-current assets held for sale are analysed as follows:

(Thousands of Euro)

	Jun 2014	**Dec 2013**
Balance on 1 January	88 416	26 009
Impaiment for the period	2 742	24 207
Write-back for the period	(3 631)	-
Balance on 30 June	87 527	50 216

29 Property and equipment

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Cost:		
Land and buildings:		
For own use	8 040	8 040
Leasehold improvements in rented buildings	40 292	40 235
Construction in progress	10	19
Equipment:		
Furniture	19 347	19 328
Office equipment	2 959	2 968
Computer equipment	81 580	81 361
Interior installations	19 986	19 942
Motor vehicles	3 279	3 298
Security equipment	7 272	7 226
Other equipment	1	1
Works of art	2 869	2 869
Assets in operacional lease	1 307	1 670
Other tangible assets	1 954	1 954
Work in progress	3 317	2 037
	192 213	190 948
Accumulated depreciation:		
Charge for the period	(5 854)	(13 917)
Accumulated charge for the previous period	(145 774)	(132 715)
	(151 628)	(146 632)
	40 585	44 316

30 Intangible assets

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Cost:		
Software	63 239	52 386
Other intangible assets	88 333	88 333
	151 572	140 719
Accumulated depreciation:		
Charge for the period	6 360	(13 057)
Accumulated charge for the previous periods	(41 199)	(15 422)
	(34 839)	(28 479)
	116 733	112 240

The balance Other intangible assets includes de amount of Euro 88,272 thousands representing the difference between assets and liabilities of Finibanco, S.A. acquired by CEMG in 4 April 2011 and its book value and consider the fair value of that assets and liabilities and the potential for business generating associated with the network Finibanco, S.A. acquired, as described in note 1 a).

This intangible asset does not have finite useful life, so that, as referred in accounting policy described in notes 1 q) and 1 z), its recoverable amount is annually reviewed, regardless of the existence of impairment signs. Any impairment losses are recognized in income statement.

As at 30 June 2014, was not determined the requirement of impairment losses recognition for these assets.

31 Taxes

With effect from 1 January 2012, CEMG is subject to the regime established by the Income Tax ("IRC"). Therefore, and based on the applicable law, the temporary differences between accounting income and the results accepted for tax purposes of IRC, whenever there is a reasonable that such taxes will be paid or recovered in the future, according to the accounting policy described in 1v) are eligible for the recognition of deferred taxes.

Deferred income tax assets and liabilities as at 30 June 2014 and 31 December 2013 are analysed as follows:

(Thousands of Euro)

	Asset		Liability		Net	
	Jun 2014	**Dec 2013**	**Jun 2014**	**Dec 2013**	**Jun 2014**	**Dec 2013**
Financial instruments	9 309	15 395	(40 130)	(25 826)	(30 821)	(10 431)
Other tangible assets	281	1 870	(53)	(53)	228	1 817
Provisions	248 150	188 753	-	-	248 150	188 753
Employees benefits	40 785	38 144	-	-	40 785	38 144
Tax losses carried forward	59 372	95 419	-	-	59 372	95 419
Net deferred tax asset / (liability)	357 897	339 581	(40 183)	(25 879)	317 714	313 702

Deferred taxes are calculated at the tax rates expected to be in force when the temporary differences are reversed, which correspond to the rates approved or substantively approved at the balance sheet date.

The 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 the Law no. 2/2014 of 16 January, several amendments were made to the Income Tax (IRC) with impact on deferred taxes calculated on 31 December 2013, which are:

- the reduction of the income tax rate from 25% to 23% and the creation of the state tax rate of 3% to 7% applied to the portion of the taxable income greater;

- changing in the reporting period of tax losses (calculated in periods beginning on or after 1 January, 2014) from 5 to 12 years;

- the non-taxation of gains taxable and non-tax deduction of losses arising on sale of equity shares, since verified a set of requirements, and full tax deduction of losses arising on investments due to the settlement of companies.

The deferred tax rate is analysed as follows:

	Jun 2014 %	Dec 2013 %
Income tax (a)	23,0%	23,0%
Municipal surtax rate	1,5%	1,5%
State tax rate	5,0%	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 recognized 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 expiration date of recognised tax losses carried forward is presented as follows:

(Thousands of Euro)

Tax losses generating year	Expire date	Jun 2014	Dec 2013
2012	2017	11 888	-
2013	2018	47 484	95 419
		59 372	95 419

Deferred tax balance movements were recognized as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Initial balance	313 702	243 313
Charged to profit	25 911	85 302
Charged to fair value reserves	(20 390)	(12 384)
Charged to reserves and retained earnigs	(1 509)	(2 529)
Final balance (Asset / (Liability))	317 714	313 702

Tax recognized in the income statement and in reserves and retained earnings for the periods ended 30 June 2014 and 31 December 2013 is analysed as follows:

(Thousands of Euro)

	Jun 2014		Dec 2013	
	Charged to results	Charged to reserves and retained earnings	Charged to results	Charged to reserves and retained earnings
Financial instruments	-	(20 390)	-	(12 384)
Other tangible assets	-	(1 589)	(2 169)	27
Provisions	59 397	-	40 871	-
Employees benefits	2 561	80	3 284	(2 556)
Tax losses carried forward	(36 047)	-	43 316	-
Deferred taxes/ recognized (profit)/ losses	25 911	(21 899)	85 302	(14 913)
Current taxes/ recognized (profit)/ losses	(34 018)	-	(1 353)	-
	(8 107)	(21 899)	83 949	(14 913)

Net deferred tax assets changes includes the deferred tax expenses for the year recognized in the profit and loss account, as well as the changes recognized 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 recognized in Equity.

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

(Thousands of Euro)

	Jun 2014		Jun 2013	
	%	Amount	%	Amount
Profit before taxes		15 357		(113 858)
Extraordinary contribution for the banking sector		3 790		2 555
Profit before tax for the tax reconciliation		19 147		(111 303)
Tax rate	31,5		25,0	
Income tax based on the tax rate		4 837		(28 465)
Non deductible costs	76,1	14 567	4,3	(7 270)
Tax-exempt profits	(18,4)	(3 522)	(0,1)	136
Others	(46,8)	(7 775)	-	-
Autonomous taxation and other assets	-	-	(0,4)	603
Tax for the period	42,3	8 107	31,4	(34 996)

32 Other assets

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Recoverable subsidies from Portuguese Government	6 946	8 111
Other debtors	89 508	98 856
Other accrued income	4 223	6 920
Prepayments and deferred costs	8 924	2 326
Sundry debtors	57 828	17 202
	167 429	133 415
Impairment for other assets	(3 086)	(3 086)
	164 343	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 30 June 2014 and 31 December 2013, the balance Recoverable subsidies from the Portuguese Government is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Recoverable subsidies from the Portuguese Government unliquidated	2 424	3 381
Subsidies unclaimed	615	762
Overdue subsidies unclaimed	3 907	3 968
	6 946	8 111

As at 31 December 2013, the balance Prepayments and deferred costs includes an amount of Euro 1,899 thousands referring to the impacts of the application of IAS 19 requirements not yet deferred, related to actuarial gains and losses of pension fund at 1 January, 2005. This amount will be charge for 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 impact initially determined was fully recognized in equity.

As at 30 June 2014, the balance Sundry debtors includes the amount of Euro 6,550 thousands (31 December 2013: Euro 8,027 thousands) refer to transactions with securities recorded on trade date and pending settlement. Additionally, includes the amount of Euro 20,279 thousands relating to net assets recognized in balance sheet and representing the excess coverage of pension liabilities, health benefits and death subsidies, as described in note 49.

33 Deposits from central banks

As at 30 June 2014 and 31 December 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.

34 Deposits from other financial institutions

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014			Dec 2013		
	Non-interest bearing	**Interest bearing**	**Total**	**Non-interest bearing**	**Interest bearing**	**Total**
Deposits from credit institution in Portugal	1 352	128 681	130 033	139	59 455	59 594
Deposits from credit institutions abroad	364 716	1 220 203	1 584 919	57 869	983 502	1 041 371
	366 068	1 348 884	1 714 952	58 008	1 042 957	1 100 965

The balance Deposits from other financial institutions includes emissions at fair value according to internal valuation methodologies, considering mainly market's observed data, with the amount of Euro 81,118 thousand (31 December 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 recognized, at 30 June 2014, the amount of Euro 859 thousand (31 December 2013: Euro 8,684 thousands) related to fair value variations associated to Group credit risk, as referred in note 22.

The balance Deposits from other financial institutions include emissions subject to hedging operations whose impact on the book value at 30 June 2014 rises to Euro 21 thousands (31 December 2013: Euro 209 thousand), as referred in note 25.

35 Deposits from customers

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014			Dec 2013		
	Non-interest bearing	**Interest bearing**	**Total**	**Non-interest bearing**	**Interest bearing**	**Total**
Deposits repayable on demand	53 240	2 821 638	2 874 878	42 665	2 637 344	2 680 009
Time deposits	-	10 748 973	10 748 973	-	10 794 661	10 794 661
Saving accounts	-	119 152	119 152	-	130 589	130 589
Other resources	9 102	-	9 102	9 565	-	9 565
Adjustments arising from hedging operations	1 717	-	1 717	5 363	-	5 363
	64 059	13 689 763	13 753 822	57 593	13 562 594	13 620 187

In the terms of the law “Portaria” 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, 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 85,985 thousand (31 December 2013: 484 thousand euros). 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), being recognized at 30 June 2014 an amount of Euro 3,646 thousand (31 December 2013: Euro 10,168 thousand) related to fair value variations associated to Group’s credit risk, as described in note 22.

