INTERIM REPORT
FIRST HALF 2013

CAIXA ECONÓMICA

CONTENTS

GOVERNING BODIES

The statutory reform of Caixa Económica Montepio Geral (hereinafter referred to as «CEMG»), approved at the end of 2012, was implemented in January 2013, with significant alterations to its governance structure.

In contrast to what had occurred up to that date, CEMG and Montepio Geral – Associação Mutualista (MGAM) now have specific governing bodies and structures, with the CEMG currently having the following bodies: General Meeting, General and Supervisory Board, Executive Board of Directors, Remunerations Committee and Statutory Auditor. However, the identity of annexation of CEMG and the inherent coordination and connection of strategic principles between the two institutions have been maintained.

Structure and Members of CEMG's Governing Bodies

GENERAL MEETING

Board of the General Meeting

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

Alternates

Maria Leonor Loureiro Gonçalves de Oliveira Guimarães
António Miguel Lindo Pereira Gaio

Remunerations Committee

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

Statutory Auditor

KPMG represented by

Jean-éric Gaign

General and Supervisory Board

José de Almeida Serra – *Chairman*

Members

Vitor José Melícias Lopes
Eduardo José da Silva Farinha
Álvaro Cordeiro Dâmaso
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

The areas of competence of each institutional body are as follows.

General Meeting

The General Meeting of CEMG is composed of the elected members, and members of the General Board of MGAM.

The General Meeting, pursuant to the statutory provisions, is the body entrusted with taking the most relevant decisions of the institution's life, namely, the approval of the annual accounts, the appraisal of its management and supervision, and the election of the institutional bodies.

The ordinary General Meeting is held at least twice a year, to approve the Annual Report and the Strategic Guidelines of the multiannual plans, as well as the annual Action Plans and Budgets, where the Chairman of the Board of the General Meeting is responsible for calling the General Meeting at least a fortnight in advance, and directing the work. The Secretaries are entrusted, in particular, with drawing up the minutes and issuing the respective certificates.

General and Supervisory Board

The General and Supervisory Board, whose composition has been described at the beginning of this chapter, elects its Chairman from among its members, during its first session, which took place on 6 May 2013, in compliance with article 20, number 2 of its Articles of Association.

The General and Supervisory Board holds meetings, at least on a monthly basis, and is especially entrusted with:

- Playing an advisory role and ensuring the ongoing assessment of the institution, analysing the financial reporting documents and supervising the risk policies and financial reporting;
- Ensuring the adequacy and effectiveness of the internal control system, in particular in the areas of prudential reporting and compliance with the law;
- Supervising the reporting and duties of disclosure to the supervisory entities and other external entities and issuing opinions, namely, on the management report and accounts for the year and on the annual action plan and budget;
- Controlling, analysing and ensuring the effectiveness of the audit function and supervising the independence of the Statutory Auditor.

During the performance of its duties, this body also prepares an annual activity report to be submitted to the general meeting, together with the documents presenting the accounts, which are made available on the institution's website.

Executive Board of Directors

The Executive Board of Directors is composed of a Chairman and three Members, who implement the executive management of CEMG.

The Executive Board of Directors is responsible for:

- Proposing, for approval at the General Meeting, the proposed Strategic Guidelines of the multiannual action plans and respective updates, as well as the annual Action Plans and Budgets, after the opinion of the General and Supervisory Board;
- Annually preparing the report and accounts and the proposed distribution of net income, to be submitted to the opinion of the General and Supervisory Board and deliberation of the General Meeting;
- Deliberating on increased institutional share capital and on the issue of securities representing units of the participation fund, as well as concerning debenture loans;
- Deliberating on the opening and closing of branches and of any other form of representation;
- Deliberating on the acquisition, disposals and encumbrance of immovable property.

Following these alterations, the areas of responsibility of each member of the management body were defined, as well as the alternate directors.

Remunerations Committee

The remunerations of the institutional bodies are established by a Committee, composed of three members, who, as is the case with all the other members of the institutional bodies, were elected at the General Meeting, for the term of office 2013-2015.

All the members of the Remunerations Committee are independent in relation to the members of the management body and, during the performance of their duties, draw up minutes of the meetings held, and at least one of its members should be present at the General Meetings of CEMG.

Statutory Auditor

The Statutory Auditor is elected by the General Meeting through proposal of the General and Supervisory Board, with the competence attributed by the Commercial Companies Code.

1. OVERVIEW OF ACTIVITY

Macroeconomic Background

The International Monetary Fund (IMF) recently issued a downward revision of world GDP growth for 2013, from 3.3% to 3.1%, a sluggish rate and similar to that observed in 2012. To a large extent, this revision reflects the slowdown of demand, especially in various important emerging economies, but also in the Euro Zone, where recession extended up to the beginning of the year. The IMF considers that risks exerting downward pressure on global growth prospects are still predominant, currently inflated by the possibility of stronger slowdown of growth in the emerging economies, especially considering the risks of a reduction of potential growth, slowdown of credit and tighter financial conditions, possibly in anticipation of a future reduction of stimuli arising from monetary policy in the USA, which could lead to a reversal of the capital flows to the emerging economies. The IMF considers that additional action is required in terms of economic policy in order to boost global growth. Specifically, the principal advanced economies should maintain a mix between a macroeconomic policy that supports growth and credible plans to achieve the sustainability of public debt in the medium term and restore equilibriums and credit channels.

United States of America

The last quarter of 2012 was disappointing, with GDP practically stagnating, reflecting the impact of the intensification of the recession in the Euro Zone and various one-off events, both of natural origin (hurricane Sandy) and political cause (deadlock relative to an agreement in Congress to avoid automatic increases in taxes and automatic cuts in expenditure in early 2013). The agreement was only reached on the last day of the year, reflected in moderate budgetary tightening for 2013 (based on increased taxes and the end of some tax benefits, and as of the 2nd quarter also cuts in public expenditure), with the budget policy remaining accommodative. In this context, GDP grew in the 1st first half of the year at an annualised rate which did not reach 2.0% (+1.4%), standing below potential growth (approximately +2.4%) and the average rate of 2.2% observed since the end of the Great Recession of 2008/09. One of the reasons for the stronger resilience of economy in the current adverse international context is linked to the recrudescence of real estate activity, with the rise of the price of houses being determinant for the recovery of the wealth of consumers, also supported by the appreciation of shares; factors which together with the reduction of unemployment and slowdown of inflation boosted the confidence of consumers in the 2nd quarter to record highs since the end of 2007. In spite of having slowed down in the 2nd quarter, industrial production recorded its 16th consecutive quarter of expansion, a sequence unprecedented in other major developed economies and which reflects, on the one hand, the stronger dynamics of internal demand and, on the other hand, the increased market share in export markets. Employment continued to recover, with job creation in the 2nd quarter (+563 thousand) surpassing the average of the two preceding periods of expansion for the 3rd consecutive quarter. The unemployment rate fell from 7.8% in December 2012 to 7.6% in June 2013. Although this is close to the minimum level since December 2008 (7.5% in April), it is still greatly above the 4.5% observed in mid-2007.

In order to improve conditions in the labour market, the Federal Reserve (Fed) has pursued an extremely accommodative monetary policy, an attitude that it admitted, at its June meeting, would be changed by the end of the year, but which was subsequently made explicitly conditional to the reduction of unemployment and compliance with the objective of growth of the private consumption deflator (2%). And, in reality, year-on-year inflation continues below the objective, having shifted from 1.5% in December 2012 to 1.3% in June 2013. The core or underlying inflation (i.e. excluding food and energy) fell, during the same period, from 1.6% to 1.2%, and has not surpassed the figure of 2% since November 2008.

Euro Zone

During the 1st quarter, the region's economy contracted by 0.3% in chain, thus continuing the economic recession into which it had slumped since the end of 2011. A recession which was essentially the outcome of the effects of the budget consolidation policies implemented by most of the Member States, especially in larger countries such as Italy and Spain, following the sovereign debt crisis in the region, with profound asymmetries having been observed between the centre (balanced) and periphery (unbalanced). The economy managed to return to growth in the 2nd quarter, with GDP having expanded by 0.3% in chain and with the economy being supported by France (+0.5%) and, above all, by the stronger buoyancy of Germany (+0.7%), which should continue to play the role of major engine of growth. Italy and Spain witnessed the prolonging of recession during the 2nd quarter (contracting by -0.2% and -0.1%, respectively), with internal demand remaining penalised by the aforesaid budget consolidation measures. The activity in the region continues at a considerable distance (approximately 2.9%) from the levels reached before the Great Recession of 2008/09, which should not be surpassed before 2015.

Reflecting the economic difficulties, the unemployment rate continued on the upward trend initiated in mid-2011, having risen from 11.9% at the end of 2012 to 12.1% in June, which represents the highest level since the beginning of the series, in July 1990. Major geographic divergences are also observed in this regard, namely between the larger economies of the region, such as Germany standing out in a positive sense (5.4% in June) and Spain in a negative form (26.3%).

Year-on-year inflation declined from 2.2% in December 2012 to 1.6% in June, having stood at 1.2% in April, a minimum since February 2010. During the first half of the year, inflation remained below the barrier of 2.0% (the inflation target of the European Central Bank (ECB) considered consistent with price stability), after having been persistently above this figure since December 2010. The core inflation also decreased over the first half of the year, from 1.5% at the end of 2012 to 1.2% in June, with the data confirming that the previous inflationary pressures in the region were essentially derived from energy prices, although pressures are still visible in various product categories, in particular reflecting the increased indirect taxes in some countries. This behaviour of inflation is explained by the greater concern of the ECB with economic growth, financial stability and the actual existence of the single currency, in detriment of the evolution of prices. Hence, the ECB cut the *refi rate* by 0.25 b.p. in May, to 0.50% renewing historical lows. Moreover, the ECB showed openness to possible new cuts and alternative measures, having, by July, undertaken a commitment (albeit rather vague) to a period to maintain interest rates at their current level, or at even lower levels, "for a long period of time". Regarding unconventional measures, the ECB decided, namely, to expand from July 2013 to at least July 2014, the period of unlimited injection of liquidity through its main refunding operations.

Portugal

During the first half of the year, the country continued with the implementation of the Economic and Financial Assistance Programme (PAEF) agreed with the *troika* of the ECB, IMF and European Commission (EC), which implied the adoption of yet another vast series of budget consolidation measures in the State Budget for 2013, which represented an enormous aggravation of the tax burden (in particular concerning personal income tax); in addition to, in an amending budget, cuts in expenditure and measures to reform the State relative to which the Government had undertaken a commitment with the *troika* and which are incident, above all, on civil servants and pensioners.

The approval of the State Budget 2013 in 2012 was reflected, in an intense manner, immediately in the last quarter of 2012, causing a considerable contraction in internal demand, through its effect on the expectations of economic agents, with the economy contracting by 1.8% in chain during the 4th quarter of 2012, recording an annual decline of GDP of 3.2% in 2012, double that observed in 2011 (-1.6%). In the 1st quarter of this year, the economy continued the recession which had been dragging on since the end of 2010, with GDP contracting by 0.4% in chain, essentially penalised by investment and private consumption, and with net exports once again providing an important positive contribution, which by the end of 2012 had not occurred, greatly as a result of the intensification of the recession in the Euro Zone. In the 2nd quarter the economy returned to growth in chain, showing strong growth of 1.1%, although this could have been biased by having benefited from the comparison with the 1st quarter when activity was penalised by exceptionally adverse weather conditions and by the effect of Easter, which boosted the export of goods which should normally have occurred at the end of March, but which, due to the Easter public holidays, were in fact dispatched in April (it should be noted that in terms of tourism services, precisely the opposite took place, with room occupancy having increased in March to the detriment of April). Therefore, in the 2nd quarter, GDP continued to be supported by net exports - the best performing aspect of the economic adjustment in course - and also by private consumption, which has returned to growth, alleviating minimum levels since the 2nd quarter of 2000. The 2nd quarter might thus have represented the foundations for the country to have emerged out of the recession, although it is expected that growth in chain in a sustained manner (albeit moderate) should only occur in 2014, since the outlook continues greatly constrained by the evolution of the euro crisis, and consequent recovery of the European economy and by the budget consolidation objectives for 2014 agreed with the *troika* in the 7th assessment.

The difficult funding conditions of the credit market have led to a forced increase of family saving, which is added to the preponderant saving for precautionary reasons. Thus, an increase in the saving rate was observed in 2012 (from 9.1% in 2011 to 11.6%), where this trend has been maintained in 2013, with the saving rate having reached 12.9% in the 1st quarter. The intense deterioration of the labour market reflects and, subsequently, amplifies the country's economic recession, with the decline of investment giving rise to a continuous aggravation of the unemployment rate. This trend which was maintained over the first half of the year, with a slight decline from 16.9% in the 4th quarter of 2012 (INE) to 16.4% in the 2nd quarter of 2013. The unemployment rate was significantly relieved from the 1st to the 2nd quarter of this year (17.7% in the 1st quarter of 2013), where this outcome reflected not only the actual economic growth but also some seasonality and factors exogenous to the economy, although the average unemployment rate of the first half of the year represented a historical maximum level of the quarterly series of "Banco de Portugal" started in 1977.

Regarding the PAEF, the final reports of the *troika* on the 7th assessment of the implementation of the programme continued to be positive, highlighting that the objective established for the end of 2012 on matters of budget deficit had been achieved, the stability of the financial sector had been preserved and the forecast execution of a vast range of structural reforms is showing progress. However, the *troika* carried out a review of the objectives concerning the budget deficit, in order to partially accommodate the deterioration of economic circumstances, changing them from 4.5% to 5.5% of GDP in 2013 (6.4% in 2012), and from 2.5% to 4.0% in 2014, and now expecting a deficit below the threshold of 3% established in the European treaties only for 2015 (2.5% of GDP). Furthermore, it is increasingly more possible that there will be a new revision of the budget targets.

Inflation, measured by the year-on-year variation of the CPI, slowed down intensely in the 1st half of the year, shifting from 1.9% in December 2012 to 1.0% in June, while core inflation declined from 1.3% to 0.6%, having in February reached minimum levels since December 2009. This slowdown confirms that the high inflation in 2012 (+2.8%) was of a largely temporary nature, conditioned by the budget policy measures (see, for example, the alterations in VAT categories and in the prices of regulated goods) and by the prices of energy products. Along with the reversal of these factors, the maintenance of strong salary moderation should be reflected in a considerable reduction of inflation.

Angola

Following the budget and balance of payments crisis of 2009, Angola signed a programme with the IMF aimed at correction of the macroeconomic imbalances. According to the press release of the IMF relative to the conclusion of the 2nd report of the Post-Program Monitoring Mission to Angola" (disclosed in January), in 2012 "Angola attained robust economic growth, a stronger fiscal position, single digit inflation, a further build-up of international reserves, and a stable exchange rate". In this context, the authorities advanced with a programme of institutional reforms, strengthening various key areas in budget, monetary and financial management. According to recent estimates of the World Bank, growth accelerated in 2012 to 8.1% (after two years of average growth of 3.4%). For 2013, the World Bank forecasts a slowdown to 7.2%, followed by a slight acceleration to 7.5% in 2014. However, the Work Bank warns of the economy's vulnerability relative to the growth of oil production (especially in 2014: +9.2%) and to the evolution of prices on global markets, estimating that an oil shock identical to that observed between the end of 2008 and 2009 would "slash GDP growth, turning twin current-account and fiscal surpluses into deficits". Even so, this dependence is now lower, since outside the oil sector, the economy should also record "progressive growth", especially in construction (even though it is indirectly dependent on oil). On the other hand, the World Bank considers that the start-up of production of liquid natural gas (LNG) could add up to 2 p.p. to GDP growth in the first year, comprising a new engine of growth, although this would hardly contribute to alleviating Angola's structural dependence on natural resource exports. Year-on-year inflation slowed down from the 13.5% recorded in 2011 to 10.3% in 2012. In January, inflation fell to an unprecedentedly low value never observed in the last two decades, in reaching 8.9%, and closing the 1st half of the year of 2013 at 9.2%. For 2013, both the Government (+9.0%) and World Bank (+8.7%) foresee that inflation will remain at a single-digit level. The reduction of inflation over the next few years should be based on the monetary and exchange rate stability induced by “Banco Nacional de Angola” and on the structural reforms carried out to reduce the distortions which persist on the supply side.

Financial Markets

Market confidence improved overall during the first half of the year in most risk categories, albeit with very diverse developments between different geographic areas. In the Euro Zone, the euro crisis continued to calm down progressively, but the macroeconomic data remained uncertain, while the economic outlook for China was revised downwards. In contrast, the data in the USA proved to be encouraging, indicating a gradual emergence out of the situation of recession, while in Japan, *Abenomics* has led to a strong rise in market prospects.

Improvements continued to be seen in relation to the euro crisis, especially as of April, but which were partially corrected in June. Contributing to relax investors was, above all, the attitude of the official creditors: *i*) the reiterated statements of commitment, by the EC, to the maintenance of the euro; *ii*) the enhanced flexibility of the nominal objectives for the deficit of a large number of Euro countries; *iii*) the extension of maturities for the repayment of the external loans to Portugal and Ireland (and subsequent successful issues of sovereign debt by these countries); *iv*) the signs of growing opposition, within the Euro Zone, to the austerity policy; and *v*) the cut of the *refi rate* by the ECB in early May. These improvements were, however, mitigated by the continued creation of obstacles, by Germany, to the formation of a banking union, together with its insistence on the austerity route as the most effective for adjustment. Furthermore, at a national level there were setbacks: *i*) the Italian elections of February, which placed the country in an electoral impasse for two months; *ii*) the initial decision of the European authorities to tax all deposits in Cyprus, following a request for external assistance by the country (in 2012), which created strong fears of contagion; *iii*) the dismissal as unconstitutional, by the Portuguese Constitutional Court, of various measures included in the State Budget 2013, forcing the Government to renegotiate with the *troika* measures based on cuts in expenditure.

Among asset categories, the **reference yields of public debt** recorded generalised increases, explained by the rise in risk assets (due to the better outlook for economies such as Japan and the USA), reduction of pressure on the peripheral countries and higher expectations (over the last few months) of an inversion of the expansionary monetary policies, in Europe and, primarily, in the USA. Indeed, during the last two months of the semester there was an intensification of the speculation relative to the premature reduction of Fed stimulus, that the authority, in fact, confirmed, at its meeting of 19 June (notwithstanding its subsequent moderation of attitude). Therefore, the yields of German public debt (*bunds*) increased by 20 b.p. for the period of 2 years and by 41 b.p. for 10 years, respectively, to 0.188% and 1.728%. In the USA, the yields of treasuries at 2 years increased by 11 b.p. to 0.355%, and at 10 years by 64 b.p. to 2.486%.

In line with the improvement of expectations, the spreads in relation to the *bund* of the **public debt of the peripheral countries** declined overall, both in the long and short term. Greece was the country which recorded the strongest decreases, in particular relative to all other short term debt (fell by -166 b.p.). In proportion to the size of the spread at the end of 2012, the highest decline in long term rates has been, by far, that observed in Irish debt (-32.9%), with the country continuing to progressively climb out of the situation of crisis and the economy should record annual growth this year (the only one among the peripheral economies). This scenario was followed by Spain (-23.0%), which consolidated its position as a country not under intervention, after intervention had in fact been considered almost inevitable in 2012; and Portugal (-17.2%), where some political instability was observed (e.g. decision of the Constitutional Court) but also positive news (such as the extension of the maturity of the loans). The lowest decreases were observed in Greece (-12.7%) and Italy (-11.3%), the first being penalised by the events in Cyprus and the second by the post-electoral impasse, which lasted months.

In the **interbank monetary market** (IMM), the Euribor rates at 3, 6 and 12 months closed relatively unchanged in relation to the levels presented at the end of 2012, respectively at 0.218%, 0.335% and 0.517%, standing very close to the lowest levels ever recorded in mid-May. The change of attitude by the Fed, admitting an earlier inversion of the expansionary measures, ended up with little effect on the Libor, which continued on the downward trend observed since early 2012, since it is not expected that there will be any increase of the fed funds rate until mid-2014. Thus, the Libor rates of the USD at 3, 6 and 12 months stand at 0.273%, 0.413% and 0.686%,

The performance of **shares** during the first half of the year was consistent with the different evolutions of market expectations in the various geographic regions: the indices of Japan, primarily, and the USA recorded increases, while in Europe, the Eurostoxx devalued by 1.3%, with depreciation in the indices of the peripheral countries (due to the weak circumstances in national economies), but with increases in the indices of the largest European economies, appreciation of the German, French and British stock markets, explained by the more encouraging tone of the prospective data which were disclosed for these economies during the period under review. Among of the increases, we highlight the Japanese Nikkei 225, which soared by 31.6%, and, in the USA, the Dow Jones and S&P 500, which appreciated, respectively, by 13.8% and 12.6%.

Regarding **private debt**, among credit spreads, the recorded movements were essentially laterally between CDS indices (Credit Default Swaps) and an overall downward behaviour in the private debt indices of the different risk ratings in the Euro Zone. 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, thus constituting the benchmark of the credit market), remained relatively unchanged (+ 2 b.p. to 120 b.p.). Within this category, the appreciation relative to financial companies recorded a slightly sharper deterioration, with the Itraxx Financials rising by 6 b.p. to 74 b.p. A symmetric movement (-6 b.p. to 477 b.p.) was observed in the Itraxx cross-over (5 Years), the Speculative Grade index, which is more sensitive to the economic cycle.

In the **exchange market**, the nominal effective exchange rate of the euro appreciated by 2.5% relative to the previous semester. The single currency appreciated in relation to the British pound and Japanese yen, but depreciated relative to the USD, closing the semester exactly on the psychological barrier of 1.3 EUR/USD. The strong appreciation relative to the yen (+13.0%) was essentially derived from the highly expansionary monetary policy implemented by the *BoJ*, to stimulate the export sector and respond to the situation of deflation that the country still faces. However, the devaluation relative to the USD (-1.5%) was the result of the worse performance of the European economy and the expectations of a less expansionary Fed policy, while the ECB cut the *refi rate* in May. The USD also appreciated relative to the other currencies, with the Dollar Index having risen by 4.2% during the first half of the year.

Finally, among the ***commodities*** there were declines, especially strong in some categories, a movement which diverged from all other risk categories and that triggered fears of the end of the commodities rally, which began in 2009. It should be noted that this trend of appreciation of the commodities had been holding back the upswing of the world economy, which, added to an aggregate demand which retracted after the Great Recession of 2008/09, also faced successive shocks on the supply side. Driving these declines were: *i*) the appreciation of the USD; *ii*) the anticipation of the removal of stimulus to the American economy, which penalised the demand for precious metals as a value reserve; *iii*) the slowdown of the Chinese economy and other emerging economies; *iv*) the dampening of inflation in the main economies. Reductions were recorded in practically all categories, with the sole exception of WTI Crude, the benchmark used by these indices, but above all due to the correction of part of the divergence in relation to Brent (+5.2% versus -8.1% in the case of Brent observed since the end of 2010, in view of the improvements in pipelines which resulted in the convergence of supply between the two benchmarks. In the other categories, even stronger declines were observed in base metals, agricultural commodities and, especially, in precious metals. The composite indices Reuters/Jefferies CRB and S&P GSCI fell by 6.6% and 5.5%, respectively.

2. STRATEGY

During the first half of 2013, CEMG implemented a new governance model, with the operationalisation of the new bodies (General Meeting, General and Supervisory Board, Executive Board of Directors, Remunerations Committee and Statutory Auditor), adapting them to the ongoing alterations and challenges of the economic and regulatory scenario and took measures to carry out the strategy defined for the medium term.

The Strategic Guidelines 2013-2015 cover two fundamental aspects which are interlinked: that of the strategic guidelines and measures to respond to the challenges of the context of financial assistance of the country and deepening of the crisis, and the aspect of the guidelines for strengthening competitive capacity and the creation of value, with a view to the Group's future development.

The CEMG Group has demonstrated, throughout its history, and particularly during these last few years of major challenges, resilience and response capacity to the country's crises, as well as to the continuous and growing regulatory requirements, both of prudential and behavioural nature. Although of Portuguese origin, the CEMG Group has sought to diversify the risks of its activity, both through entry into new geographic markets and through the financing of sectors whose demand in primarily based in markets abroad.

These efforts have been demonstrated in the effective response that the CEMG Group has dedicated, over the past 2 years, to the requirements of the Funding and Capital Plan, of compulsory application since June 2011 to the 8 largest banking groups. In addition to this plan, which defines demanding objectives relative to deleveraging, stable funding, liquidity and solvency by the end of 2015, accompanied by stress tests, CEMG and the other partners of the banking sector have been subject, since 2011, to various specific inspection actions by "Banco de Portugal", to the quality and resistance of their credit portfolios, with impacts on the additional reinforcement of impairments.

Mitigating the impacts of the crisis and increased costs of risk, principally credit risk, on net income and equity, with a view to maintaining solvency levels above the requirements and, in line with the objectives of the funding and capital plan, constitutes one of the main strategic guidelines on which the attention and work was focused during this semester.

In light of the above, we highlight the following measures:

- Strengthening of the attraction of retail customer savings for balance sheet funding of greater maturity and mutual investments, maintaining funding and leveraging levels that are adjusted to market conditions and to the preservation of financial sustainability;
- Increased asset liquidity and diversification profile, considering the management of risk weighted assets (RWA), in order to ensure the best combination for the optimisation of capital;
- Reduction of administrative costs with a view to improving efficiency levels;
- Optimisation of the default and credit recovery management process;
- Undertaking of sale transactions of off-balance sheet credit that is fully provisioned;

- Review and adjustment of commercial, management and control structures and processes in order to meet growing and challenging requirements and ensure best adjustment to the present market reality. In this area, particular note should be made of the development of competence and duties of fiscal nature, with special focus in terms of the Group's corporate tax advisory capacity.

In order to meet the challenges of a market in prolonged retraction and with fragile growth prospects until 2015, the need to rationalise and reorganise the Group has been identified, in terms of domestic operations, so as to enable adjusting the structures to the new market reality, obtaining synergy savings, efficiency gains and greater specialisation in the management of the areas that are most vulnerable to the impacts of the crisis, combined with the need to strengthen the capacity to obtain value in the diversification areas, namely in international transactions, focusing on attractive markets of potential growth, in order to enable mitigating the difficulties of profitability of the domestic market.

In this area, the financial and management capacities and organisation of the existing entities on the African continent were strengthened, particularly Finibanco Angola, so as to enable suitable conditions for expansion and support to the Angolan economy, and other investment opportunities have been studied, with potential generation of value and suited to the financial capacities and institutional values of the Montepio Group.

The focus on cross-selling and diversification activities have contributed and should continue to contribute to enhancing resilience to the pressures on traditional business, in particular of mortgage loans, the reduction of demand and the deterioration of market conditions and factors, as a consequence of the crisis and subsequent deleveraging imposed on credit institutions, in the context of the memorandum of the country's financial and economic assistance programme.

The strategy of diversification on the domestic market, which has enabled maintaining the institution's attractiveness and growing penetration in new market segments, is based on the origins and mutual profile of the CEMG Group, the network of distribution and wide-ranging relations and with strengthened competence, the comparatively very encompassing offer of products and services, not only in the banking and financial sphere, as a mutual bank, which confers an effective particular differentiation, complemented by the action of the different companies of the Group and, especially, the value of solidity and reputation of the Montepio brand, a precursor of proactive policies on social responsibility and sustainability.