36 Debt securities issued

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Euro Medium Term Notes (EMTN)	168 869	216 393
Bonds	1 917 374	1 717 872
Covered bonds	(38)	80
Commercial paper	-	231 673
	2 086 205	2 166 018

The balance Debt securities issued includes issues valorized 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), being recognized at 30 June 2014 an amount of Euro 2,087 thousand (31 December 2013: Euro 24,023 thousand) related to fair value variations associated to credit risk of the Group, as described in note 6 and 22.

As at 30 June 2014, this balance includes the amount of Euro 202,152 thousands (31 December 2013: Euro 275,279 thousands) related to debt securities issued recognized at the balance sheet at fair value through profit or loss, according to note 21.

During the first semester of 2014, CEMG issued Euro 259,553 thousands (31 December 2013: Euro 1,633,550 thousands) of debt securities and performed the refund of Euro 381,571 thousands (31 December 2013: Euro 1,347,503 thousands).

The fair value of the debts securities issued is presented in note 48.

Under the Issuance of covered bonds program, which maximum amount is Euro 5,000 million, CEMG proceed to the emissions which totalized Euro 2,000 million. As at 30 June 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	1 000 386	December 2009	December 2016	Quartely	Euribor 3M + 0.75%	Baa3/BBB/AL
Covered Bonds - 3S	500 000	502 170	November 2010	November 2015	Quartely	Euribor 3M + 2.5%	Baa3/BBB/AL
Covered Bonds - 4S	500 000	500 083	May 2013	May 2017	Monthly	Euribor 1M + 0.75%	Baa3/BBB/AL
	2 000 000	2 002 639					

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, no. 6/2006, no. 7/2006 and no. 8/2006 of Bank of Portugal and Instruction no.13/2006 of Bank of Portugal.

At 30 June 2014, the amount of credits that collateralize these emissions rises to Euro 2,727,415 thousands (31 December 2013: EUR 2,718,554 thousands), according with note 21.

The change occurred in debt securities issued during the first semester of 2014 is analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Issues	Repayments	Net Repurchase	Other movements (a)	Balance on 30 June
Euro Medium Term Notes (EMTN)	216 393	-	(90 000)	44 250	(1 774)	168 869
Bonds	1 717 872	259 553	(59 898)	-	(153)	1 917 374
Covered bonds	80	-	-	-	(118)	(38)
Commercial paper	231 673	-	(231 673)	-	-	-
	2 166 018	259 553	(381 571)	44 250	(2 045)	2 086 205

[(a)] Other movements include accrued interest, fair value hedge, fair value adjustments and foreign translation exchanges adjustments.

The change occurred in debt securities issued during 2013 is analysed as follows:

(Thousands of Euro)

	Balance on1 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.

In accordance with the note 1 c), debt issued repurchased by CEMG is derecognized from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognized in the income statement.

During the first semester of 2014, the balance Debt securities issued is comprise of the following issues:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
MONTEPIO CAPITAL CERTO 2014/2019 1S	31-01-2014	01-02-2019	Annual fixed rate of 3.40% (2nd year a fixed rate of 3.40%, 3rd year a fixed rate of 3.45%, 4th year a fixed rate of 3.50% e 5th year a fixed rate of 3.75%).	36 550
MONTEPIO CAPITAL CERTO 2014/2019 2S	28-02-2014	01-03-2019	Annual fixed rate of 3.40%(2nd year a fixed rate of 3.40%, 3nd year a fixed rate of 3.45%, 4th year a fixed rate of 3.50% e 5th year a fixed rate of 3.75%).	44 100
CEMG CX PART 2014/06.03.2017	06-03-2014	06-03-2017	Annual fixed rate of 2.675%.	400
CEMG CX PART 2014/17.03.2016	17-03-2014	17-03-2016	Annual fixed rate of 2.50%.	253
CEMG CAP CERTO 2014/2019 3 SERIE	28-03-2014	29-03-2019	Annual fixed rate of 3.40% (2nd year a fixed rate of 3.40%, 3rd year a fixed rate of 3.45%, 4th year a fixed rate of 3.50% e 5th year a fixed rate of 3.75%).	44 550
CEMG CAP CERTO 2014/2019 4 SERIE	30-04-2014	01-05-2019	Annual fixed rate of 3.40% (2nd year a fixed rate of 3.40%, 3rd year a fixed rate of 3.45%, 4th year a fixed rate of 3.50% e 5th year a fixed rate of 3.75%).	47 300
CEMG CAP CERTO 2014/2019 5 SERIE	30-05-2014	31-05-2019	Annual fixed rate of 3.40% (2nd year a fixed rate of 3.40%, 3rd year a fixed rate of 3.45%, 4th year a fixed rate of 3.50% e 5th year a fixed rate of 3.75%).	44 150
CEMG CAP PART 2014/23.06.2016	23-06-2014	23-06-2016	Annual fixed rate of 2%.	300
CEMG CAP CERTO 2014/2019 6 SERIE	30-06-2014	01-07-2019	Annual fixed rate of 3.40% (2nd year a fixed rate of 3.40%, 3rd	41 950

As at 30 June 2014, for the bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 0.31% and 11.92% (31 December 2013: 0.5% and 16.76%).

37 Financial liabilities relating to transferred assets

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Pelican Mortgages No. 6	974 011	991 952
Pelican Mortgages No. 5	775 699	794 121
Pelican Mortgages No. 4	763 714	779 364
Pelican Mortgages No. 3	309 872	321 510
Pelican Finance No. 1	176 500	-
Aqua Mortage No. 1	162 195	170 308
Pelican SME	-	387 402
Aqua SME n.º 1	-	195
	3 161 991	3 444 852

The detail of these operations is presented in note 51.

38 Provisions

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Provisions for general banking risks	113 089	110 993
Provisions for liabilities and charges	3 704	4 918
	116 793	115 911

The movements of the provisions for general credit risks are analysed as follows:

(Thousands of Euro)

	Jun 2014	Jun 2013
Balance on 1 January	110 993	106 663
Charge for the period	53 801	36 594
Write-back for the period	(51 705)	(40 233)
Balance on 30 June	113 089	103 024

The General provision for loan losses, was calculated in accordance with Regulation no. 3/95, no. 2/99 of January, 15 and no. 8/03 of January 30, of Bank of Portugal, as referred in accounting policy 1 b).

The movements of the provisions for other liabilities and charges are analysed as follows:

(Thousands of Euro)

	Jun 2014	Jun 2013
Balance on 1 January	4 918	3 536
Charge for the period	-	691
Write-back for the period	(1 214)	-
Balance on 30 June	3 704	4 227

These provisions are accounted in accordance with the probability of occurrence of certain contingencies related with the CEMG’s activity, which 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 30 June 2014, the mainly characteristics of the 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 + 0.45%	26 165
CEMG/08	Feb.2008	Feb.2018	150 000	Euribor 6 months + 0.13%	121 360
CEMG/08	Jun.2008	Jun.2018	28 000	Euribor 12 months + 0.10%	17 993
CEMG/08	Jul.2008	Jul.2018	150 000	Euribor 6 months + 0.13%	121 069
FNB 08/18 1ª/2ª Série	Dec.2008	Dec.2018	10 363	Euribor 6 months + 0.15% (iv)	10 374
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)	6 463
FNB Grandes empresas 07/16_ 2ª/3ª série	Jun.2011	Jun.2016	30 250	Max.(0;6.0%*(1-n/5)) (i)	30 257
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
					387 866
				Value corrections	(473)
					387 393

References:

(i) - The following cupons will be paid, on the year end of each year (May 9, to the 1st série 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) > Barreirak ***

*** if not = 0%, where:

Barrier 3 = Barrier to be applied on 3rd cupon = 0%;
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 d), being recognized at 30 June 2014 an amount of Euro 1,322 thousand (31 December 2013: Euro 640 thousand) related to fair value variations associated to credit risk of the Group, as described in note 6 and 22.

As at 30 June 2014, the Other subordinated debt registered in the balance sheet at fair value through profit or loss amounted to the amount of Euro 53,947 thousand (31 December 2013: Euro 90,821 thousand).

The fair value of Other subordinated debt is presented in note 48.

As at 30 June 2014, the effective interest rate range of the subordinated debt bears postponed interest every three and six months is set between 0.39% and 2.13% (31 December 2013: 0.86% and 2.84 %).

40 Other liabilities

This balance is analysed as follows:

(Thousands of Euro)

	Jun 2014	**Dec 2013**
Creditors:		
Suppliers	5 884	9 746
Other creditors	133 142	225 277
Administrive public sector	16 713	19 599
Holiday pay and subsidies	32 446	34 404
Other administrative costs payable	2 603	140
Deferred income	592	640
Other sundry liabilities	150 349	150 015
	341 729	439 821

The balance Other sundry liabilities includes the amount of Euro 7,567 thousands (31 December 2013: Euro 68,205 thousands) engaged to balances of banking and financial transactions pending settlement.

41 Institutional capital

The share capital of CEMG, amounts Euro 1,500,000 thousands totally subscribed by “Montepio Geral – Associação Mutualista”, and is fully paid.

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 face amount of Euro 1, which will be nominated and ordinary shares only.

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 if 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 recognized in net profit.

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 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 the first semester of 2014, the amount of interest payable exceeds the "Distributable Funds of the Issuer”, so the payment of interest for these emissions was not made by CEMG.

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.

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 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 decomposition of the general and special reserves balance is analysed in note 45.

45 Revaluation reserves, other reserves and retained earnings

Revaluation reserves represents the potential gains and losses on financial assets available for sale net of impairment losses recognized in the income statement and/or in prior period in accordance with accounting policy described in note 1 c).

As at 30 June 2014 and 31 December 2013, the caption Retained earnings includes the effect of correction of Euro 1,899 thousands and 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).