MONTEPIO BRAND

During the 1st half of 2013, efforts continued towards the reinforcement of the positioning of Montepio as a group and a brand of mutual origin and centrality, unique and differentiated in the national financial market, which represents, through its different activities, the Social Economy, as well as the values of associationism, solidarity and humanism. These are the values of mutualism, which are part of the DNA of Montepio and rule transparent, rigorous and competent action.

The defence of this DNA of the brand has contributed to the Group's entities having not only customers, but increasingly more members, which not only benefit from the products and services provided by the Group, but above all participate in the construction of this positioning and advocate in favour of the brand.

The Montepio brand continues to be distinguished in the context of its image, namely achieving the highest value of reputation of the Brandscore study of the Consultores Group. With a positive variation, Montepio reached the top position of the ranking in the first semester of the year, surpassing the market in attributes such as transparency, customer attention, governance ethics as well as social and environmental responsibility.

Likewise, the work developed by CEMG with its Customers has also been recognised, conquering the first place, in the banking sector, in the European Consumer Satisfaction Index 2012 - National Index of Customer Satisfaction. A clear victory of the focus on the quality of the services rendered and on the rigour and competence of the teams.

Also in terms of the complementary channels, the Montepio brand continues to conquer the market and receive distinctions which place it among the best. CEMG's Contact Centre was internationally awarded 3rd place in the "Best Contact Centre 2013 - Top Ranking Performers" in the EMEA region (Europe, Middle East and Africa), attributed by the Global Association for Contact Centre Best Practices & Networking.

On the other hand, the homebanking channel Net24 was distinguished for ensuring the best overall positioning in the Portuguese banking sector in terms of satisfaction level and recommendation of its Customers, according to NPS data of the benchmark CSI Marktest Banca - Internet Banking (1st wave of 2013).

MONTEPIO AND SUSTAINABILITY

The Montepio Group defends the values and exercise of socially responsible corporate citizenship, which promotes the sustainable growth of the country with economic and social cohesion, the dissemination of knowledge and innovation, as well as the efficient management of resources and preservation of the environment.

the priority areas of action in 2013 include the measures of support to the Social Economy sector (also referred to as the Third Sector), the development of entrepreneurism, support to exports and defence of Portugality.

In the context of the **Social Economy**, the strategic of action and promotion of the different activities and agents of the sector have been continued, with the following initiatives having been of particular interest:

- The support and participation of Montepio in the "5th Fundraising Call to Action" Seminar which enabled addressing the topic of change for companies in relation to their form of "giving", new concepts of investments in capacity-building and in the involvement of the employees and local community, namely in innovative and sustainable projects;

- "Os Nossos Heróis, Histórias na Primeira Pessoa" (Our Heroes, Stories in the First Person") was the theme of the second conference organised by the magazine VISÃO Solidária, with the support of Montepio. The event which marked the opening of subscriptions for the 2nd edition was attended by the winners of the previous year who inspired those present with their testimonial;

- The conference "Social and environmental responsibility - international year of water cooperation" was held under the partnership established with Diário Económico, which debated themes linked to water, environmental sustainability, and social and environmental responsibility;

- At the funding level, the Credit Line II of Support to the Social Economy was launched, as a result of the protocol signed by Montepio and the Government, through the Ministry of Solidarity and Social Security, and the protocol of adherence to the Invest Social Credit Line was signed with the Institute of Employment and Vocational Training (IEFP), António Sérgio Cooperative for Social Economy (CASES) and the Mutual Guarantee Companies.

  A partnership was also signed with Santa Casa da Misericórdia de Lisboa (SCML) BIS - Social Innovation Bank, which seeks to aggregate partners - public and private institutions and entities - under the common objective of promoting social innovation through support to entrepreneurism; participation in the national, European and international networks of social innovation and promotion of a culture of innovation and entrepreneurism; strengthening of the Protocol of Cooperation with the Autonomous Region of the Azores, under the scheme of support to bank microcredit; and signing of the cooperation protocol of supporting products and services, microcredit and corporate responsibility with the National Confederation of Solidarity Institutions (CNIS).

The following actions were developed in support of **Entrepreneurism**:

- Launch of the "Lisbon Empreende | Microemprendedorismo" partnership between Lisbon Municipal Council, an entity that offers a network of proximity with the citizens of the city of Lisbon, Cooperativa João Sem Medo, a social company of entrepreneurs for entrepreneurs, Audax, a non-profit making association, UNIAUDAX (Centre of Research and Support to Entrepreneurism and Family

Companies) and CASES, the entity which created the "Sou Mais – Programa Nacional de Microcrédito" (I Am More - National Microcredit Programme);

- Maintenance of the project launched in 2012, of incubators | Startup Lisbon, concluded in partnership with the Municipality of Lisbon and IAPMEI under the E+I programme (former Finicia), with the mission of supporting entrepreneurism, the acquisition of knowledge through the exchange of experience and development of innovation;
- Participation in the Cross Innovation project, in partnership with the Municipality of Lisbon, with the objective of identifying and sharing good practices in cross-innovation policies, namely the exchange of experience where the innovative sector interacts with the growth of other economic sectors of 11 partner cities.

Montepio has continued its support to the internationalisation of companies not only through a vast range of products and services, but also other actions which stimulate contact with the export market. As an example, the Institution once again was present at SISAB (International Fair of the Food and Beverages Sector), the largest international business platform for export of the agro-food and beverage sector of Portugal. Montepio appeared next to its company customers, also seeking to provide information on the brand and present the products and services available to the export companies.

The association to the values of **Portugality** are maintained as part of the Institution's activity. Since Montepio is of Portuguese origin and since its origin addresses the resolution of welfare problems experienced in Portugal, the stimulation of guiding Portuguese towards the potential of their country has been developed in various areas:

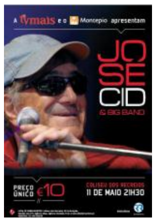
- Montepio's association, as a sponsor, to the commemoration of the 40 years of Jornal Expresso is one of these examples. Throughout the year, the Expresso weekly newspaper commemorates its anniversary with street exhibitions and thematic conferences in various cities of the country. This sponsorship enables us to mark our presence outside Lisbon, thus offering yet another opportunity of contact between the customers and members of Montepio and these initiatives;

- Continuing its support to the economy of the Sea, we highlight three initiatives which involved Montepio. The sponsorship of the cycle of Conversations "Voxmar – O Mar em escuta ativa", a project of Lisbon Oceanarium, seeks to demonstrate, through specific and current day examples, the innovation potential of the Sea from tourism to gastronomy;
- The Sea Forum, at Exponor, was aimed at companies and other institutions involved with the matters of the Sea, having included business meetings, exhibition/display of products, services and technologies applicable to the Sea, an international conference and workshops on international and development of the economy of the Sea;

- Montepio Peniche *Pro by Rip Curl* – 4th Stage of the Liga Moche 2013 is the principal national surf competition, which was held in June, in Peniche. Apart from the connection with the Sea, this sponsorship enabled contact with a young target, demonstrating the dynamism and joviality of the brand.

Also in **culture**, Montepio continues to focus on Portuguese values, in particular in the areas of music and theatre. Note should be made of the support to the "1987" album of the composer and songwriter Hélder Moutinho, as well as its premier, live at Teatro São Luiz, which was also exhibited in livestream on Montepio's website. In total, almost 6,000 people accessed the livestream platform via the website to attend this concert.

The concerts of José Cid & Big Band were also supported, commemorating 20 years of TV Mais, the anniversary of 25 years of the TSF radio station and the commemorative concert of 125 years of Jornal de Notícias.



Regarding the theatre, we highlight the plays "Casa de Campo", "Isto É Que Me Dói" and "Conversas depois de um enterro".

Greener Montepio - innovative Energy Efficiency Project in the national banking sector

In response to the difficult economic circumstances, current trends and continuous price increases, namely of electricity, the ***Greener Montepio*** energy efficiency project was developed, which is embodied in the following action lines:

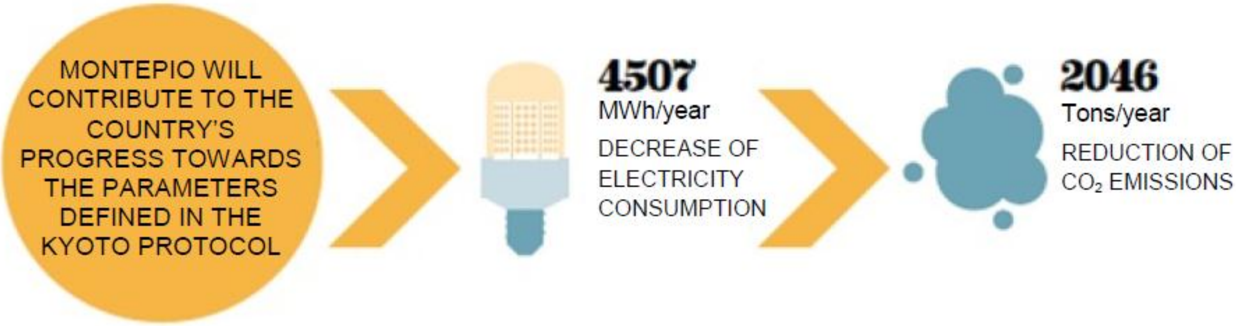
✓ Replacement of the tubular and compact fluorescent lamps existing at Montepio premises, of a total of 70,000 units, by LED technology lamps. This alteration not only resulted in 70% saving in electricity consumption in lighting, but also in terms of maintenance costs;

✓ Implementation of 450 remote control systems that, based on a management centre, enable monitoring:

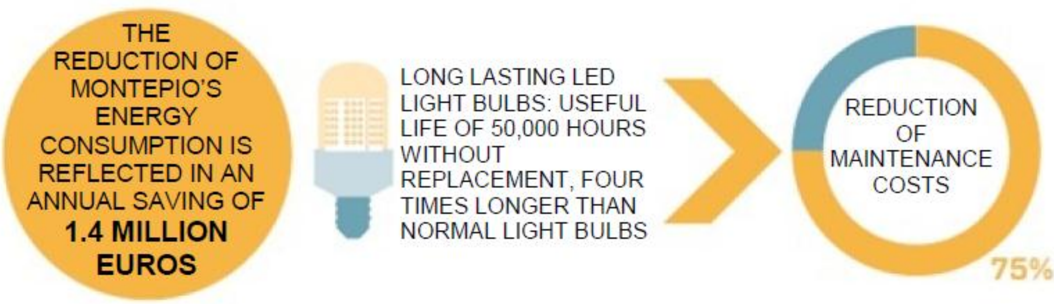
  - The lighting, signs and equipment of each building/branch;
  - The room temperature of the working areas and branch network, using high precision probes which ensure a high level of comfort of the areas;
  - Consumption in lower tariff daily periods, ensuring lower peaks in energy consumption;
  - Anomalies, operating in real time on systems, preventing costs;
  - Degrees of temperature. For every degree of temperature managed actively, energy consumption can be cut by around 5%;
  - Real consumption and respective billing.

The expected results of the implementation of this project, innovative in the banking sector and in full respect for natural resources, will have a significant impact on the three pillars of sustainability: Environmental, Economic and Social.

Environmental Impact



Economic Impact



3. KEY INDICATORS

(thousand euros)

INDICATORS	Dec.12	Jun.12	Jun.13
ACTIVITY AND RESULTS			
Net Assets	20,972,731	20,966,605	20,975,276
Gross Customer Credit	16,563,739	16,960,105	16,280,620
Customer Resources on the Balance Sheet	15,170,652	14,666,022	15,861,462
Net Income	2,099	4,774	-69,654
LEVERAGE AND LIQUIDITY RATIOS			
Total Net Credit to Customers / Customer Deposits (a)	118.67%	117.85%	115.94%
Total Net Credit to Customers / Customer Deposits (b)	120.54%	120.00%	117.59%
Eligible Assets for Refinancing by ECB	3,139,482	3,396,782	4,300,948
CREDIT QUALITY AND COVERAGE LEVEL			
Ratio of Credit and Interest Overdue for more than 90 days	5.02%	4.43%	5.63%
Ratio of Credit in default (a)	6.32%	5.56%	7.20%
Ratio of Net Credit in default / Total Net Credit (a)	0.82%	1.17%	1.15%
Total Credit Impairment / Credit and Interest Overdue for more than 90 days	111.00%	101.72%	109.21%
Credit at Risk / Total Credit (a)	10.95%	8.29%	12.12%
Net Credit at Risk / Total Net Credit (a)	5.72%	4.03%	6.38%
EFFICIENCY AND PROFITABILITY RATIOS			
Net Operating Income / Average Net Assets (a)	2.05%	2.43%	1.88%
Pre-tax Profit / Average Net Assets (a)	-0.80%	0.09%	-0.94%
Pre-tax Profit / Average Equity (a)	-11.56%	1.41%	-12.47%
Net Income for the Year / Average Net Assets (ROA)	0.01%	0.05%	-0.67%
Net Income for the Year / Average Equity (ROE)	0.14%	0.71%	-8.83%
Operating Costs / Net Operating Income (cost-to-income)(a)	83.64%	66.27%	83.27%
Personnel Costs / Net Operating Income (a)	45.79%	38.06%	49.03%
SOLVENCY (a)			
Solvency Ratio	13.58%	13.28%	13.20%
Tier 1 Ratio	10.59%	10.13%	10.37%
Core Tier 1 Ratio	10.62%	10.15%	10.38%
DISTRIBUTION NETWORK AND EMPLOYEES (units)			
Domestic Branch Network	458	469	457
International Branch Network - Angola	9	9	10
Representation Offices	6	6	6
Employees - Domestic Activity	3,928	3,948	3,908
Employees - International Activity - Angola	126	125	140

(a) Pursuant to "Banco de Portugal" Instruction 23/2012.
(b) Funding and Capital Plan perspective.