This balance is analysed as follows:

(Thousand of Euro)

	Jun 2014	Dec 2013
Revaluation reserves		
Available-for-sale financial assets		
Gross amount	35 306	(6 736)
Taxes	(10 431)	1 953
Others	8 404	8 404
	33 279	3 621
Reserves and retained earnings:		
General reserve	186 000	185 549
Special reserve	68 273	68 160
Deferred tax reserve	49 324	51 843
Retained earnings	(82 630)	(12 957)
	220 967	292 595

The movements of this balance during the first semester of 2014 are analysed as follows:

(Thousands of Euro)

	Balance on 1 January	Reavaluation	Acquisition	Sales	Impairment recognized in the period	Balance on 30 June
Fixed income securities:						
Bonds issued by public Portuguese entities	33 403	23 401	46 230	(20 100)	-	82 934
Bonds issued by public foreign entities	294	3 175	1 075	3	-	4 547
Bonds issued by other entities						
Portuguese	(20 608)	(6 902)	(134)	34	14 318	(13 292)
Foreign	13 800	15 010	5 243	(162)	(5 386)	28 505
	26 889	34 684	52 414	(20 225)	8 932	102 694
Variable income securities:						
Shares in companies						
Portuguese	169	122	8	(77)	-	222
Foreign	1 947	781	(178)	(88)	-	2 462
Investments fund units	6 301	(8 080)	(3 678)	(4 818)	9 210	(1 065)
	8 417	(7 177)	(3 848)	(4 983)	9 210	1 619
	35 306	27 507	48 566	(25 208)	18 142	104 313

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)

	Jun 2014	Dec 2013
Amortised cost of available-for-sale financial assets	7 413 935	8 984 660
Accumulated impairment recognised	(59 537)	(77 679)
Amortised cost of available-for-sale financial assets, net impairment	7 354 398	8 906 981
Market value of available-for-sale financial assets	7 458 711	8 942 287
Net/ unrealised gains/(losses) recognised in the fair value reserve	104 313	35 306

46 Dividends paid

In 2014, CEMG did not distributed profits.

On 23 April 2013, following the General Assembly, CEMG distributed to Montepio Geral – Associação Mutualista the amount of Euro 1,692 thousands.

47 Obligations and future commitments

Obligations and future commitments are analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Guarantees granted	417 891	444 606
Guarantees received	31 167 740	31 234 424
Commitments to third parties	1 068 120	1 923 856
Commitments from third parties	41 699	41 703
Assets transferred in securitised operations	202 964	214 474
Securities and other items held for safekeeping on behalf of costumers	9 221 745	7 919 199
	42 120 159	41 778 262

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

(Thousands of Euro)

	Jun 2014	Dec 2013
Guaranteed granted		
Guaranteed	404 775	430 159
Open documentary credits	13 116	14 447
	417 891	444 606
Commitments to third parties:		
Irrevocable commitments		
Irrevocable credit lines	454 306	366 184
Securities subscription	-	801 801
Annual contribution to the Guarantee Deposits Fund	25 314	25 314
Potential obligation with the Investors' Indemnity System	3 467	3 508
Revocable commitments		
Revocable credit lines	585 033	727 049
	1 068 120	1 923 856

Guarantees granted are financial operations that are not consisted by mobilization on Funds by CEMG.

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 expiration requisites, 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.

The commitments, revocable and irrevocable, represent contractual agreements for credit concession with CEMG clients which, in general, are contracted by fixed periods or with other expiring requisites and, normally, apply for the payment of a commission. Substantially, all commitments of credit concession in force require clients to maintain certain requisites which are verified at the time of the respective formalization.

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 30 June 2014 and 31 December 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 30 June 2014 and 31 December 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 from 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, Deposits from other credit institutions 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 0.50% (31 December 2013: 0.75%).

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 period).

- *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 trough profit or 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 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. 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.

- *Held to maturity investments*

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 is used its market price. 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. 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 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 period) and the spread used at the date of the report, which was calculated from the average production of the second quarter of 2014. As at 30 June 2014, the average discount rate was 4.19% (31 December 2013: 5.14%), 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 and deposits repayable on demand*

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 period) and the spread of CEMG at the date of the report, which was calculated from the average production of the second three months of 2014. As at 30 June 2014, the average discount rate was of 1.12% (31 December 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 30 June 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:

	Currencies				
	Euro	**United States Dollar**	**Sterling Pound**	**Swiss Franc**	**Japanese Yen**
1 day	0.052%	0.150%	0.450%	-0.080%	0.069%
7 days	0.052%	0.123%	0.450%	-0.080%	0.069%
1 month	0.099%	0.160%	0.450%	-0.080%	0.100%
2 months	0.157%	0.230%	0.510%	-0.060%	0.130%
3 months	0.207%	0.290%	0.590%	-0.019%	0.130%
6 months	0.303%	0.400%	0.780%	0.070%	0.135%
9 months	0.394%	0.400%	0.950%	0.150%	0.220%
1 year	0.488%	0.535%	1.150%	0.240%	0.295%
2 years	0.313%	0.584%	1.319%	0.067%	0.206%
3 years	0.386%	0.999%	1.685%	0.104%	0.228%
5 years	0.655%	1.700%	2.149%	0.299%	0.342%
7 years	0.995%	2.176%	2.444%	0.597%	0.529%
10 years	1.439%	2.624%	2.743%	1.004%	0.834%
15 years	1.895%	3.024%	3.029%	1.423%	1.278%
20 years	2.090%	3.179%	3.029%	1.423%	1.278%
30 years	2.183%	3.294%	3.029%	1.423%	1.278%

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%	0.08%	0.41%	-0.05%	0.078%
7 days	0.188%	0.129%	0.41%	-0.095%	0.089%
1 month	0.216%	0.16%	0.41%	-0.075%	0.1%
2 months	0.255%	0.21%	0.47%	-0.05%	0.04%
3 months	0.287%	0.33%	0.52%	-0.04%	0.06%
6 months	0.389%	0.41%	0.735%	0.04%	0.14%
9 months	0.48%	0.45%	0.81%	0.11%	0.23%
1 year	0.556%	0.58%	0.95%	0.18%	0.28%
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	1.26%	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 evaluation:

			Volatility (%)				
Exchange rates	**June 2014**	**Dec 2013**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1.3658	1.3791	4.58	5.03	5.58	6.03	6.30
EUR/GBP	0.8015	0.8337	4.70	5.40	5.78	6.18	6.38
EUR/CHF	1.2156	1.2276	2.10	2.30	2.80	2.90	3.18
EUR/JPY	138.44	144.72	5.58	6.25	7.23	7.90	8.43

Concerning the exchange rates, CEMG 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 is presented as follows:

(Thousands of Euro)

	Jun 2014					
	At fair value through profit or loss	**Amortised cost**	**Available-for-sale**	**Other**	**Book value**	**Fair value**
Financial assets						
Cash and deposits at central banks	-	202 692	-	-	202 692	202 692
Loans and advances to credit institutions repayable on demand	-	68 241	-	-	68 241	68 241
Loans and advances to credit institutions	-	725 647	-	-	725 647	725 647
Loans and advances to customers	26 948	15 096 632	-	-	15 123 580	14 713 821
Financial assets held for trading	63 202	-	-	-	63 202	63 202
Available-for-sale financial assets	-	-	7 548 711	-	7 548 711	7 548 711
Hedging derivatives	546	-	-	-	546	546
Held-to-maturity investments	-	17 532	-	-	17 532	18 294
Investments in associated companies and others	-	-	-	419 183	419 183	419 183
	90 696	16 110 744	7 548 711	419 183	24 169 334	23 760 337
Financial liabilities						
Deposits from central banks	-	2 010 197	-	-	2 010 197	2 010 197
Deposits from other credit institutions	81 454	1 633 498	-	-	1 714 952	1 714 952
Deposits from customers	331 711	13 422 111	-	-	13 753 822	13 767 176
Debt securities issued	205 633	1 880 572	-	-	2 086 205	2 086 207
Financial liabilities relating to transferred assets	-	-	-	3 161 991	3 161 991	2 126 478
Financial liabilities held for trading	63 478	-	-	-	63 478	63 478
Hedging derivatives	2 148	-	-	-	2 148	2 148
Other subordinated debt	54 420	332 973	-	-	387 393	423 245
	738 844	19 279 351	-	3 161 991	23 180 186	22 193 881

(Thousands of Euro)

	Dec 2013					
	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 repayable on	-	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	293 936	-	-	386 378	326 530
	875 011	19 889 982	-	3 444 852	24 209 845	24 208 088

The following table summarizes, by valuation levels for each group of assets and liabilities of CEMG their fair values as at 30 June 2014:

(Thousands of Euro)

	Jun 2014				
	Level 1	**Level 2**	**Level 3**	**Financial instruments at cost**	**Book value**
Financial assets					
Cash and deposits at central banks	202 692	-	-	-	202 692
Loans and advances to credit institutions repayable on demand	68 241	-	-	-	68 241
Loans and advances to credit institutions	725 647	-	-	-	725 647
Loans and advances to customers	-	-	15 123 580	-	15 123 580
Financial assets held for trading	10 324	52 878	-	-	63 202
Available-for-sale financial assets	3 468 651	451 249	3 538 811	-	7 458 711
Hedging derivatives	-	546	-	-	546
Held-to-maturity investments	17 532	-	-	-	17 532
Investments in associated companies and others	-	-	-	419 183	419 183
	4 493 087	504 673	18 662 391	419 183	24 079 334
Financial liabilities					
Deposits from central banks	2 010 197	-	-	-	2 010 197
Deposits from other credit institutions	1 714 952	-	-	-	1 714 952
Deposits from customers	-	-	13 753 822	-	13 753 822
Debt securities issued	-	-	2 086 205	-	2 086 205
Financial liabilities relating to transferred assets	-	-	3 161 991	-	3 161 991
Financial liabilities held for trading	904	62 574	-	-	63 478
Hedging derivatives	-	2 148	-	-	2 148
Other subordinated debt	-	387 393	-	-	387 393
	3 726 053	452 115	19 002 018	-	23 180 186

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)

	Dec 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	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 through 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	-	-	-	1 100 965
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	449 080	19 231 057	-	24 209 845

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 if 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

Pensions and health-care benefits

In compliance with the collective labour agreement (ACT) for the banking sector established with the unions, CEMG undertook the commitment to grant its employees, or their families, pension on retirement and disability, and widows' pension. Pension payments consist of a rising percentage based on years of service, applicable to each year's negotiated salary table for the active work force. Employees hired before March 31, 2008 are covered by this benefit. Employees hired after that date benefit from the General Social Security Scheme.