4. HUMAN RESOURCES, DISTRIBUTION CHANNELS AND RELATIONS

4.1. Human Resources

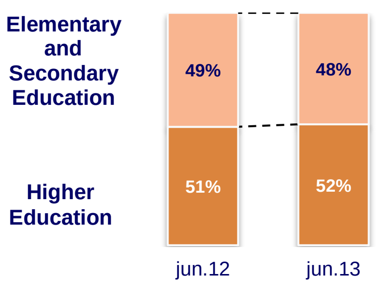
At the end of the first half of 2013, the staff of Caixa Económica Montepio Geral (CEMG) was composed of 3,908 employees, representing a reduction of 40 employees relative to the same period of 2012. This reduction was essentially due to early retirements and rescission of contracts.

The table below presents the evolution of the staff of the different entities which consolidate accounts with CEMG, comprising the CEMG Group:

	Jun.12	Jun.13	Variation		Weight
			Number	%	
Total	**4,911**	**4,830**	**- 81**	**-1.6**	**100.0%**
Caixa Económica	3,948	3,908	- 40	-1.0	80.9%
Lusitania	653	603	- 50	-7.7	12.5%
Lusitania Vida	28	28	0	0.0	0.6%
Finibanco Holding, of which:	282	291	9	3.2	6.0%
Finibanco Angola	125	140	15	12.0	2.9%
Number of Branches (CE)	469	457	- 12	-2.6	
Nr. Employees / Nr. Branches (CE)	8.4	8.6			

Selectivity of new contracting has enabled continuing the gradual reinforcement of the staff with higher education qualifications (52%), which includes employees with bachelor, licentiate, master's, post-graduate and doctoral degrees.

Distribution of Caixa Económica Employees by Type of Qualification



During the first half of 2013, 232 training actions were held at CEMG, reaching a total of 74,854 hours of training and corresponding to 15,410 participations, involving 3,779 employees. The number of actions held more than doubled, compared with the same period of the previous year, and the number of training hours and number of participations recorded year-on-year growth of 27.2% and 50.6%, respectively.

Investment in Training

	Jun.12	Jun.13	Var.
Nr. Training Actions	101	232	129.7%
Nr. Training Hours	58,831	74,854	27.2%
Nr. Participations	10,233	15,410	50.6%
Training Investment (thousand euros)	90.5	141	55.8%

Montepio was also able to increase the scale of the investment in training during the first half of the year compared to the same period of the previous year, from 90.5 thousand euros to 141 thousand euros, through an effort of saving and optimisation, which continued to be based on increased e-learning, training directed at dissemination in cascade and the preparation of contents using internal specialists. The main training topics addressed risk, insolvency and credit recovery, prevention of money laundering and mutualism.

4.2. Geographic Presence and Distribution Network

Relations

In June 2013, CEMG had a domestic network of 457 branches and an international representation of 10 branches in Angola and 6 Representation Offices among Portuguese communities resident abroad and the International Financial Institution located in Cape Verde.

For the Affluent segment, which requires relations of greater proximity, follow-up was continued through 182 Premium managers and 11 Top Premium managers.
Regarding the second sector (Sole Proprietorships, Micro-Enterprises and SMEs) and continuing the effort of specialisation of the service, Montepio provided 207 dedicated business managers and 72 dedicated company managers. For the Social Economy sector, the autonomous commercial structure was strengthened and consolidated, which already has 14 managers dedicated to the Third Sector.

The focus on the network of Commercial Promoters, with its 953 external workers, continues to prove to be a successful strategy, contributing to higher efficiency of the commercial activity and wide-reaching publicising of the Montepio Group.
The expansion of this network to mutual activity has resulted in a 30.1% increase in the resources channelled to this type of product by customers forwarded through our partners.
During the first half of 2013 there were 84 new Promoters and an increase of 7.9% of business attracted.

The strong focus on the Montepio-Lusitania network of Assurfinance Promoters has enabled expanding the Group's area of influence and commercial relations service. By the end of the first half of 2013, the Assurfinance network had 376 promoters, representing an increase of 21% relative to 2012. Turnover grew by 76% during the first half of the year, of which 62% correspond to resource products.

The results referred to above represent the continuous focus on this channel. The commercial structure model, which is based on a specialised team of personalised monitoring of the promoters, has also contributed to foster the significant increase of business attracted by this channel.

Supplementary Channels

In both the Private and Company segment, the Net24, Phone24, Netmóvel24 and SMS24 channels recorded significant growth during the first half of 2013, in terms of subscribers, with the value of 712 thousand private subscribers (5%) and 94 thousand company subscribers (10%) to the Montepio24 service having been reached in June 2013.

Montepio public website (www.montepio.pt) continues to feature as the main point of contact with customers, having recorded a significant increase in the number of accesses, reaching a monthly average of 3.11 million visits and 16.18 million page views.

5. EVOLUTION OF ACTIVITY BY BUSINESS AREAS

5.1 Product and Service Offer by Segment

Commercial Campaigns

In order to support the commercial activity, the communication strategy focused on mutualism and the diversification of the offer:

- Valorising the member status, an Auto Insurance campaign was carried out where new policies subscribed by associates, during the action period, were attributed a 10% discount on the commercial premium. This campaign covered communication at the branch, on the Montepio website and via radio.

- In the children and youth segment, and continuing the partnership with Canal Panda, Montepio marked its presence at Bairro do Panda, publicising the offer for this segment and offering a new experience for children and families. A Montepio Branch was recreated onsite but at a children's scale, where it was possible to "open an account", receive a booklet with the child's name and photograph and visit the bank's "vault", among other activities.

- The launch of the Montepio Trader service, an electronic trading platform (online trading), available since February, was the focus of a communication campaign aimed at publicising the provision of the service and its functionalities. This campaign was disseminated in the Press media specialised in financial matters and on the Internet, in view of the affinity of these media with the target group.

- For the Company segment, the Montepio Menu Card was launched, a prepaid meals card of the VISA Network which enables company employees to receive their meals allowance through monthly loading, with total flexibility and tax benefits. The publicising of this card covered its presence at Branches, on the Montepio website, in the Press and on Radio, aimed at introducing its availability and main advantage: the encouragement of tax saving.

Private Banking

The strategy of the offer to the private segment, in the first half of 2013, maintained its principal objective of encouraging family saving, through the attraction of term deposits, as well as the Mutual Association schemes. Thus, we highlight the following main saving products:

Period	Term Deposits	Mutual Capitalisation Schemes (exclusive for members)
1 Year	Montepio Poupança Especial Montepio Poupança Especial Associado Montepio Net Ganhe (183 days / 1 year) Montepio Net Livre	
2 Years	Montepio Poupança Flexível Montepio Poupança Ativa Montepio Aforro Prémio 2013	
3 Years	Montepio Super Poupança 2013	
5 Years		Montepio Capital Certo 5 years and 1 day
8 Years		Montepio Capital Certo 8 years and 1 day

In order to further diversify the available offer, over the first half of the year, structured deposits were provided whose remuneration is indexed to the performance of the underlying financial assets, and CEMG debt securities were issued, such as Commercial Paper and Cash Bonds.

In the Bancassurance area, during the first half of 2013, CEMG, in coordination with Lusitania, strengthened the offer in the Health area with the launch of the Easier Health Insurance Card, health insurance which ensures access to medical assistance (appointments, treatment and tests) at accessible prices in the AdvanceCare essential network, in a swift manner free of bureaucracy.

Corporate Banking

Montepio maintained its support to companies and business, pursuing the strategy of focusing on this segment as an Institution committed to the development of the country.

As a result of the strategic importance that has been given to support to companies and entrepreneurs, Montepio currently provides a broad and flexible offer aimed at the specific needs of companies. The portfolio of products and services was consolidated in the first half of the year, namely regarding support to export, and Montepio has been present in all national initiatives promoted by public entities, aimed at promoting the stimulation of and support to national companies.

In the current context, the lines under protocol have played a decisive role as a fundament instrument for Company access to credit and strengthen the existing partnership between Montepio and the Mutual Guarantee Companies, based on the sharing of risk, to stimulate the funding of national companies, in particular Small and Medium-sized Enterprises (SMEs).

During the first half of 2013, Montepio subscribed and boosted all the initiatives promoted by public entities, which include, in particular:

- SME Growth Credit Line 2013;
- QREN Invest;
- Social Economy Support Line;
- Credit Lines to support the Proder and Promar Projects;
- Support Line for the Qualification of the Offer and Treasury of Turismo de Portugal;

- FINCRESCE Programme;
- Support Line for the Companies of the Autonomous Region of the Azores.

As an additional form of support to the measures foreseen and under implementation by the Government, Montepio developed a new credit line to support SMEs aimed at supporting investment operations established in the Government measure "Exceptional Tax Credit for Investment of 2013" (CFEI) and in the opening of Current Account Credit as an extra form of reinforcing the working capital of the companies benefiting from the measure. The Tax Incentive Credit Line 2013 stipulates a series of preferential conditions in order to contribute, in an additional manner, to the optimisation of the earnings of the companies supported by the measure.

Banking for the Third Sector

The institutions of the Third Sector play an increasingly more fundamental role in the response to social challenges, mitigating, through their activity and interventions, as a consequence of the deterioration of the country's economic and financial conditions, with a high youth unemployment rate, an aging population and growing risks of social exclusion.

CEMG has increasing taken on the challenge of becoming a financial institution of support to the Third Sector, helping entities to overcome the constraints inherent to the current scenario, contributing positively to the financial sustainability of the sector, the achievement of its mission and perpetuation of its values.

In the context of its corporate responsibility policy, bridges have been created between the customers and the Group's areas of social responsibility, the areas of insurance and the financial areas, seeking to develop designed solutions adjusted to the specific needs of this sector.
Priority has been given to relations of proximity and the signing of protocols with entities of this sector, with a view to covering the largest number possible of entities and offering specific product and service conditions and pricing, such as, for example, the offer of the "Montepio Third Sector" integrated solution, directed at the needs of IPSS, Misericórdias, Mutualities, Associations and other organisations of the sector.
During the first half of 2013, significant growth was observed in terms of involvement with the entities of this sector, with 41.2% growth of customer entities, a 46.8% increase of intermediation resources attracted and 171.7% higher value of credit, year-on-year.

Under the Social Economy Support Credit Line I, under the protocol signed with the Ministry of Solidarity and Social Security, the National Confederation of Solidarity Institutions, the Union of Portuguese Misericórdias and the Union of Portuguese Mutualities, contracts were signed to the total value of 12.5 million euros, to which Montepio added a further 25 million euros to support these institutions. Overall, the Social Economy Support Credit Lines I and II amounted to 187.5 million euros.

Microcredit

Microcredit is a financing line for individual people and micro-enterprises with visible entrepreneurial initiatives, but lacking the necessary financial resources, constituting an instrument of combat of poverty and social exclusion and support to entrepreneurism. During the first half of 2013, new protocols were established, contacts with partner entities were multiplied, and events were promoted in the area of entrepreneurism and own job creation.

The policy of personalised support to the promoters was pursued, with the maintenance of close mentors for each micro-entrepreneur, who assists in the preparation of the business plan and monitors the development of the project, using performance indicators and business coaching techniques, with positive results which have been reflected in credit default ratios below 2%.
CEMG has a market share of 19% and 27% in the lines under protocol Microinvest and Invest+, respectively, corresponding to 9.9 million euros representing 305 operations.

Top Premium

The policy of providing a personalised and excellent service to the customer has been maintained, based on a network of dedicated managers, who draw up a list of the specific needs of each customer and monitor each portfolio, as well as an offer of specific quality products suited to the risk profiles of each customer of the segment.

This policy contributed to the increased number of customers and members, and sustained growth of the activity related to the Top Premium segment during the first half of 2013. Turnover (deposits + credit) increased by approximately 4% and the number of customers grew by 12%.

5.2. Overview of Activity

Mutual Offer

During the first half of 2013, considering the economic-financial context of major difficulties, the associative movement continued to show strong buoyancy. At the end of the month of June, the portfolio of MGAM Members reached a total number of 558.008, reflecting growth of 40,633 members, which corresponds to a year-on-year variation of +7.9%.

The number of enrolments in mutual schemes stood at 971,785, expressing year-on-year growth of 9.4% and a significant variation of the ratio of enrolments per member from 1.72 in June 2012 to 1.74 at the end of June 2013.

The values deposited for subscription of mutual schemes amounted to 425.9 million euros, corresponding to a year-on-year variation of 29.1%. This evolution reflects the high growth rate of the Retirement Capital and Montepio Capital Certo schemes of 43.3% and 28.5%, respectively.

Particular note should also be made of the performance of the Protection schemes, of the value of 48.9 million euros reflecting year-on-year growth of 18.0%, which demonstrates the work of the commercial network in raising the awareness of the Customers and Members of active age on the need to save, albeit in a context of some adversity.

(thousand euros)

	Dec.12	Jun.12	Jun.13	Variation	
	Value	Value	Value	Value	%
Capitalisation Mutual schemes	**652,430**	**288,493**	**376,947**	**88,454**	**30.7**
Montepio Capital Certo	539,219	238,132	305,946	67,814	28.5
Retirement Capital	108,064	47,970	68,761	20,791	43.3
Collective schemes	609	351	188	-163	-46.4
Retirement Saving	4,538	2,040	2,052	12	0.6
Protection Mutual schemes	**85,066**	**41,440**	**48,918**	**7,478**	**18.0**
TOTAL	**737,496**	**329,933**	**425,865**	**95,932**	**29.1**

Customer Resources

Once again, the first half of 2013 confirmed Montepio as a financial institution for saving, with customer resources having shown growth of 7.8% relative to the same period of the previous year.

(thousand euros)

	Dec.12	Jun.12	Jun.13	Variation	
	Value	Value	Value	Value	%
Customer Resources on the Balance Sheet	**15,170,652**	**14,666,022**	**15,861,462**	**1,195,440**	**8.2**
Deposits	13,103,506	13,650,607	13,165,259	-485,348	-3.6
Securities Placed with Customers	2,067,146	1,015,415	2,696,203	1,680,788	165.5
Disintermediation Resources	**1,380,151**	**1,304,509**	**1,356,184**	**51,675**	**4.0**
Total Customer Resources	**16,550,803**	**15,970,531**	**17,217,646**	**1,247,115**	**7.8**

Customer resources on the balance sheet increased by 8.2% while disintermediation resources also showed positive year-on-year growth, although far lower of 4.0%, reflecting the investor's appetite for traditional and risk-free products.