Additionally, with the publication of Decree-Law n.1-A / 2011 of January 3, all banking sector employees beneficiaries of "CAFEB – Caixa de Abono de Família dos Empregados Bancários" were integrated into the General Social Security Scheme from 1 January 2011, which assumed the protection of banking sector employees in the contingencies of maternity, paternity and adoption and even old age, remaining under the responsibility of CEMGs the protection in sickness, disability, survivor and death.

Retirement pensions of banking employees integrated into the General Social Security Regime continue to be calculated according to the provisions of ACT and other conventions. Banking employees, however, are entitled to receive a pension under the general regime, which amount takes into account the number of years of discounts for that scheme. Banks are responsible for the difference between the pension determined in accordance with the provisions of ACT and that the one that the banking employees are entitled to receive from the General Social Security Regime.

The contribution rate to the Social Security Regime is 26.6%, 23.6% paid by the employer and 3% paid by the employees, instead of Caixa de Abono de Família dos Empregados Bancários (CAFEB), abolished by the same law. In consequence of this change, the pension rights of active employers is to be covered under the terms defined by the General Social Security Regime, taking into account the length of service from 1 January 2011 until retirement. The differential required to support the guaranteed pension in terms of the ACT is paid by Banks.

The integration leads to a decrease in the actual present value of total benefits reported to the normal retirement age (VABT) to be borne by the pension fund, after considering the future contributions to be made by CEMG and the employees to the social security regime. Since there was no reduction in benefits on a beneficiary's perspective and the liabilities for past services remained unchanged, arising from the 2nd tripartite agreement, CEMG has not recorded in its financial statements any impact in terms of the actuarial calculations at 31 December 2010.

At the end of 2011 following the third tripartite agreement established between the Portuguese Government, the Portuguese Banking Association and the banking sector employees unions, it was decided to transfer to the Social Security Regime the banks liabilities with pension in payment as at 31 December, 2011. The tripartite agreement established, provides for the transfer to the Social Security sphere of the liabilities with pensions in payment as of 31 December 2011 at constant values (0% discount rate). The responsibilities relating to updates of pensions value, other pension benefits in addition to those to be borne by the Social Security, health-care benefits, death allowance and deferred survivor pensions, will remain in the sphere of responsibility of the banks with the correspondent funding being provided through the respective pension funds.

The banks pension funds assets, specifically allocated to the cover of the transferred liabilities were also be transferred to the Social Security.

Being thus a definitive and in-eversible transfer of the liabilities with pensions in payment (even if only on a portion of the benefit), the conditions set out in IAS 19 “Employee benefits” underlying the concept of settlement were met, as the obligation with pension in payment as at 31 December 2011 extinguished at the date of transfer. On this basis, the impacts derived from this transfer were recognised in the income statement in 2011.

The Decree-Law no. 133/2012 published on 27 June 2012 introduced several changes in the calculation of the death subsidy, which is now limited to a maximum of 6 times the social support index (minimum wage), which in 2012 amounted Euro 419.22.

In accordance with IAS 19, and regarding that the acquisition conditions of the benefit are fulfilled (vested), in fact the employee or the pensioner has the right to the benefit without having to fulfil any service condition – CEMG as at 31 December 2012 accounted the referred impact in results, which amounted Euro 7,021 thousands (amount that corresponds to the reduction of the liability on the death subsidy).

The key actuarial assumptions used to calculate pension liabilities are as follows:

(Thousands of Euro)

	Assumptions		Checked	
	Jun 2014	**Dec 2013**	**Jun 2014**	**Dec 2013**
Financial assumptions				
Salaries increase rate	1,50%	1,50%	1,36%	1,50%
Pensions increase rate	0,50%	0,50%	0,07%	0,05%
Projected rate of return of Fund assets	4,00%	4,00%	5,78%	4,45%
Discount rate	4,00%	4,00%	5,78%	4,45%
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		

UCP - Unit Credit Projectado

The number of persons covered by the plan is as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Actives	3 759	3 781
Retirees and survivors	1 023	1 011
	4 782	4 792

In accordance with the accounting policy described in note 1 u), the responsibilities of CEMG for retirement benefits, health benefits and death subsidy and respective covers are presented as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Assets/(Liabilities) recognised in the balance sheet		
Responsabilities with retirement benefits		
Pensioners	(127 234)	(117 813)
Employees	(372 030)	(375 328)
	(499 264)	(493 141)
Responsabilities with healthcare benefits		
Pensioners	(18 325)	(18 050)
Employees	(27 160)	(26 241)
	(45 485)	(44 291)
Responsabilities with death subsidy		
Pensioners	(589)	(582)
Employees	(582)	(565)
	(1 171)	(1 147)
Total	(545 920)	(538 579)
Coverages		
Value of the fund	566 199	538 579
Net assets in the balance sheet (see note 32)	20 279	-
Accumulated actuarial differences recognized in other comprehensive income	36 768	61 327

In accordance with the accounting policy described in note 1 u), CEMG liability with post-employment benefits, death subsidy and actuarial gains/losses 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 recognized assets in relation to the defined benefit pension plans based on the expectation of reductions in future contributions to the funds.

The changes in responsibilities with retirement pensions and health care benefits can be analysed as follows:

(Thousands of Euro)

	Jun 2014				Dec 2013			
	Retirement pensions	Healthcare benefits	Death Subsidy	Total	Retirement pensions	Healthcare benefits	Death Subsidy	Total
Responsabilities in the beginning of the period	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	4 416	641	14	5 071	8 437	1 117	49	9 603
Interest cost	9 863	886	23	10 772	18 509	1 759	91	20 359
Actuarial gains and losses								
- Changes in the assumptions and the conditions of the plans	-	-	-	-	55 810	3 680	125	59 615
- Not related to changes assumptions de pressupostos	(5 186)	983	8	(4 195)	5 723	(32)	(1 119)	4 572
Pensions paid by the fund	(3 314)	(1 316)	(21)	(4 651)	(7 342)	(1 316)	(21)	(8 679)
Early retirement	344	-	-	344	690	-	-	690
Responsabilities in the end of the period	499 264	45 485	1 171	545 920	493 141	44 291	1 147	538 579

The pension funds are managed by "Futuro - Sociedade Gestora de Fundos de Pensões, S.A.".

The evolution on the pensions fund value, for the six months periods ended at 30 June 2014 and the year of 2013, is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Balance of the funds in the beginning of the period	538 579	514 275
Transfer of responsibilities	-	(6 847)
Real income funds	31 135	22 674
CEMG contributions	-	14 817
Participant contributions	1 136	2 339
Pensions paid by the fund	(4 651)	(8 679)
Balance of the funds at the end of the period	566 199	538 579

The Pension Fund assets are analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Bonds	407 160	330 999
Investments in banks and other	59 671	117 349
Other variable income securities	48 566	45 832
Direct Real Estate	7 797	8 732
Shares	43 005	35 667
	566 199	538 579

The Pension Fund assets used by CEMG or represent securities issued by CEMG entities are analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Investments in banks and other	61 531	100 621
Direct Real Estate	8 030	8 998
Bonds	3 270	2 748
Others	706	-
	73 537	112 367

The changes in the accumulated actuarial gains and losses are analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
Actuarial changes in the beginning of the period	61 327	(4 097)
Actuarial (Gains) and losses in the period		
- Changes in actuarial assumptions	(20 364)	59 615
- Experience adjustments	(4 195)	5 809
Actuarial changes recognised in other comprehensive income	36 768	61 327

As at 30 June 2014, the amortization of the transition adjustment to pensions net of deferred taxes, in accordance with Regulation no.12/01 amounted Euro 1,899 thousands (31 December 2013: Euro 3,488 thousands), according to note 32.

The costs with reform pensions, health-care benefits and death subsidies are analysed as follows:

(Thousands of Euro)

	Jun 2014	Jun 2013
Currente service cost	5 071	4 920
Interest cost	10 772	10 333
Expected return on plan assets	(10 772)	(11 571)
Early retirements cost	344	-
Participant contributions	(1 136)	(1 234)
Personnel costs	4 279	2 448

The evolution of net assets/ (liabilities) in the balance sheet is analysed as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013
At beginning of the period	-	55 009
Actual return on plan assets	31 135	22 674
CEMG contribution	-	14 817
Participants contribution	1 136	2 339
Current service cost	(5 071)	(9 603)
Interest cost	(10 772)	(20 359)
Actuarial gains / (losses)	4 195	(64 187)
Early retirements	(344)	(690)
At the end of the period	20 279	-

The responsibilities and balance of funds changes, as well as gains and losses experienced in the last five years is as follows:

(Thousands of Euro)

	Jun 2014	Dec 2013	Dec 2012	Dec 2011	Dec 2010
Liabilities	(545 920)	(538 579)	(459 266)	(422 616)	(597 142)
Balance of funds	566 199	538 579	514 275	440 498	545 097
Responsabilities (sub)/over funded	20 279	-	55 009	17 882	(52 045)
(Gains) and losses arising from experience liabilities	(4 195)	64 187	(8 379)	(5 315)	(4 243)
(Gains) and losses arising from experience adjustments arising on assets	(20 364)	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)	(23 998)	25 634
Wage growth rate (0.25% change)	10 715	(10 298)
Pension growth rate (0.25% change)	19 929	(19 176)
SAMS contribution (0.25% change)	2 111	(2 111)
Future death (1% change)	(1 402)	1 415
	7 355	(4 536)

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:

CEMG's Subsidiaries:

Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)
Finibanco Angola, S.A.
Montepio Holding, S.G.P.S., S.A.
Montepio Investimento, S.A.
Montepio Crédito – Instituição Financeira de Crédito, S.A.
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.

CEMG's associates:

HTA – Hotéis, Turismo e Animação dos Açores, S.A.
Montepio Seguros, S.G.P.S., S.A.
Nova Câmbios, S.A.
Silvip, S.A.

Board of Directors:

António Tomás Correia
Jorge Barros Luís
Pedro Almeida Ribeiro
Fernando Paulo Magalhães

Other related parties:

Bem Comum, Sociedade Capital de Risco, S.A.
Bolsimo – Gestão de Activos, S.A.
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto
Finibanco Vida – Companhia de Seguros de Vida, S.A.
Finipredial – Fundo de investimento Imobiliário Aberto
Fundação Montepio Geral
Fundo de Pensões CEMG - Gerido pela Futuro
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.
Germont – Empreendimentos Imobiliários, S.A.
Leacock, Lda.
Lestinvest, S.G.P.S., S.A.
MG Investimentos Imobiliários, S.A.
Montepio Arrendamento - FIIAH
Montepio Arrendamento Habitacional II
Montepio Arrendamento Habitacional III
Montepio Geral – Associação Mutualista
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 Mediação – Sociedade Mediadora de Seguros, S.A.
Montepio Recuperação de Crédito, ACE
NEBRA, Energias Renovables, S.L.
Nutre, S.G.P.S., S.A.
Polaris - Fundo de Investimento Imobiliário Fechado
PEF - Fundo de Investimento Imobiliário Fechado
Prio Energy, S.G.P.S, S.A
Residências Montepio, Serviços de Saúde, S.A.
Sagies, S.A.
Sociedade Portuguesa de Administrações, S.A.
Iberpartners Cafés - S.G.P.S., S.A.

As at 30 June 2014, CEMG's liabilities with subsidiaries, represented or not by securities, included in the balances Deposits from customers, Other subordinated debt, Loans and advances to customers and Other liabilities are analysed as follows:

(Thousand of Euro)

	Jun 2014			
Companies	**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.)	90 791	-	-	-
Bolsimo – Gestão de Activos, S.A.	324	-	1	-
Carteira Imobiliária - Fundo Especial Investimento Imobiliário Aberto	2 364	-	-	-
Finibanco Angola, S.A.	12 020	-	12 487	-
Finibanco Vida – Companhia de Seguros de Vida, S.A.	6 568	1 000	-	-
Finipredial – Fundo de investimento Imobiliário Aberto	537	-	34 500	-
Fundação Montepio Geral	1 902	25	-	-
Fundo de Pensões CEMG - Gerida pela Futuro	63 379	4 009	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	2 339	-	1	-
Germont – Empreendimentos Imobiliários, S.A.	239	-	18 669	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	48	-	1 000	-
Iberpartners Cafés S.G.P.S., S.A.	-	-	1 590	-
Lestinvest, S.G.P.S., S.A.	296	-	52 840	-
MG Investimentos Imobiliários, S.A.	8	-	-	-
Montepio Arrendamento – FIIAH	165 634	-	-	1 238
Montepio Arrendamento II - FIIAH	110 997	-	-	65 962
Montepio Arrendamento III - FIIAH	119 920	-	-	32 794
Montepio Crédito – Instituição Financeira de Crédito, S.A.	219	-	257 796	-
Montepio Geral – Associação Mutualista	477 304	1 272 643	4	-
Montepio Gestão de Activos – S.G.F.I., S.A.	980	-	-	-
Montepio Gestão de Activos Imobiliários, ACE	2 396	-	-	-
Montepio Holding, S.P.G.S.,S.A.	19 996	27 253	123 368	-
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	-	-	13 146	-
Montepio Investimento, S.A.	9 026	3 975	50 000	-
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	830	-	-	-
Montepio Recuperação de Crédito, ACE	9	-	-	-
Montepio Seguros, S.G.P.S., S.A.	86 435	61 799	9 333	-
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.	6 267	-	-	-
N Seguros, S.A.	3 161	4 550	-	-
NEBRA, Energias Renovables, SL	-	-	1 756	-
Nova Câmbios, S.A.	101	135	1 779	-
Polaris - Fundo de Investimento Imobiliário Aberto	10	-	5 350	-
Portugal Estates Fund - Fundo de Investimento Imobiliário Fechado	-	-	3 629	-
Residências Montepio, Serviços de Saúde, S.A.	1 055	-	1 472	-
	1 185 155	1 375 389	588 721	99 994

As at 30 June 2014, the value of loans and advances to customers granted by CEMG to the members of the Executive Board of Directors amounts to Euro 252 thousands.

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, Loans and advances to customers and Other liabilities are analysed as follows:

(Thousand of Euro)

Companies	Dec 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.P.G.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 30 June 2014, CEMG's income with subsidiaries, included in the balances Interest and similar expenses, Interest and similar income and Fee and commission income are analysed as follows:

(Thousands of Euro)

Companies	Jun 2014 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
Finibanco Angola, S.A.	5	-	-
Finibanco Vida – Companhia de Seguros de Vida, S.A.	107	2	45
Finipredial – Fundo de investimento Imobiliário Aberto	2	1 423	-
Fundação Montepio Geral	3	-	-
Fundo de Pensões CEMG - Gerida pela Fundo	2 507	31	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
MG Investimentos Imobiliários, S.A.	-	-	1
Montepio Arrendamento – FIIAH	209	262	-
Montepio Arrendamento II - FIIAH	59	4	-
Montepio Arrendamento III - FIIAH	109	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 Holding, S.G.P.S., S.A.	6	2 441	29
Montepio Imóveis - Sociedade Imobiliária deServiços Auxiliares, S.A.	2	3 517	-
Montepio Investimento, S.A.	8	290	-
Montepio Seguros, S.G.P.S., S.A.	985	354	473
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.	128	1	1
N Seguros, S.A.	58	1	21
NEBRA, Energias Renovables, S.L.	-	56	17
Nova Câmbios, S.A.	-	68	19
Nutre, S.G.P.S., S.A.	-	230	-
Residências Montepio, Serviços de Saúde, S.A.	1	62	82
SIBS - Sociedade Interbancária de Serviços, S.A.	45	-	-
	22 413	13 597	890

As at 30 June 2013, CEMG's income with subsidiaries, included in the Interest and similar expenses, Interest and similar income and Fee and commission income are analysed as follows:

(Thousands of Euro)

Companies	Jun 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
Bolsimo - Gestão de Activos, S.A.	-	-	-
Civilcentro - Construções do Centro, S.A.	-	-	-
Finibanco Angola, S.A.	-	-	-
Finibanco Holding, S.G.P.S., S.A.	-	1 316	21
Finibanco Vida – Companhia de Seguros de Vida, S.A.	66	1	22
Finimóveis - Sociedade Imobiliária de Serviços Auxiliares, S.A.	-	1 526	-
Finipredial – Fundo de investimento Imobiliário Aberto	1	574	-
Finivalor - Sociedade Gestora de Fundos de Investimento, S.A.	58	-	-
Fundação Montepio Geral	1	-	-
Fundo de Pensões CEMG - Gerida pela Futuro	1 531	17	-
Fundo de Pensões Finibanco - Gerida pela Futuro	205	3	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	30	-	-
Germont – Empreendimentos Imobiliários, S.A.	-	88	-
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	1	-	-
Iberpartners Cafés S.G.P.S., S.A.	-	30	3
Lestinvest, S.G.P.S., S.A.	-	626	-
Lusitania Vida, Companhia de Seguros, S.A.	224	6	33
Lusitania, Companhia de Seguros, S.A.	147	126	153
MG Investimentos Imobiliários, S.A.	-	-	1
Montepio Arrendamento – FIIAH	126	2	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	2 294	60
Montepio Geral - Associação Mutualista	8 156	183	16
Montepio Gestão de Activos – S.G.F.I., S.A.	142	-	-
Montepio Investimento, S.A.	-	102	1
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	8	-	-
N Seguros, S.A.	58	1	4
NEBRA, Energias Renovables, S.L.	-	19	17
Nova Câmbios, S.A.	-	32	3
Nutre, S.G.P.S., S.A.	-	230	-
Prio Energy S.G.P.S., S.A.	1	180	275
Residências Montepio, Serviços de Saúde, S.A.	-	32	34
SIBS - Sociedade Interbancária de Serviços, S.A.	-	-	-
Silvip, S.A.	21	-	1
	10 776	7 388	645

According to the principle of fair value, every transaction concerning related parties is at market prices.

During the first semester of 2014 and the year of 2013, there were no transactions with pension’s fund of CEMG.

51 Securitization transactions

As at 30 June 2014, there are nine 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 Finibanco - Holding, S.G.P.S., S.A. and transmission of almost all assets and liabilities for CEMG, as described in note 1 a).

In 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 – 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, Finibanco SA. 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.

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 represent 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 provision of consumer loans originated by itself within a securitization of credits (Pelican Finance No. 1). The total period of 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 par with the costs of the initial sale process 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 PLC) and to Sociedades de Titularização de (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).

As at 31 December 2004, in accordance with accounting principles, as established by Bank of Portugal, the assets, loans and securities transfer under above transactions were derecognized. The acquired securities under these transactions were classified as financial assets held-to-maturity and provision in accordance with Regulation no. 27/2000 of Bank of Portugal.