Customer Resources on the Balance Sheet

Pursuing a strategy of diversification of the portfolio of resources, during the first half of 2013 the offer was primarily incident on low risk financial investments, namely in the form of term deposits, bonds or commercial paper, with the short or medium term (1 to 3 years) being predominant.

This strategy gave rise to growth in the segment of Private customers and Small Business (2.9%), where we highlight the very positive performance in the Non-Profit Making Institution segment with a variation of 462.6 million euros (31.4%).

Note should also be made of the increase of 515.7 million euros of the balance sheet resources of the Company segment and the growth of 329.5 million euros recorded under Other Segments.

(thousand euros)

	Dec.12	Jun.12	Jun.13	Variation	
	Value	Value	Value	Value	%
Private customers and Small Business	**11,978,816**	**11,978,060**	**12,328,283**	**350,223**	**2.9**
Private customers	10,298,595	10,441,475	10,334,655	-106,820	-1.0
Small business owners and Professionals	59,999	62,418	56,813	-5,605	-9.0
Non-profit making institutions	1,620,222	1,474,167	1,936,815	462,648	31.4
Companies	**2,247,471**	**2,017,923**	**2,533,648**	**515,725**	**25.6**
Other Segments	**944,365**	**670,039**	**999,531**	**329,492**	**49.2**
Customer Resources on the Balance Sheet	**15,170,652**	**14,666,022**	**15,861,462**	**1,195,440**	**8.2**

Disintermediation Resources

Montepio has an extensive offer of disintermediation products covering all types of funds, securities, immovable assets, pensions and bancassurance products.

At the end of the first half of 2013, the total value of assets reached 1,356.2 million euros, representing a year-on-year increase of 4.0%. This growth was driven by the performance of the securities investment funds with a net change of 17.7%.

(thousand euros)

	2012	Jun.12	Jun.13	Variation	
	Value	Value	Value	Value	%
Securities Investment Funds	347,243	275,230	323,950	48,720	17.7
Real Estate Investment Funds	698,758	694,984	703,094	8,110	1.2
Pension Funds	185,571	176,704	184,324	7,620	4.3
Bancassurance	148,579	157,591	144,816	-12,775	-8.1
Off-Balance Sheet Resources	**1,380,151**	**1,304,509**	**1,356,184**	**51,675**	**4.0**

Credit to Customers

At the end of the first half of 2013, the portfolio of credit to customers amounted to 16,280.6 million euros, developing in line with the defined strategy and objectives, with a variation of -4.0% having been observed in relation to the same period of 2012.

Credit to Private Customers and Small Business

(thousand euros)

	Dec.12	Jun.12	Jun.13	Variation	
	Value	Value	Value	Value	%
Private Banking and Small Business					
Total Portfolio	**10,267,539**	**10,466,591**	**10,035,905**	**-430,686**	**-4.1**
Private customers	**9,732,247**	**9,948,136**	**9,509,196**	**-438,940**	**-4.4**
of which:					
Mortgage	7,997,745	8,152,723	7,840,943	-311,780	-3.8
Individual	640,920	711,209	610,378	-100,831	-14.2
Small Business	**535,292**	**518,455**	**526,709**	**8,254**	**1.6**
Memorandum items:					
Guarantees	**19,738**	**20,325**	**18,357**	**-1,968**	**-9.7**

It is important to note that this evolution was affected by the reduction of credit granted to Private Customers and Small Business, by 4.1%, greatly influenced by the decrease of the mortgage loan portfolio, which declined by 311.8 million euros, induced by the fall in new contracts and the effect of the amortisation of the portfolio.

The Company segment recorded a variation of -2.1% relative to the same period of 2012, a value influenced by the 16.0% reduction of the Construction credit portfolio, in contrast to the evolution of credit to the Company Segment - Other Purposes, which increased by 1.3% compared to the same period of 2012. This evolution reflects the outcome of the diversification strategy implemented by Montepio.

Credit to Companies

(thousand euros)

	Dec.12	Jun.12	Jun.13	Variation	
	Value	Value	Value	Value	%
Corporate Banking					
Total Credit Portfolio	**6,229,680**	**6,345,875**	**6,213,070**	**-132,805**	**-2.1**
of which:					
Construction	1,155,377	1,257,029	1,055,620	-201,409	-16.0
Other Purposes	5,074,303	5,088,846	5,157,450	68,604	1.3
Memorandum items:					
Guarantees	402,311	431,386	404,582	-26,804	-6.2

Domestic and International Activity

The companies of the Montepio Group which exercise their activity outside Portugal are Montepio Cabo Verde and Finibanco Angola, SA.

The business of these companies recorded a very favourable evolution both in terms of attraction of deposits, with growth of 36.1%, and relative to credit granting with a portfolio variation of +55.3%, compared to the same period of 2012.

(thousand euros)

	Domestic Activity					International Activity				
	Dec.12	Jun.12	Jun.13	Variation		Dec.12	Jun.12	Jun.13	Variation	
	Value	Value	Value	Value	%	Value	Value	Value	Value	%
Deposits	**12,502,477**	**13,115,735**	**12,437,535**	**-678,200**	**-5.2**	**601,029**	**534,872**	**727,724**	**192,852**	**36.1**
Credit	**16,478,482**	**16,883,239**	**16,161,254**	**-721,985**	**-4.3**	**85,257**	**76,866**	**119,366**	**42,500**	**55.3**

6. RISK MANAGEMENT

Developments

During the first half of 2013, the work of development of methods and procedures continued in the area of risk identification, quantification of underlying potential losses and the taking of measures towards their mitigation.

In this context, particular note should be made of the regular work of the Risk and Internal Control Committee, the implementation of the updating of the corporate rating model, the development of a specific rating model for entities of the Third Sector, as well as the consolidation of the methodology for the preventative monitoring of customers and the review of the identification criteria for restructured loans, under "Banco de Portugal" Instruction 18/2012.

Also of relevance was the implementation of the methodology of attribution of credit ceilings to non-financial companies, with attribution of generalised maximum limits per customer, according to the risk of the entity.
Regarding financial entities, the methodology of attribution of ceilings and the form of calculation of their consumption were redefined, under the annual review of the limits of total exposure and exposure to the monetary market.

In the prudential sphere, the reports of the Internal Capital Adequacy Assessment Process (ICAAP), Stress Tests (in the context of the Funding and Capital Plan) and Concentration Risk Tests were reported to "Banco de Portugal", under Pillar II. Also under Pillar III, the Market Discipline report was disclosed, detailing the types and levels of risk incurred in the activity, as well as the processes, structure and organisation of the management of risk.

The obtained results point to the solidity of the capital levels in view of the most material risks and potential adverse evolution of the key macroeconomic indicators, in line with the results obtained in previous years.

CEMG's Recovery Plan was submitted to "Banco de Portugal" in January, in accordance with the provisions in Notice 12/2012. During the 2nd quarter, work began on the identification and preparation of the information elements for the Resolution Plan, in conformity with that stipulated in Banco de Portugal Notice 18/2012.

Credit Risk

The decision-making process for operations of the credit portfolio is based on a series of policies using scoring models for the portfolios of Private and Business customers and rating models for the Company segment. The models, developed based on internal historical data, enable obtaining a quantitative assessment which is reflected in a risk category attributed to the customer/operation, which, in the Company segment is complemented 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 determinant aspects for the decision and price of the operations.

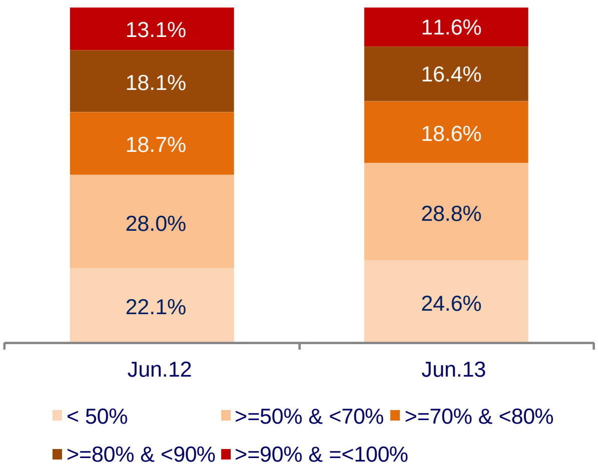
The mitigation of risk via collateralisation of operations is taken into account, both through the severity of the loss (for example, in the case of asset-backed collateral), and through reduction of the exposed value, in situations involving financial collateral (where the market risk of the assets involved becomes relevant).

The level at which pricing decisions are taken is 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 66.7% in June 2012 to 65.1% in June 2013 (65.9% in December 2012).

Distribution of the Mortgage Loan Portfolio by LTV Level



The balance maintains high protection to credit risk, as a result of the levels and types of associated guarantees, where credit with asset-backed guarantees represent 75.4% of the total, and of which approximately 92.1% are loans with mortgage-backed collateral.

Credit and interest overdue for more than 90 days, which represented 89.3% of the total, amounted to 916.3 million euros, corresponding to 5.6% of the gross credit portfolio. The ratio of credit in default stood at 7.2%.

At the end of June, the impairment for credit risks came to a total of 1,000.7 million euros, with the ratio of coverage of the balance of credit and interest overdue for more than 90 days by impairments reached 109.2%, corresponding to +7.5 p.p. year-on-year.

Evolution of the Main Indicators of Non-performing Loans

Indicators	Dec.12	Jun.12	Jun.13	Variation	
				Value	%
Gross Customer Credit	**16,563,739**	**16,960,105**	**16,280,620**	**-679,485**	**-4.0**
Overdue Credit and Interest	**934,565**	**866,142**	**1,026,281**	**160,139**	**18.5**
Credit and Interest Overdue for more than 90 days	830,919	751,893	916,295	164,402	21.9
Impairment for Credit Risks	**922,284**	**764,828**	**1,000,691**	**235,863**	**30.8**
Ratios of Overdue Credit as % of Total Credit					
Ratio of Credit and Interest Overdue for more than 90 days	5.02	4.43	5.63	1.20p.p.	
Ratio of Credit in default (a)	6.32	5.56	7.20	1.64p.p.	
Ratio of Credit in default net of provisions (a)	0.82	1.17	1.15	-0.02p.p.	
Ratio of Credit at Risk (a)					
Credit at Risk / Total Credit	10.95	8.29	12.12	3.83p.p.	
Net Credit at Risk / Total Net Credit	5.72	4.03	6.38	2.35p.p.	
Overdue Credit Coverage by Impairments (%)					
Credit and Interest Overdue for more than 90 days	111.00	101.72	109.21	7.49p.p.	
Overdue Credit and Interest	98.69	88.30	97.51	9.21p.p.	

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

Concentration Risk

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

The sectorial concentration index fell from 17.0% to 15.1%, between June 2012 and June 2013 (15.7% in December 2012), with the weight of the construction sector having declined in the portfolio of credit to non-financial companies from 32.4% to 29.0% (30.4% in December 2012). In the sectorial distribution of credit in June 2013, the tertiary sector remained predominant in relation to the secondary sector, with 55.8% and 43.0%, respectively (53.1% and 45.9% in June 2012).

Relative to geographic concentration, the districts of Lisbon and Porto continue to be the regions with the highest weight in the credit portfolio, with 37.0% and 14.7% of total credit (34.6% and 15.3% in June 2012, respectively), in line with the population density of each district. The weight of exposure in Lisbon recorded an increase between the positions of June 2012 and June 2013 of 2.4 p.p. (increase of 0.6 p.p. relative to December 2012) and in Porto there was a reduction of 0.6 p.p. (increase of 0.4 p.p. in relation to December 2012).

Regarding the risk of individual concentration, which measures the risk arising from significant exposure to an individual counterpart or a group of related counterparts, a minor increase was observed in the weight of the 100 largest exposures, from 13.6% to 13.8% between June 2012 and June 2013 (14.1% in December 2012), which corresponded to a variation of the general concentration index from 0.20% to 0.21%, maintaining the record relative to December 2012. The index of concentration of the 1,000 largest exposures also increased, from 0.11% in June 2012 to 0.15% in June 2013 (0.11% in December 2012), with a reduction of weight in the total portfolio from 27.4% to 27.1% between June 2012 and June 2013 (28.1% in December 2012).

Financial Asset Risk

CEMG's portfolio of securities grew by 393.4 million euros, as a consequence of the increase of the positions in bonds, equities and participation units, which accounted for 92.4% of the total portfolio.
The bond portfolio grew by 368.6 million euros (+20.2%) and commercial paper recorded a reduction of 28.8 million euros (-11.6%).

Structure of the Securities Portfolio by Type of Asset

(thousand euros)

Type of Asset	Dec.12		Jun.13		Variation	
	Value	%	Value	%	Value	%
Bonds	1,823,573	73.0	2,192,130	75.8	368,557	20.2
Commercial Paper	247,484	9.9	218,712	7.6	-28,772	-11.6
Equities and PUs	426,926	17.1	480,587	16.6	53,661	12.6
Total	**2,497,983**	**100.0**	**2,891,429**	**100.0**	**393,446**	**15.8**

The main changes in the structure of the bond portfolio by rating category (excluding mortgage bonds and securitisations) occurred in securities with BB risk rating, with the acquisition and appreciation of Portuguese Republic debt and improvement of the risk rating of Greece which shifted from CCC to B-.