In accordance with IFRS 1, CEMG follows derecognized criteria to individual statements to all transactions occur until 1 January 2004. For the all transactions after this date, CEMG follows de guidance of IAS 39 concerning derecognize, which refers that recognition have to occur either when risks and rewards have substantially been transferred or has not retained control of the assets.

As at 30 June 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:

	Jun 2014	Dec 2013
	(Thousands of Euro)	
Pelican Mortgages No.1	67 658	71 938
Pelican Mortgages No.2	135 306	142 536
	202 964	214 474

As at 30 June 2014, the notes issued by the special purpose vehicles, are analysed as follows:

Issue	Bond issued	Issue amount Euro	Corrent amount Euro	Interes retention Euro	Maturity date	Rating (Initial) Fitch	Rating (Initial) Moodys	Rating (Initial) S&P	Rating (Initial) DBRS	Rating (Current) Fitch	Rating (Current) Moodys	Rating (Current) S&P
Pelican Mortgages No 1	Class A	611 000 000	23 954 574	7 349 859	2037	AAA	Aaa	n.a.	n.a.	A	Baa3	n.a.
	Class B	16 250 000	16 250 000	-	2037	AAA	A2	n.a.	n.a.	A	Baa3	n.a.
	Class C	22 750 000	22 750 000	-	2037	BBB+	Baa2	n.a.	n.a.	n.a.	Ba2	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.
Pelican Mortgages No 2	Class A	659 750 000	93 453 889	39 161 976	2036	AAA	Aaa	AAA	n.a.	A	Baa3	A-
	Class B	17 500 000	17 500 000	10 060 000	2036	AA+	A1	AA-	n.a.	A	Ba1	A-
	Class C	22 750 000	22 750 000	8 600 000	2036	A-	Baa2	BBB	n.a.	BBB	B2	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.
Pelican Mortgages No 3	Class A	717 375 000	293 870 475	124 042 839	2054	AAA	Aaa	AAA	n.a.	A	Ba2	A-
	Class B	14 250 000	7 587 320	7 294 428	2054	AA-	Aa2	AA-	n.a.	BBB	B3	BBB
	Class C	12 000 000	6 389 322	6 159 266	2054	A	A3	A	n.a.	BB	Caa2	BBB-
	Class D	6 375 000	3 394 327	3 394 327	2054	BBB	Baa3	BBB	n.a.	B	Caa3	BB
	Class E	8 250 000	-	-	2054	BBB-	n.a.	BBB-	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.
Pelican Mortgages No 4	Class A	832 000 000	603 772 309	603 772 309	2056	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.
	Class B	55 500 000	53 448 186	53 448 186	2056	AA	n.a.	n.a.	n.a.	A-	n.a.	n.a.
	Class C	60 000 000	57 781 823	57 781 823	2056	A-	n.a.	n.a.	n.a.	BBB-	n.a.	n.a.
	Class D	25 000 000	27 075 759	27 075 759	2056	BBB	n.a.	n.a.	n.a.	BB	n.a.	n.a.
	Class E	27 500 000	26 483 335	26 483 335	2056	BB	n.a.	n.a.	n.a.	B	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.
Pelican Mortgages No 5	Class A	750 000 000	536 941 915	536 941 915	2061	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.
	Class B	195 000 000	188 057 007	188 057 007	2061	BBB-	n.a.	n.a.	n.a.	BBB-	n.a.	n.a.
	Class C	27 500 000	26 520 860	26 520 860	2061	B	n.a.	n.a.	n.a.	B	n.a.	n.a.
	Class D	27 500 000	26 520 860	26 520 860	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4 500 000	891 784	891 784	2061	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.
Pelican Mortgages No 6	Class A	750 000 000	686 713 441	686 713 441	2063	A	n.a.	A-	AA	A	n.a.	A-
	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.
	Class C	1 800 000	-	-	2063	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.
	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.
Aqua Mortgage No 1	Class A	203 176 000	133 223 968	133 223 968	2063	n.a.	n.a.	AAA	n.a.	n.a.	n.a.	A-
	Class B	29 824 000	29 824 000	29 824 000	2063	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.
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.
	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.
	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.

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.

The "Direcção de Risco" ("DRI") helps Executive Board of Directors in decision-making related to the management of several risk types inherent to the activity, in CEMG Group. DRI includes three departments:

- 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.

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.

DRI equally assures the following of a set of prudential reports to the supervision authority, particularly in own funds requisites, control of high risks and related parts funding, liquidity risk, interest rate risk, country risk, counterparty risk, self-valuation of adequacy of Own Capital, Market Discipline, Recovery Plan and Resolving Plan.

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;
- 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 “Rooom” 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, was created the “Direcção de Análise de Crédito”, which ensures the assessment of credit proposals from companies and individuals, as well as the assignment of internal ratings in the corporate segment.

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. 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 in what's concerned 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 according with the Notice no. 6/2013 of Bank of Portugal, being the first official report made with reference at March 2014, in accordance with the new rules.

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).

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 Management, as support to the Executive Board of Directors, has the main duties to assessing reports on the internal control system to be sent annually to Bank of Portugal, to check compliance with the applicable legislation on the part of the various departments, and to identify major risk areas and submitting its conclusions to the Executive Board of Directors.

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.

The trading room shall cooperate with the Risk Analysis and Management in order to measure and control operations and portfolio risks, as well as suitably monitor CEMG's overall risk positions.

In terms of compliance risk, the Head of Compliance in the dependence of the Executive Board of Directors, shall control, identify and assess the various situations that contribute to this risk, namely in terms of transactions/activities, business, products and departments.

In this context, the Internal Auditing Management shall also assess the internal control system, identifying the areas of major importance/risk, to ensure efficient governance.

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 card the correspondent reactive scoring model is being reviewed. Additionally, in the individual credit portfolios, commercial performance and credit risk analysis are supported by behavior scorings.

To corporate credit are used internal rating models to medium and large companies, distinguishing construction 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)

	Jun 2014	Dec 2013
Deposits with Other credit institutions	68 241	84 578
Deposits with banks	725 647	291 644
Loans and advances to customers	15 123 580	15 139 969
Financial assets held for trading	58 504	61 947
Other financial assets at fair value through profit or loss	-	3 450
Available-for-sale financial assets	6 034 811	7 537 402
Hedging derivatives	546	503
Held-to-maturity investments	17 532	17 227
Investments in associated companies and other	419 183	418 547
Other assets	142 046	125 306
Guarantees granted	404 775	430 159
Documentary credits	13 116	14 447
Irrevocable commitments	454 306	366 184
Credit default swaps (notionals)	22 000	25 000
	23 484 287	24 516 363

The analysis of the risk exposure by sector of activity, as at 30 June 2014, can be analysed as follows:

(Thousands of Euros)

Activity sector	**Jun 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 (a)**	**Book Value**	**Book Value**	**Gross Amount**	**Impairment**	**Book Value**	**Book Value**
Agriculture	120 977	(11 225)	-	-	-	-	-	2 821
Mining	37 431	(1 324)	-	-	10 244	-	-	2 055
Food, beverage and tobacco	221 444	(21 449)	516	-	10 632	-	-	2 546
Textiles	82 853	(13 666)	-	-	-	-	-	1 710
Shoes	29 217	(4 430)	-	-	-	-	-	424
Wood and cork	49 818	(14 709)	-	-	-	-	-	1 478
Printing and publishing	92 439	(8 989)	-	-	-	-	-	452
Petroleum refining	51	(1)	-	-	14 047	-	-	-
Chemicals and rubber	124 224	(6 068)	-	-	402	-	-	2 052
Non-metallic minerals	71 803	(5 314)	-	-	64 031	-	-	2 284
Basis metallurgic industries and metallic products	145 507	(17 985)	-	-	-	-	-	9 423
Production of machinery	45 364	(3 046)	-	-	-	-	-	1 480
Production of transport material	32 520	(5 833)	-	-	-	-	-	649
Other transforming material	43 388	(7 272)	-	-	74 189	-	-	1 515
Electricity, gas and water	124 356	(2 163)	-	-	290 574	-	-	1 018
Construction	1 758 284	(425 318)	110	-	24 816	(998)	-	159 895
Wholesale and retail	1 150 805	(184 106)	-	-	-	-	-	78 035
Tourism	380 296	(33 975)	-	-	524	-	-	7 780
Transports	402 702	(14 429)	-	-	49 311	-	-	14 559
Communications and information activities	66 743	(7 306)	-	-	84 149	-	-	854
Financial activities	1 404 526	(101 769)	52 878	-	774 026	(16 025)	-	60 286
Real estates activities	793 818	(143 063)	-	-	500	-	-	23 966
Services provided to companies	582 658	(48 934)	-	-	1 735 360	(8 415)	-	12 518
Public services	139 904	(3 010)	-	-	-	-	17 532	535
Other activities of collective services	468 895	(20 914)	-	-	-	-	-	6 215
Mortgage loans	8 042 131	(308 929)	-	-	2 838 621	(20 394)	-	-
Others	19 026	(5 462)	-	-	109 217	-	-	10 225
Total	16 431 180	(1 420 689)	53 504	-	6 080 643	(45 832)	17 532	404 775