Structure of the Bond Portfolio by Rating Category
(excluding Mortgage Bonds and Securitisations)

(thousand euros)

Risk categories	Dec.12		Jun.13		Variation	
	Value	%	Value	%	Value	%
AAA	13,194	0.7	14,663	0.7	1,469	11.1
AA+	3,666	0.2	1,138	0.1	-2,528	-69.0
AA	5,496	0.3	1,977	0.1	-3,519	-64.0
AA-	3,252	0.2	2,734	0.1	-518	-15.9
A+	19,758	1.1	19,229	0.9	-529	-2.7
A	15,387	0.9	5,942	0.3	-9,445	-61.4
A-	55,179	3.1	31,307	1.4	-23,872	-43.3
BBB+	59,472	3.4	45,313	2.1	-14,159	-23.8
BBB	26,831	1.5	14,260	0.7	-12,571	-46.9
BBB-	60,800	3.4	35,807	1.6	-24,993	-41.1
BB+	64,872	3.7	65,227	3.0	355	0.5
BB	1,105,381	62.6	1,619,092	74.2	513,711	46.5
BB-	11,906	0.7	49,984	2.3	38,078	319.8
B+	1,478	0.1	24,353	1.1	22,875	1,547.7
B	30,288	1.7	39,280	1.8	8,992	29.7
B-	1,519	0.1	7,827	0.3	6,308	415.3
CCC	8,571	0.5	1,820	0.1	-6,751	-78.8
CC	1,336	0.1	2,074	0.1	738	55.2
C	3,125	0.2	1,731	0.1	-1,394	-44.6
NR	275,367	15.5	198,103	9.0	-77,264	-28.1
Total	**1,766,878**	**100.0**	**2,181,861**	**100.0**	**414,983**	**23.5**

Liquidity Risk

Liquidity risk is monitored through the estimation of static and dynamic liquidity mismatches (gaps in the phasing between resource inflows and outflows), monitoring of the evolution of customer resources and concentration indicators, and the performance of stress tests, whose results are presented internally to the Assets & Liabilities Committee (ALCO) and in balance sheet risk reports.

For prudential effects, the monthly reporting of "Banco de Portugal" Instruction 13/2009 and the weekly reporting to the European Central Bank on funding requirements and available collateral are sent to the ALCO. At the same time, CEMG continued to participate in the quantitative impact studies (QIS) developed by the European Banking Authority for supervision of the measurement of liquidity risk pursuant to the rules to be established by Basel 3.

In order to mitigate liquidity risk, the practices followed by CEMG are reflected in the use of diversified funding sources, favouring stability of resources, both in terms of the maintenance of highly liquid assets which enable using the assignment of liquidity from the ECB, and measures aimed at increasing the attraction of deposits and other customer resources. In this context, during the first half of 2013, CEMG issued a new series of mortgage bonds, which strengthened its pool of eligible assets for ECB funding.

The collateral pool of eligible assets for monetary policy operations under Eurosystem refinancing, deposited at the ECB, increased significantly year-on-year (904.2 million euros), having risen from 3.4 thousand million euros in June 2012 to 4.3 thousand million euros in June 2013. This strong appreciation of the collateral pool was fundamentally due to the appreciation of the Institution's own securities, namely Securitisations and Mortgage Bonds (new issue) and the reinforcement of the position of the Institution's own portfolio in Treasury Bonds.

Regarding the use of ECB resources, there was a slight increase of 70 million euros, having shifted from 1.76 thousand million euros as at 31 December 2012 to 1.83 thousand million euros as at 30 June 2013. It should be emphasised that this increase of 70 million euros is substantially lower than the value of 500 million euros of senior debt of Caixa Económica which fell due during the first half of the year and was fully amortised with equity, with no rollover. In terms of available collateral for the obtaining of liquidity the pool at the ECB increased year-on-year by approximately 1.03 thousand million euros, having shifted from 1.44 thousand million euros at the end of June 2012 to 2.47 thousand million at the end of the first half of 2013.

(thousand euros)

	Dec. 12		Jun.12		Jun.13		Variation	
	Value	%	Value	%	Value	%	Value	%
1 - Pool of Eligible Assets	3,139,482	100.0	3,396,782	100.0	4,300,948	100.0	904,166	26.6
of which credit portfolio	445,442	14.2	517,898	15.2	344,967	8.0	-172,931	-33.4
2 - Use of the Pool	1,760,000	56.1	1,960,000	57.7	1,830,000	42.5	-130,000	-6.6
3 - Pool of Available Assets (1 - 2)	**1,379,482**	**43.9**	**1,436,782**	**42.3**	**2,470,948**	**57.5**	**1,034,166**	**72.0**

The Interbank Monetary Market (IMM) continued to show weak signs of recovery but only in very short term operations. Particular note should be made of the attempt to stimulate this market by "Banco de Portugal" with the creation of the Monetary Market with and without Guarantee. In net terms, CEMG's position as at 30 June 2013 was positive by 56 million euros, with liquidity assignment within and outside Portuguese jurisdiction at an average rate of 1.0%, higher than both the refi rate and Euribor of the periods. CEMG had no stake in the IMM as at 30 June 2013.

During the first half of 2013, CEMG repaid a total of 694.9 million euros of debt, having proceeded with the issue of approximately 992.9 million euros, primarily placed in retail.

Complementing the activity referred to above and in order to strengthen the pool of eligible assets for funding operations at the Eurosystem, CEMG issued 500 million euros of Mortgage Bonds, fully withheld on the balance sheet.

The gradual deleveraging process resulted in a year-on-year reduction of 2.4 percentage points in the leverage ratio calculated pursuant to the Funding and Capital Plan, which stood at 117.6%. This improvement was above all due to the reduction of the credit portfolio, which enabled lowering the commercial gap. Considering the entirety of customer resources on the balance sheet, the leverage ratio improved by approximately 14.3 p.p., shifting to 97.5%.

Loan to Deposit Ratio (%)

	Dec.12 Value	Jun.12 Value	Jun.13 Value	Variation Value
Net Customer Credit / Customer Deposits [1]	**120.5**	**120.0**	**117.6**	**-2.4 p.p.**
Net Customer Credit / Customer Deposits [2]	**118.7**	**117.8**	**115.9**	**-1.9 p.p.**
Net Customer Credit / Customer Resources on the Balance Sheet [3]	**104.2**	**111.8**	**97.5**	**-14.3 p.p.**

(1) Pursuant to the Funding and Capital Plan

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

(3) Customer Deposits and Securities Placed with Customers

Historically, CEMG has shown dynamic positive liquidity gaps, with positive accumulated mismatches for the different time-frames up to 12 months, reflecting a balanced liquidity plan. At the end of the first half of 2013, the dynamic accumulated liquidity mismatch up to the following 12 months was 2,228 million euros.

Dynamic Liquidity Position Gaps as at 30 June 2013

(million euros)

Position reference date + Forecast Values	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	**2,859**	**2,956**	**2,763**	**2,685**	**2,228**

Interest Rate Risk

For the identification, measurement and control of the interest rate risk of its banking portfolio, CEMG follows the principles recommended by the Bank for International Settlements (BIS), combined with monthly monitoring of exposure to this risk, whose results are presented internally to the Assets & Liabilities Committee (ALCO) and in balance sheet risk reports.

Simultaneously with the internal control mechanisms listed above, in the context of prudential reporting, the half-yearly report pursuant to "Banco de Portugal" Instruction 19/2005 is sent, with the information relative to the exposures by period of maturity or re-establishment of the rate and their impact on net worth and net interest income.

The impact on net worth arising from a parallel shift of +200 basis points (b.p.) of the yield curve is +5% (+8% in 2012). The sensitivity of CEMG's banking portfolio to interest rate risk is thus within the guideline limit of 20% of Own Funds defined by the BIS in "Principles for the Management and Supervision of Interest Rate Risk".

In June 2013, the accumulated repricing gap at 12 months was estimated at 5.2 thousand million euros, (5.1 thousand million euros in 2012) with the estimated impact on Net Interest Income of +48.2 million euros (+44.5 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 revision periods, showing the concentration of liabilities at longer periods.

Operating Risk

Operating risk is materialised in losses arising from shortcomings or failures in internal processes, human resources or systems or external factors.

During the first half of 2013, training (e-learning) was ministered to the commercial network with the objective of strengthening the procedures for the identification and reporting of operating risk events and improvement of control processes and business practices.

In terms of exposure to operating risk, the loss events which occurred during this half year significantly decreased (48.9%) the associated amount of loss relative to the same period of the previous year, where the events related to external fraud were the most expressive.

Stress Tests

CEMG continued to participate in quarterly stress tests, in accordance with the requirements and macroeconomic assumptions established by "Banco de Portugal". The results obtained in the assumed adverse scenarios demonstrate 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. 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. BALANCE SHEET AND PROFIT ANALYSIS

Review of the Balance Sheet

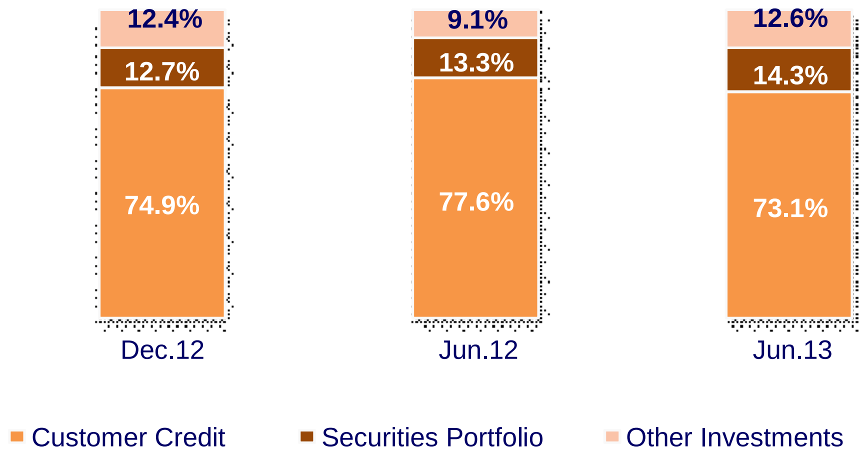
The activity in the first half of 2013 was constrained by the process of adjustment and budget consolidation of the Portuguese economy, with negative impact on the performance of the national financial sector, the investment of companies and was reflected in difficulties for families, associated to high levels of unemployment.

Asset Structure

At the end of the first half of 2013, CEMG had net assets of 20,975.3 million euros, which corresponded to a modest increase of 8.7 million euros.

Net credit to customers represented 73.1% (77.6% in June 2012) of total net assets, standing at 15,335.9 million euros, compared to 16,260.9 million euros for the same period of 2012.

Evolution of the Asset Structure



Liabilities and Equity Structure

Total liabilities reached 19,450.7 million euros (19,513.8 million euros in June 2012), representing a reduction of 63.1 million euros. This variation was essentially the result of the decrease of additional resources (1,258.6 million euros), with the amortisation of 1,155.0 million euros of funding from the financial markets, and the increase of customer resources (1,195.4 million euros), namely in securities placed with customers.

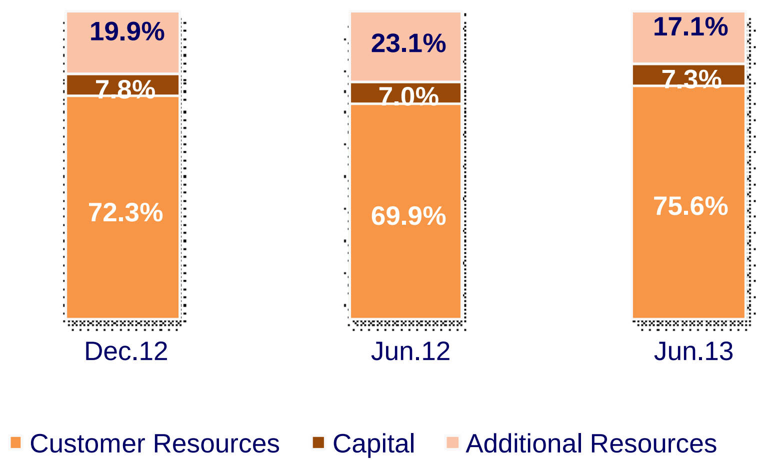
(thousand euros)

	Dec.12		Jun.12		Jun.13		Variation	
	Value	%	Value	%	Value	%	Value	%
LIABILITIES	**19,337,761**	**92.2**	**19,513,810**	**93.0**	**19,450,675**	**92.7**	**-63,135**	**-0.3**
Customer Resources	**15,170,652**	**72.3**	**14,666,022**	**69.9**	**15,861,462**	**75.6**	**1,195,440**	**8.2**
Deposits of Customers and Credit Institutions	13,103,506	62.4	13,650,607	65.1	13,165,259	62.8	-485,348	-3.6
Securities Placed with Customers	2,067,146	9.9	1,015,415	4.8	2,696,203	12.8	1,680,788	165.5
Additional Resources	**4,167,109**	**19.9**	**4,847,788**	**23.1**	**3,589,213**	**17.1**	**-1,258,575**	**-26.0**
Resources from Credit Institutions and Central Banks	2,234,937	10.7	2,450,770	11.7	2,195,094	10.5	-255,676	-10.4
Subord. and Non-Subord. Loans and Debt Certificates	887,285	4.2	1,567,181	7.5	544,646	2.6	-1,022,535	-65.2
Financial Liabilities Associated with Transferred Assets	244,419	1.2	303,330	1.4	216,493	1.0	-86,837	-28.6
Other Liabilities	800,468	3.8	526,507	2.5	632,980	3.0	106,473	20.2
EQUITY	**1,634,970**	**7.8**	**1,452,795**	**7.0**	**1,524,601**	**7.3**	**71,806**	**4.9**
TOTAL LIABILITIES AND EQUITY	**20,972,731**	**100.0**	**20,966,605**	**100.0**	**20,975,276**	**100.0**	**8,671**	**0.0**

The weight of customer resources in total liabilities and equity increased to 75.6% (69.9% in June 2012), with securities placed with customers now representing 12.8%, corresponding to an increase of 8 p.p.

Equity grew by 71.8 million euros in relation to the same period of 2012, with 50 million euros having derived from the increase of Institutional Capital, which stood at 1,295.0 million euros, in order to strengthen CEMG's solidity levels.