[a] includes provision for impairment in value of Euro 1,307,600 thousands (see note 21) and the provision for general banking risks amounting to Euro 113,089 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	Dec 2013							
	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	62 157	(4 509)	-	-	-	-	-	1 521
Mining	17 862	(799)	-	-	1 970	-	-	2 532
Food, beverage and tobacco	183 959	(17 956)	-	-	14 576	-	-	4 019
Textiles	67 037	(16 017)	-	-	-	-	-	436
Shoes	22 187	(3 706)	-	-	-	-	-	125
Wood and cork	41 518	(13 469)	-	-	-	-	-	1 642
Printing and publishing	81 799	(6 639)	-	-	-	-	-	351
Petroleum refining	84	(1)	-	-	7 594	-	-	-
Chemicals and rubber	122 231	(5 124)	-	-	400	-	-	1 757
Non-metallic minerals	48 077	(4 606)	-	-	-	-	-	2 891
Basis metallurgic industries and metallic products	143 330	(13 884)	-	-	74 227	-	-	10 003
Production of machinery	37 514	(2 416)	-	-	-	-	-	1 450
Production of transport material	28 598	(5 626)	-	-	-	-	-	192
Other transforming material	34 472	(5 781)	-	-	91 895	-	-	1 581
Electricity, gas and water	131 690	(1 467)	-	-	202 563	-	-	2 523
Construction	1 764 534	(342 855)	102	-	21 289	(998)	-	170 084
Wholesale and retail	920 432	(148 433)	-	-	5 074	-	-	71 567
Tourism	320 408	(26 515)	-	-	-	-	-	7 884
Transports	340 011	(13 770)	-	-	22 282	-	-	15 173
Communications and information activities	44 501	(6 175)	-	-	36 774	-	-	789
Financial activities	1 237 409	(58 584)	54 138	3 450	988 229	(28 253)	-	77 007
Real estates activities	840 654	(114 600)	-	-	-	-	-	25 015
Services provided to companies	376 024	(32 514)	482	-	1 224	-	-	15 303
Public services	115 553	(2 269)	-	-	3 089 640	(8 415)	17 227	533
Other activities of collective services	372 574	(14 887)	-	-	-	-	-	6 606
Mortgage loans	8 371 455	(229 333)	-	-	2 898 523	(17 098)	-	-
Others	457 402	(62 561)	-	-	135 906	-	-	9 175
Total	16 183 472	(1 154 496)	54 722	3 450	7 592 166	(54 764)	17 227	430 159

[a] includes provision for impairment in value of Euro 1,043,503 thousand (see note 21) and the provision for general banking risks amounting to Euro 110,993 thousand (see note 38).

In terms of risk credit, the financial assets portfolio continued to be concentrated in investment grade bonds issued by financial institutions.

During the first semester of 2014, there was a reduction of the nominal credit default swaps portfolio, by the maturity of several deals, with the buying and selling of credit protection decreasing to Euro 6,000 thousands and Euro 16,000 thousands, respectively (31 December 2013: Euro 9,000 thousands and Euro 16,000 thousands, respectively).

In terms of credit quality, we observed a small decrease in the average rating of the counterparties, on maturity of Euro 3 million of the risk positions (BBB-), given the predominance of Portuguese counterparts with BB+ rating. Credit protection of Portuguese counterparts continues to involve buying and selling protection positions of Euro 13,000 thousand and Euro 3,000 thousand, respectively.

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.

Usually 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 mean 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 the first semester of 2014 represented 77.9% 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 mainly indicators of these measures, as at 30 June 2014 and 31 December 2013:

(Thousands of Euro)

	Jun 2014				Dec 2013			
	June	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Interest rate Gap	(967 914)	(967 914)	(967 914)	(967 914)	(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
30 June 2014					
Assets	11 183 355	4 219 433	542 180	1 393 861	1 180 950
Off balance sheet	8 520 783	82 854	261 147	314 809	-
Total	19 704 138	4 302 287	803 327	1 708 670	1 180 950
Liabilities	6 520 872	1 716 032	3 320 611	7 765 738	164 440
Off balance sheet	8 732 428	177 241	-	269 924	-
Total	15 253 300	1 893 273	3 320 611	8 035 662	164 440
Gap (Assets - Liabilities)	4 450 838	2 409 014	(2 517 284)	(6 326 992)	1 016 510
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 30 June 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 43,897 thousands (31 December 2013: Euro 27,868 thousands).

The following table presents the average interests, in relation to CEMG major assets and liabilities categories for the period ended 30 June 2014 and 31 December 2013, as well as the average balances and the income and expense for the year:

(Thousands of Euro)

Products	Jun 2014			Dec 2013		
	Average balance for the period	**Average interest rate (%)**	**Income / Expense**	**Average balance for the exercise**	**Average interest rate (%)**	**Income / Expense**
Assets						
Loans and advances to customer	16 260 022	3,55	288 386	15 657 077	3,62	566 968
Deposits	109 775	0,23	123	102 263	0,51	522
Securities portfolio	6 752 543	2,76	92 289	6 766 101	2,43	164 197
Inter-bank loans and advances	582 943	0,22	518	246 639	0,28	694
Swaps	-	-	56 647	-	-	116 499
Total Assets	23 705 283		437 963	22 772 080		848 880
Liabilities						
Deposits from customers	13 719 681	2,32	157 693	12 909 123	2,57	331 882
Securities deposits	5 711 800	2,60	73 607	6 783 751	2,62	177 981
Interbank deposits	3 844 223	0,29	5 594	2 819 931	0,87	24 454
Other liabilities	488	0,11	-	157	0,00	-
Swaps	-	-	55 036	-	-	108 453
Total liabilities	23 276 192		291 930	22 512 962		642 770

About foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 30 June 2014 is analysed as follows:

(Thousands of Euro)

	Jun 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	187 187	8 588	1 193	663	489	306	4 266	202 692
Loans and advances to credit institutions repayable on demand	59 807	6 549	385	438	674	-	388	68 241
Loans and advances to credit institutions	606 926	118 721	-	-	-	-	-	725 647
Loans and advances to customers	15 055 872	66 849	1	-	858	-	-	15 123 580
Financial assets held for trading	58 174	5 028	-	-	-	-	-	63 202
Other financial assets at fair value trough profit or loss	-	-	-	-	-	-	-	-
Available-for-sale financial assets	7 454 298	3 632	32	19	730	-	-	7 458 711
Hedging derivatives	546	-	-	-	-	-	-	546
Held-to-maturity investments	17 532	-	-	-	-	-	-	17 532
Investments in associated companies and others	419 183	-	-	-	-	-	-	419 183
Non- current assets held for sale	697 013	-	-	-	-	-	-	697 013
Other tangible assets	40 585	-	-	-	-	-	-	40 585
Intangible assets	116 733	-	-	-	-	-	-	116 733
Current tax assets	10	-	-	-	-	-	-	10
Deferred tax assets	317 714	-	-	-	-	-	-	317 714
Other assets	11 886	86 949	15 972	41 744	386	70	7 336	164 343
Total Assets	25 043 466	296 316	17 583	42 864	3 137	376	11 990	25 415 732
Liabilities by currency								
Deposits from central banks	2 010 197	-	-	-	-	-	-	2 010 197
Deposits from other credit institutions	1 580 525	90 941	7 440	35 297	665	61	23	1 714 952
Deposits from customers	13 619 688	109 977	8 253	7 212	2 239	11	6 442	13 753 822
Debt securities issued	2 086 007	198	-	-	-	-	-	2 086 205
Financial liabilities associated to transferred assets	3 161 991	-	-	-	-	-	-	3 161 991
Financial liabilities held for trading	62 388	1 090	-	-	-	-	-	63 478
Hedging derivatives	2 148	-	-	-	-	-	-	2 148
Provisions	116 793	-	-	-	-	-	-	116 793
Current tax liabilities	-	-	-	-	-	-	-	-
Other subordinated debt	387 393	-	-	-	-	-	-	387 393
Other liabilities	341 729	-	-	-	-	-	-	341 729
Total Liabilities	23 368 859	202 206	15 693	42 509	2 904	72	6 465	23 638 708
Net asset / liability by currency	1 674 607	94 110	1 890	355	233	304	5 525	1 777 024

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)

	Dec 2013							
	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 demand	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 30 June 2014, the total collateral value in the European Central Bank (ECB) rises to Euro 4,065,840 thousands with with an usage of Euro 2,010,192 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. This system is held by an organizational structure, included in the DRI and exclusively dedicated to this assignment, delegates designated by each department.

Capital management and Solvency Ratio

According with the rules of Bank of Portugal

In prudential matters, CEMG is subject to Bank of Portugal supervision that, under the capital adequacy Directive from the CE, establishes the rules to be attended by several institutions under its supervision. These rules determines a minimum of total own funds in relation to the requirements of the assumed risks that institutions have to fulfil.

The capital elements of CEMG are divided into: Basic Own Funds, Complementary Own Funds and Deductions, as follows:

- Basic Own Funds ("BOF"): This category includes the share capital, the eligible reserves (excluding positive fair value reserves), the retained earnings, minority interest and preferential stocks. negative fair value reserves associated to shares or other capital instruments are deduced, by the book value of the amounts related to the goodwill, intangible assets, unrealized gains in financial liabilities at fair value through profit or loss that represents own credit risk, actuarial losses and negative fair value reserves that come from responsibilities with benefits of post-employment to employees above the corridor limit of 10% of maximum between those responsibilities and assets of the pension fund. They are also deducted 50% of its value the shares above 10% in financial institutions, as well as stakes in insurers. It is also a negative element the deposits amount with overpayment remuneration, in accordance with Instruction no.28/2011.

- Complementary Own Funds ("COF"): Essentially incorporates the subordinated eligible debt, the revaluation reserves of tangible assets and 45% of the positive fair value reserve and is deducted by 50% of the book value of equity investments in banking and insurance entities, in participations higher than 10%, as well as in participations in insurance entities.

- It is deducted to the total Own Funds the non-current assets held for sale acquired in exchange for loans at more than 4 years. This value is calculated in accordance with a progressiveness method that leads that in 9 to 12 years in portfolio (considering the date of the operation), the net value of the asset, are totally deducted in the own funds.

The composition of the capital base is subject to a number of boundaries. Additionally there are several rules limiting the capital basis of CEMG. The prudential rules determine that the COF cannot exceed the COF. In addition, some components of the COF (Lower Tier II) cannot exceed 50% of the BOF.