Evolution of the Liabilities and Equity Structure



Net Income

The CEMG Group achieved a consolidated net loss of -69.7 million euros in June 2013. The net income for the year was influenced by the unfavourable performance of net interest income, the top-up of the provisions and net impairments and the lower level of market earnings, in spite of the favourable evolution of net fees from services to customers and the reduction of operating costs, evident in general administrative overheads.

(thousand euros)

	Dec.12		Jun.12		Jun.13		Variation	
	Value	%	Value	%	Value	%	Value	%
Net Interest Income	281,080	65.3	153,333	59.7	101,927	51.7	-51,406	-33.5
Net Fees of Services to Customers	104,945	24.4	48,503	18.9	55,231	28.0	6,728	13.9
Commercial Net Operating Income	**386,025**	**89.7**	**201,836**	**78.6**	**157,158**	**79.7**	**-44,678**	**-22.1**
Market Earnings (a)	23,588	5.4	61,424	24.0	32,795	16.6	-28,629	-46.6
Return on Financial Holdings	338	0.1	338	0.1	271	0.1	-67	-19.8
Earnings from Sale of Real Estate for Debt Recovery	-17,199	-4.0	-10,258	-4.0	-3,550	-1.8	6,708	65.4
Other Net income	37,754	8.8	3,355	1.3	10,456	5.3	7,101	211.7
Net Operating Income	**430,506**	**100.0**	**256,695**	**100.0**	**197,130**	**100.0**	**-59,565**	**-23.2**
Personnel Costs	197,146	45.8	97,693	38.1	96,655	49.0	-1,038	-1.1
General Administrative Overheads	119,357	27.7	57,088	22.2	52,175	26.5	-4,913	-8.6
Depreciation	43,556	10.1	15,321	6.0	15,324	7.8	3	0.0
Operating Costs	**360,059**	**83.6**	**170,102**	**66.3**	**164,154**	**83.3**	**-5,948**	**-3.5**
Gross Profit	**70,447**	**16.4**	**86,593**	**33.7**	**32,976**	**16.7**	**-53,617**	**-61.9**
Net Provisions and Impairments	**232,119**	**53.9**	**76,541**	**29.8**	**127,411**	**64.6**	**50,870**	**66.5**
Credit	170,621		38,899		81,145		42,246	108.6
Securities	35,673		8,996		20,006		11,010	122.4
Other	25,825		28,646		26,260		-2,386	-8.3
Earnings from Associates and Joint Ventures	**-6,086**		**-515**		**-3,935**		**-3,420**	-664.1
Pre-tax Profit	**-167,758**	**-39.0**	**9,537**	**3.7**	**-98,370**	**-49.9**	**-107,907**	**-**
Taxes	**170,951**		**-3,635**		**29,473**		**33,108**	**910.8**
Current	-6,963		-2,439		-4,243		-1,804	-74.0
Deferred	177,914		-1,196		33,716		34,912	-
Minority Interests	**-1,094**		**-1,128**		**-757**		**371**	**32.9**
Net Income for the Year	**2,099**	**0.5**	**4,774**	**1.9**	**-69,654**	**-35.3**	**-74,428**	**-**

(a) Includes return on shares, except financial holdings.

The return on equity (ROE) stood at -8.83% and the average return on average assets (ROA) at -0.67%.

	Dec.12	Jun.12	Jun.13	Variation	
	Value	**Value**	**Value**	**Value**	**%**
Profitability Ratios					
Return on Assets (ROA)	0.01%	0.05%	-0.67%	-0.72 p.p.	
Return on Equity (ROE)	0.14%	0.71%	-8.83%	-9.54 p.p.	
Total Cash Flow (thousand euros)	**277,774**	**96,636**	**73,081**	**-23,555**	**-24.4**
Depreciation	15.7%	15.9%	21.0%	5.1 p.p.	
Net Provisions and Impairment	83.5%	79.2%	174.3%	95.1 p.p.	
Net Income for the Year	0.8%	4.9%	-95.3%	-100.2 p.p.	

Net Interest Income

Net interest income reached 102 million euros, compared with 153 million euros in June 2012, corresponding to a reduction of 33.5%.

Determinant in this evolution was the stronger decline, year-on-year, of the average interest rate of financial assets (-1.9 p.p.), in particular of credit and investments in markets in relation to the fall of the average rate of financial liabilities of -1.5 p.p.

Thus, net interest income stood at 1.05%, lower by -0.47 p.p. relative to June 2012.

(million euros)

	Jun.12			Jun.13		
	Average Capital	Average Rate	Income/ Costs	Average Capital	Average Rate	Income/ Costs
Financial Assets	**20,270**	**6.36%**	**641**	**19,595**	**4.43%**	**430**
Customer Credit	17,125	4.69%	399	16,434	3.75%	305
Other Investments	3,145	6.58%	103	3,161	4.46%	70
Swaps			139			55
Financial Liabilities	**19,597**	**5.01%**	**488**	**18,925**	**3.50%**	**328**
Deposits	13,509	3.63%	244	12,819	2.63%	167
Other Liabilities	6,088	3.74%	113	6,106	3.51%	106
Swaps			131			55
Net Income / Net Interest Income		**1.52%**	**153**		**1.05%**	**102**
Euribor 3M - average for period		**0.77%**			**0.21%**	

Fees of Services to Customers

Fees of services to customers reached 55.2 million euros (48.5 million euros in June 2012), corresponding to a year-on-year variation of +13.9% and representing 28.0% of Net Operating Income.

This favourable evolution was a consequence of the improvement in the quality of service rendered, the proximity with the customer and the renovation of products and services.

Market Earnings

CEMG continued to adopt a conservative policy, of rigour and prudence, which enabled the achievement of market earnings of 32.8 million euros, with the positive contribution of the earnings from financial assets available for sale of 38.2 million, earnings from currency revaluation of 8.6 million euros and earnings from assets and liabilities stated at fair value through profit or loss of 4.6 million euros.

(thousand euros)

	Dec.12	Jun.12	Jun.13	Variation	
	Value	Value	Value	Value	%
Earnings from Assets and Liabilities at Fair Value through Profit or Loss	**-62,742**	**-14,803**	**4,607**	**19,410**	**131.1**
Financial assets and liabilities held for trading	-61,464	-13,894	2,775	16,669	120.0
Financial assets and liabilities at fair value through profit or loss	-1,421	153	1,059	906	592.2
Hedging Derivatives	-895	-1,440	513	1,953	135.6
Other Financial Operations	1,038	378	260	-118	-31.2
Earnings from Financial Assets Available for Sale	**82,586**	**47,121**	**38,189**	**-8,932**	**-19.0**
Earnings from currency revaluation	**14,419**	**5,914**	**8,607**	**2,693**	**45.5**
Miscellaneous Earnings	**-10,891**	**23,017**	**-18,772**	**-41,789**	**-181.6**
Return on Shares	**216**	**175**	**164**	**-11**	**-6.3**
TOTAL	**23,588**	**61,424**	**32,795**	**-28,629**	**-46.6**

Operating Costs

Operating costs, which include personnel costs, general administrative overheads and depreciation, fell by -3.5% to stand at 164.2 million euros in June 2013, compared to 170.1 million euros in June 2012.

This favourable evolution was driven, in particular, by the reduction of general administrative overheads of 4.9 million euros (-8.6%), above all due to the decrease of the following items: hire of computer hardware (-1.6 million euros), information technology (-1.3 million euros), studies and consulting (-0.9 million euros) and communication (-0.9 million euros).

	Dec.12	Jun.12	Jun.13	Variation	
	Value	Value	Value		
RATIOS					
Personnel Costs / Net Operating Income (a)	45.8%	38.1%	49.0%	10.9	p.p.
General Administrative Overheads / Net Operating Income	27.7%	22.2%	26.5%	4.3	p.p.
Depreciation / Net Operating Income	10.1%	6.0%	7.8%	1.8	p.p.
Cost-to-Income (Operating Costs / Net Operating Income) (a)	**83.6%**	**66.3%**	**83.3%**	**17.0**	**p.p.**

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

In spite of the fall in operating costs, the strong reduction of net operating income led to a deterioration of the efficiency ratio (cost-to-income) which reached 83.3%.

Provisions and Impairments

(thousand euros)

	Dec.12		Jun.12		Jun.13		Variation	
	Value	%	Value	%	Value	%	Value	%
Net Impairment of Credit	**171,621**	**73.9**	**38,899**	**50.8**	**81,145**	**63.7**	**42,246**	**108.6**
Net Impairment of Securities	**35,673**	**15.4**	**8,996**	**11.8**	**20,006**	**15.7**	**11,010**	**122.4**
Net Provisions and Impairments of Other Assets	**24,825**	**10.7**	**28,646**	**37.4**	**26,260**	**20.6**	**-2,386**	**-8.3**
Total Net Provisions and Impairments	**232,119**	**100.0**	**76,541**	**100.0**	**127,411**	**100.0**	**50,870**	**66.5**

Total net provisions and impairments recorded a year-on-year increase of 50.9 million euros (+66.5%), with the strengthening of provisions and impairment of credit by +42.2 million euros and of securities by +11.0 million euros, in contrast to the reduction of the impairment of other assets by -2.4 million euros.

A review is currently underway of CEMG's Collective Impairment Model, with a view to adapting it to a PIT (Point In Time) perspective. This process is being conducted with the assistance of an External Consultant and has been supervised by "Banco de Portugal".

Pension Fund

In June 2013, the net worth of the pension funds reached 526.3 million euros, with the coverage level of minimum liabilities standing at 111.8% and the coverage level of total liabilities at 106.8%.

(thousand euros)

		Dec.12 Value	Jun.12 Value	Jun.13 Value
1	**Total Liabilities**			
	Current staff	350,702	325,956	368,667
	Retired staff	114,385	113,561	124,209
	Total 1	***465,087***	***439,517***	***492,876***
2	**Non-required or deferred liabilities**			
	Exemption of financing	17,535	16,297	18,433
	Application of IAS	5,620	10,807	3,781
	Impact on Mortality Table	0	9,773	0
	Total 2	**23,155**	**36,877**	**22,214**
3	**Minimum liabilities to be financed (1-2)**	**441,932**	**402,640**	**470,662**
4	**Value of Fund Assets**	**522,754**	**484,661**	**526,323**
5	**Coverage of:**			
	Minimum liabilities (4/3)	118.3%	120.4%	111.8%
	Total liabilities (4/1)	112.4%	110.3%	106.8%
6	**Movements during the year with impact on the Fund's value:**			
6.1	Contributions to the Fund (+)	11,911	7,249	1,234
6.2	Actual return on assets (+)	72,146	34,839	6,573
6.3	Transfer to Social Security (-)	1,256	1,377	0
6.4	Pension payments (-)	7,872	3,875	4,238
	Total 6 (6.1+6.2-6.3-6.4)	**74,929**	**36,836**	**3,569**

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

- discount rate of 4.5%;
- 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

In order to maintain an adequate level of capital and consequent strengthening of solidity, CEMG's Institutional Capital was increased by 50 million euros, in December 2012, through endowment by MGAM.

(thousand euros)

Items	Dec.12	Jun.12	Jun.13	Variation	
	Value	Value	Value	Value	%
Total Own Funds	**1,854,434**	**1,803,247**	**1,776,558**	**-26,689**	**-1.5**
Institutional Capital	*1,295,000*	*1,245,000*	*1,295,000*	*50,000*	*4.0*
Reserves and Net Income	*317,883*	*288,995*	*295,905*	*6,910*	*2.4*
Regulatory Deductions	*163,155*	*156,410*	*193,579*	*37,169*	*23.8*
Core Tier I Capital	**1,449,728**	**1,377,584**	**1,397,326**	**19,742**	**1.4**
Other Equity Instruments	*15,000*	*15,000*	*15,000*	*0*	*0.0*
Basic Own Funds Deductions	*19,140*	*16,572*	*17,033*	*461*	*2.8*
Basic Own Funds	**1,445,588**	**1,376,012**	**1,395,293**	***19,281***	**1.4**
Additional Own Funds	**421,764**	**433,415**	**395,063**	***-38,352***	**-8.8**
Other deductions	**12,918**	**6,181**	**13,798**	***7,617***	**123.2**
Minimum Own Funds Requirements	**1,092,307**	**1,086,229**	**1,076,625**	**-9,604**	**-0.9**
Risk-weighted assets and equivalents	**13,653,832**	**13,577,864**	**13,457,817**	**-120,047**	**-0.9**
Ratios					
Solvency	13.58%	13.28%	13.20%	-0.08p.p.	
Tier 1	10.59%	10.13%	10.37%	0.24p.p.	
Core Tier 1	10.62%	10.15%	10.38%	0.23p.p.	

In June 2013, the Solvency Ratio, on a consolidated basis, reached 13.20%, and the Core Tier I Ratio stood at 10.38%, reflecting a year-on-year improvement of 0.23 p.p., thus continuing above the minimum level of 10%, established by "Banco de Portugal".