In 2008, Bank of Portugal issued Regulation no. 6/2008, which changed the rules to determine capital requirements. This regulation along with the treatment given to credits and other values to receive, excluded the potential in debt securities classified as available for sale of Own Funds, in what exceeds the impact of eventual hedged operations, maintaining, however, the obligation of not consider in basis Own Funds positive re-evaluation reserves, in what exceeds the impairment which eventually had been registered, related to non-realized gains in capital available for sale securities (net from taxes).

In 2011, CEMG adapted the accounting policy of Pension Fund to the changes in International Accounting Standards. Previously, it was used to rule the designated corridor rule and in December 2011 came to recognize that the whole of actuarial reserves. Despite this change to accounting, in regulatory terms there were no changes since the Instruction no. 2/2012 sets prudential treatment for this new accounting procedure, similar to that designated by rule of the corridor. Also in December 2011 was performed a partial transfer of post-employment plans from defined benefit to the control of General Social Security Scheme, whose effects on equity have been deferred to June 2012, according to Instruction no. 1/2012 of the Bank of Portugal.

The confirmation that an entity has an amount of own funds not below of its capital requirements assures the adequacy of its capital, reflected on a solvency ratio – represented by the percentage of total own funds to the result of 12,5 times the capital requirements. Instruction no. 3/2001, 18 May, of Bank of Portugal released a recommendation in order to the financial groups submitted to its supervision, as well as the respective mother-companies, strengthen their Core Tier 1 ratio to a figure not below 10%.

The capital adequacy of CEMG as at 30 June 2014 and 31 December 2013 is presented as follows:

	(Thousands of Euro)	
	Jun 2014	**Dec 2013**
Basic own funds Core Tier 1		
Paid-up capital	1 700 000	1 700 000
Net profit, General reserves, Special reserves and Retained earnings	(17 131)	(41 546)
Other regulatory adjustments	(173 161)	(144 636)
	1 509 708	1 513 818
Basic own funds		
Other equity instruments	8 273	8 273
Deduction to basic own funds	(209 595)	(200 220)
	1 308 386	1 321 871
Complementary own funds		
Upper Tier 2	128 460	125 736
Lower Tier 2	258 907	318 784
Deductions to complementary own funds	(209 595)	(200 220)
	177 772	244 300
Deductions to total own funds	(13 054)	(11 986)
Total owned funds	1 473 104	1 554 185
Own funds requirements		
Credit risk	1 002 921	975 088
Market risk	2 719	3 964
Operational risk	56 486	56 468
	1 062 126	1 035 520
Prudential Ratio		
Ratio core Tier 1	11,37%	11,70%
Ratio Tier 1	9,85%	10,21%
Solvency ratio	11,10%	12,01%

In accordance with the CRD IV/CRR methodology

Own funds, determined according to the Directive 2013/36/EU and the Regulation (EU) no. 575/2013 approved by the European Parliament and the European Counsel, includes the level 1 own funds (Tier 1) and the level 2 own funds (Tier 2). The Tier 1 includes the main own funds of level 1 (common equity tier 1) and the additional own funds of level 1.

In accordance with the prudential rules of Basel III, CEMG's Own Funds are grouped in Main Own Funds of Level 1 or Common 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 follow composition:

- **Main Own Funds 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 book value of the amounts related to ascertained goodwill, others intangible assets, non-realized gains in financial liabilities at fair value through profit or loss 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 participations on financial sector entities and Assets by Deferred Taxes have differential treatment, comparing to Basel II, on the new Basel III regulations. The values in this 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 subjects to weight of 250% for the fullness of risk-weighted assets. Relatively to participations 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, will exist a transitory period that will allow to gradually acknowledge the majors impacts of this new regulation. Emphasis for the transitory plan applied to deferred taxes assets and negative actuarial deviations of the pensions fund that allow to acknowledge 20%/year the eventual negatives 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 Standards, and replace the IAS 39.

- **Own Funds of Level 1 or Tier 1 (T1)**: includes capital equivalents instruments, whose conditions will be 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.

- **Own Funds of Level 2 or Tier 2 (T2)**: includes capital equivalents instruments, whose conditions will be in accordance with the article 63º from Regulation no.575/2013 and approved by the Bank ofPortugal. From this capital is deducted the eventual detentions of capital T2 from financial institutions subjected to deduction.

The Own Fund Total or Total Capital is calculated by the sum of the three capital levels previously 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 than 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 (that used to be the solvability ratio, represented by the percentage of capital level correspondent to the amount of 12.5 times the own funds requisites). For this 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 CEMG's capital requirements as at 30 June 2014 is presented as follows:

(Thousands of Euro)

	Jun 2014
Capital Common Equity Tier 1	
Paid-up capital	1 700 000
Net profit, General reserves, Special reserves and Retained earnings	(17 131)
Other regulatory adjustments	(318 407)
	1 364 462
Capital Tier 1	
Other equity instruments	6 618
regulatory adjustments	(6 618)
	1 364 462
Capital Tier 2	
subordinated loans	231 429
regulatory adjustments	(17 503)
	213 926
Total owned funds	1 578 388
Own funds requirements	
Credit risk	1 002 921
Market risk	2 719
Operational risk	56 486
other requirements	14 541
	1 076 667
Prudential ratios	
Ratio Common Equity Core Tier 1	10,1%
Ratio Tier 1	10,1%
Total capital ratio	11,7%

53 Sovereign debt of European Union countries subject to bailout

As at 30 June 2014, the exposure of CEMG to sovereign debt of European Union countries subject to bailout is as follows:

(Thousands of Euro)

	Jun 2014						
Issuer/portfolio	**Accounting value**	**Fair value**	**Fair value reserves**	**Impairment**	**Average maturity rate (%)**	**Average maturity (years)**	**Fair value measurement level**
Greece							
Financial assets held for trading	12 806	12 806	3 044	(8 415)	1,26	23,66	1

The securities value includes the respective accrued interests.

At May 2014, the term 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)

	Dec 2013						
Issuer/portfolio	**Accounting value**	**Fair value**	**Fair value reserves**	**Impairment**	**Average maturity rate (%)**	**Average maturity (years)**	**Fair value measurement level**
Portugal							
Financial assets held for trading	3 053 123	3 053 123	33 404	-	4.67	5.48	1
Held to maturity financial assets	6 149	6 298	-	-	3.35	1.79	n.a.
	3 059 272	3 059 421	33 404	-			
Greece							
Financial assets held for trading	10 066	10 066	123	(8 415)	1.26	24.16	1
	3 069 338	3 069 487	33 527	(8 415)			

54 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 derecognized 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 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 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 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, 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; and

- 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 39.21 c (i) and the recognition of the assets received as follows:

(thousands of Euro)

	Jun 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
Fundo de Reestruturação Empresarial, FCR	-	-	-	4 298	4 371	73
	-	-	-	23 092	25 260	2 168

(thousands of Euro)

	Jun 2014				
	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

(thousands of Euro)

	Dec 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

As at 30 June 2014 and 31 December 2013, the net assets disposed amounted to Euro 23,092 thousands, according to note 21. In the first semester of 2014, no credit were granted to specialized credit funds.

As at 30 June 2014 and 31 December 2013, the junior securities refer to investment units on the amount of Euro 6,153 thousands. 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 24.

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).

55 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.

9.3 Statement of Compliance of Financial Information Submitted by the Executive Board of Directors

This statement has been drafted under the terms of subparagraph c) of number 1 of article 246 of the 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 and appropriate 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 the accounting documents on the first six months of 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 profits 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

Luís Miguel Lines Andrade

THE BOARD OF DIRECTORS

António Tomás Correia – Chairman

Jorge Humberto Cruz Barros Jesus Luís - Member

Pedro Miguel de Almeida Alves Ribeiro - Member

Fernando Paulo Pereira Magalhães - Member

9.4 Compliance with the Recommendations of the Financial Stability Forum(FSF) and Committee of European Banking Supervisors (CEBS), relative to transparency of information and valuation of assets (Banco de Portugal Circular Letter number 58/2009/DSBDR)

Banco de Portugal Circular Letter number 58/2009/DSBDR 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.

Some of the recommendations have already been addressed in this Interim Report or in the Notes to the Financial Statements, hence, when this is the case, reference will be made to such documents.

I. BUSINESS MODEL

1. Description of the business model

Points 3 and 4.1 of this Interim Report present a description of the business model and evolution of the activities and business.

2. Description of strategies and objectives

Point 3 of the Interim Report presents the strategic guidelines and measures of the CEMG Group defined for 2014 in line with the objectives of the Funding and Capital Plan.

3., 4. and 5. Activities developed and contribution to the business

Points 4.1 and 5 of the Interim 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.

II. RISKS AND RISK MANAGEMENT

6. and 7. Description and nature of risks and management practices

Point 6 and the Notes to the Financial Statements present a description and quantification of the different risks incurred, as well as the monitoring, recovery and control practices adopted to mitigate them.

III. IMPACT OF THE PERIOD OF FINANCIAL TURBULENCE ON PROFITS

8., 9., 10. and 11. Qualitative and quantitative description of profits, emphasising losses and impact of write-downs, and breakdown of write-downs

Points 6 and 5 of the Interim Report address the issue of impairments related to the evolution of the financial markets.

Point 5 and, in the context of the analysis of Profits, 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 6 of the Interim 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 liabilities had on profits.

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 mitigants relative to assets and liabilities at fair value through profit and loss.

18. Detailed disclosure on exposures.

It is considered that the information presented in points 6 and 5 of the Interim Report and the Notes to the Financial Statements fully address this issue.

19. Movements occurred in exposures between relevant reporting periods and the underlying reasons of 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 been recognised during the crisis) and the associated reasons.

Point 5 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 is to ensure compliance with the prudential standards in force, the reliability of information and the reporting periods to the different external entities.

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.