8. RATINGS

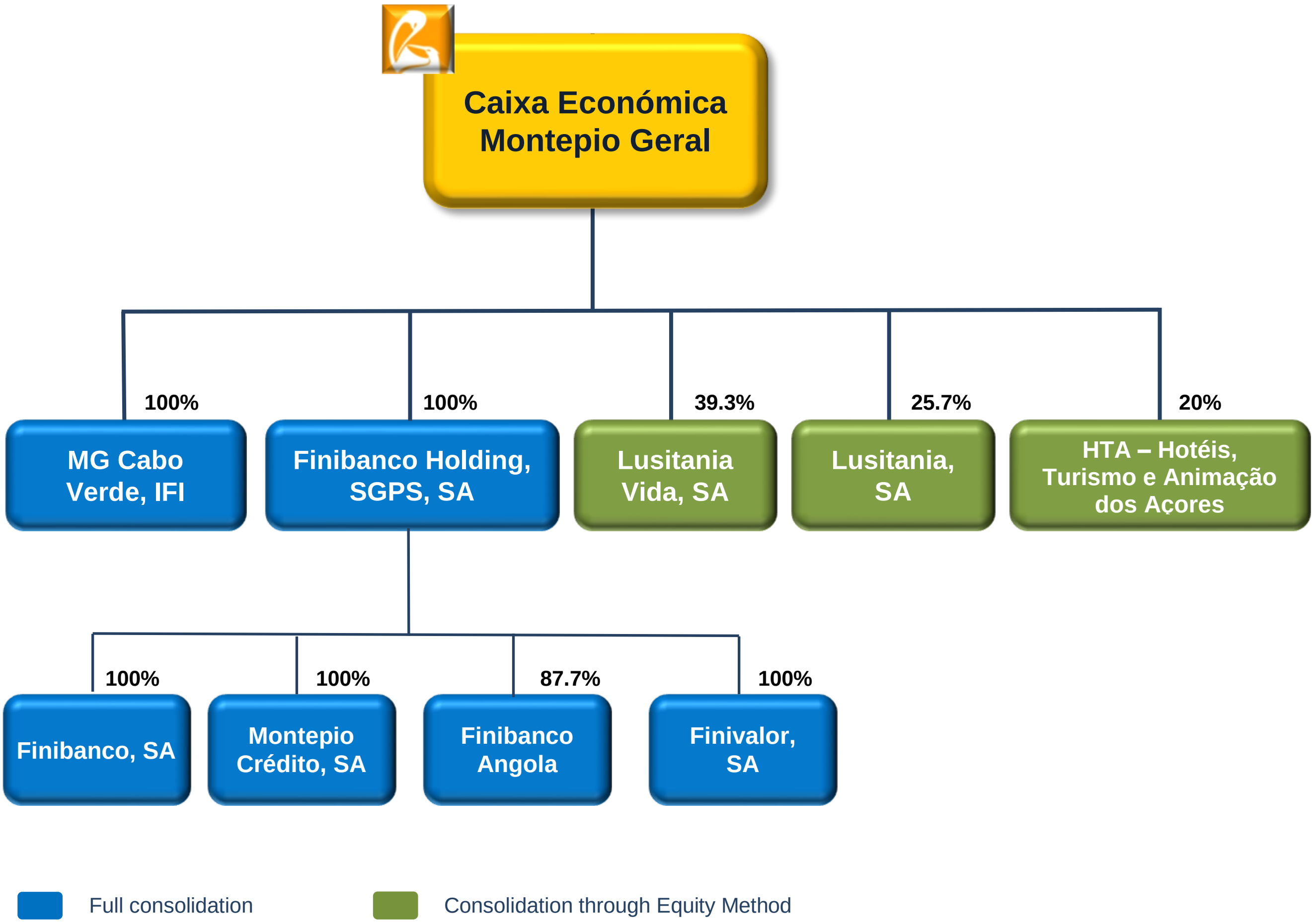
Caixa Económica Montepio Geral has been assessed for rating purposes by three international rating agencies: Fitch Ratings, Moody's and DBRS.

The ratings of CEMG, at the end of June 2013, were as follows:

Rating Agencies	Short Term	Long Term	Outlook
Fitch Ratings	**B**	**BB**	**Negative**
Moody's	**NP**	**Ba3**	**Negative**
DBRS	**R-2 (low)**	**BBB (low)**	**Negative**

9. SUMMARY OF THE PERFORMANCE OF THE GROUP'S COMPANIES

Caixa Económica Montepio Geral, 100% held and attached to Montepio Geral Associação Mutualista primarily has stakes in a series of institutions in which it controls their management. These entities complement the banking offer of financial products and services and contribute with their earnings to the creation of Value for the Member and for mutual purposes, promoting high ethical standards and principles of social sustainability.



The consolidation perimeter of Caixa Económica Montepio Geral also includes:

- Montepio Recuperação de Crédito – ACE (Full Consolidation);
- Credit Securitisation Vehicles Pelican Mortgages no.1 and no.2 (Full Consolidation);
- Real estate investment funds (Full Consolidation):
  - ✓ Montepio Arrendamento - Residential Rental Real Estate Investment Fund;
  - ✓ Polaris - Closed Real Estate Investment Fund;
  - ✓ Finipredial - Open Real Estate Investment Fund.

FINIBANCO HOLDING, SGPS, SA

Finibanco Holding, SGPS, SA is a holding company, with 100% stakes in Finibanco, SA, Montepio Crédito, SA and Finivalor, SA, and 87.7% of Finibanco Angola, SA.

As at 30 June 2013, the net assets of Finibanco Holding amounted to 324.9 million euros, corresponding to an increase of 6.0% relative to the previous year.

The liabilities increased by 11.1 million euros (+8.8%), reaching a total of 136.6 million euros. Equity grew by 7.2 million euros (+4.0%), to stand at 188.3 million euros.

The net income for the year was negative by 118.1 thousand euros, compared to 1.1 million euros for the same period of 2012, explained by the positive, non-recurrent effect created by the write-back, during the first half of 2012, of a provision stated for other assets.

FINIBANCO, SA

Under the integration of the Finibanco Group acquired by CEMG in the first half of 2011, the work aimed at the preparation of a new organisational and business model began in 2012. The activity of Finibanco, SA will henceforth focus on the specific area of corporate business, embodied in the structuring and assembly of corporate finance operations and in the management of financial assets.

Net assets stood at 176.3 million euros, with credit to customers representing close to 61.3% of this total. Gross credit to customers, exclusively composed of asset and property leasing, reached 121.9 million euros, showing a decrease of 22.1 million euros (-15.4%), of which 14.0 million euros (11.5%) are covered by provisions for overdue debt.

Net operating income, which stood at 1.7 million euros, was influenced by the net interest income of 2.1 million euros, while the disposal of real estate properties presented a negative impact of 0.4 million euros.

The provisions for the year recorded, in overall terms, an increase of 0.3 million euros, while net income for the year reached 1.6 million euros.

MONTEPIO CRÉDITO – INSTITUIÇÃO FINANCEIRA DE CRÉDITO, SA

In January 2013, Finicrédito - Instituição Financeira de Crédito SA changed its corporate name to Montepio Crédito – Instituição Financeira de Crédito SA. This change, aimed at the total integration of the company in the Montepio Group, was accompanied by a new corporate identity for the purpose of facilitating its identification and association to our Mutual Group.

At the same time, a marketing and advertising campaign was launched with the objective of consolidating the position in the automobile market and growing in the professional segments linked to the value chain of the companies of the manufacturing industry and logistics. Therefore, Montepio Crédito expanded its specialised offer to the Operating Hire, Leasing and Rental of Equipment to new Customers, attracting

business outside the Montepio Group. The redefinition of the business now believes that the future is not one of consumption, but of carrying out the projects of our customers.
During the first half of 2013, 63,384 motor vehicles were sold in Portugal, which represented a modest increase of 1.9% in relation to the same period of 2012, according to information published by ACAP (Automobile Association of Portugal). This slight growth combined with the strategic redefinition of the business contributed to the 67.4% increase of production in the first half of 2013, which stood at 57.3 million euros.

Thus, according to the data provided by ASFAC (Association of Specialised Credit Institutions), Montepio Crédito increased its relevance in the market, with the 4th place in the ranking of the sector (12th place in June 2012), holding a production share of 7.6% in the first half of 2103, compared with 4.2% in the same period of the previous year, and broken down to 4.3% (3.0% in 2012) in Credit, 18.6% (10.8% in 2012) in Leasing and 9.0% (2.4% in 2012) no ALD (long term hire).

The importance that the Leasing product has gained in Montepio Crédito's activity is directly related to the new strategic guidelines. In the total universe of members of ALF (Portuguese Association of Leasing, Factoring and Renting), Montepio Crédito now has a market share of 6.1%, compared to 2.75% in the first half of 2012, implying a rise in the sector's ranking of 6 places, ensuring the 7th place at the end of June 2013.

Notwithstanding the good commercial performance, net income for the year showed a reduction of 805 thousand euros (-59.5%), standing at 549 thousand euros.

The reduction of net interest income of 1.1 million euros (-21.5%), due to the increased financing costs (+3.3 million euros) that was not offset by the higher income derived from the credit portfolio (+2.2 million euros) to a large extent explains the lower profit.

FINIBANCO ANGOLA, SA

In spite of the growing ‘use of the banking sector by the population which is taking place in the Angolan market, Finibanco Angola presents year-on-year growth of turnover higher than that of the sector. Credit to Customers grew by 55.3% (42.5 million euros), reaching 119.4 million euros, compared with the growth of the sector of 8.3%.

Customer Resources evolved positively by 10.2%, while the sector presents slightly more moderate growth of 9.3%. Customer Deposits showed growth of 12.5% (+19.8 million euros), amounting to 178.1 million euros as at 30 June 2013.

The structure of the Liabilities and Equity remained unchanged, with the activity continuing to be financed by Customer Deposits and Equity.

Equity grew by 90.7%, as a result of the share capital increase of 30 million USD, which took place in October 2012, in order to achieve the strategy of growth delineated for Finibanco Angola.

During the first half of 2013, Net Interest Income recorded a positive evolution of 57.4% (2.2 million euros), reflecting the growth of the credit portfolio. In spite of the increase of the customer deposit portfolio, financing costs decreased by 397 thousand euros (-11.0%) as a result of the better pricing of borrowing operations.

Net fees recorded growth of 1.8 million euros, essentially due to increased lending activity and services rendered, and earnings from Currency Revaluation (7.2 million euros) continue to show the highest weight in Net Operating Income (40.1%).

Operating Costs recorded an increase of 517 thousand euros (10.4%), reaching 5.5 million euros, in spite of the aggravation of costs, the favourable performance of net operating income led to a reduction of the cost-to-income ratio to 30.8% (-15.87 p.p.). This evolution was due to the network expansion policy.

Net income for the year reached 6.1 million euros, compared to 2.9 million euros recorded for the same period of 2012. In spite of the share capital increase which occurred in the last quarter of 2012, the return on equity grew by 1.93 p.p., standing at 20.3%.

In order to contribute to the Angolan banking sector having an increasingly more extensive coverage of its network of ATM machines, Finibanco Angola maintains the commitment to install two machines in each of its branches, ensuring that they all duly loaded. This fact is shown in the statistics published by EMIS (Empresa Interbancária de Serviços, SA) which confirm that the institution's ATM are those presenting the highest monthly average transaction value per ATM.

The expansion of the network has been impressive since the end of 2011, five Branches (45% of the total network) one of which in the first half of the year and the other at the beginning of the second half of 2013.

BANCO MONTEPIO GERAL - CABO VERDE

In June 2013, the attraction of resources recorded an increase of 180.4 million euros (+46.5%) relative to the same period of the previous year, having reached 568.4 million euros.

Net income stood at 276 thousand euros, showing growth of 58 thousand euros relative to June 2012, corresponding to a reduction of 0.7 p.p. of the return on equity, which stood at 3.6%.

The increase of net income was essentially due to the increased net interest income of 118 thousand euros, which was attenuated by the fall in currency revaluation earnings of 17 thousand euros and by the growth of operating costs of 39 thousand euros.

LUSITANIA – COMPANHIA DE SEGUROS

Lusitania – Companhia de Seguros, SA and Lusitania Vida – Companhia de Seguros, SA are insurance companies that are integrated in the consolidation perimeter of Caixa Económica Montepio Geral. Lusitania – Companhia de Seguros also incorporates in its consolidation perimeter the company N Seguros, SA, which essentially operates in the automobile branch.

During the first half of 2013, in the Non-Life Branch, Lusitania's production of direct insurance, on a consolidated basis, stood at 93.0 million euros compared with 112.7 million euros in the same period of the previous year, where the automobile and accident/illness branches are responsible for 64.2% and 26.3%, respectively, of this reduction.

N Seguros ensured a production of 5.9 million euros of the consolidated production of Lusitania, while in the first half of 2012 it had contributed with 6.1 million euros.

Therefore, the market shares fell by 0.8 p.p., to stand at 4.5% and 4.8%, on an individual and consolidated basis, respectively.

Bancassurance contributed with 15.4 million euros of the total production of Lusitania on an individual basis, representing 17.7% of the total gross premiums issued. The Fire and Other Damages branch of the Multirisk scheme was particularly important in terms of the weight of the production of bancassurance in the total (7.7 million euros, 41.3% of the total of the branch in the company and 50.0% of the total production of bancassurance). This fact derives from the placement of this insurance by the CEMG Branch network upon the marketing of mortgage loans.

The claims rate worsened, both on an individual basis (10 p.p.) and consolidated basis (9.6 p.p.), standing at 87.6% and 87.7%, respectively, since the reduction of production was higher than the decrease of claims.

As a result of the above, the net income was negative, on an individual and consolidated basis, by the amounts of 11.6 (-5.9 relative to June 2012) and 11.5 (-6.0 relative to June 2012) million euros respectively.

Solvency on an individual basis deteriorated by 26.0 p.p., with the coverage rate of the solvency margin standing at 134.3%, and likewise on a consolidated basis, showing a decrease of 22.6 p.p. to stand at 81.2% as at 30 June 2013.

LUSITANIA VIDA, SA

In the Life Branch, the Montepio Group operates through Lusitania Vida, a company which complements the mutual offer in the areas of welfare and saving solutions, as well as the offer of Companhia de Seguros Lusitania, through the marketing of mixed solutions, generating important revenue.

During the first half of 2013, the production of Lusitania Vida recorded notable growth of 13.6 million euros (39.5%), reaching 47.9 million euros (44.4% of production being via the banking channel – bancassurance).

The increased production was positively influenced by the favourable evolution of the volume of gross premiums issued of the classic insurance - life branch by 20.0% to stand at 17.8 million euros, and by the increased placement of Investment Contracts of 54.3%, contributing with 30.1 million euros of the total production of the quarter.

Bancassurance placed 43.0% of classic insurance - life branch, and 45.2% of investment contracts.

Notwithstanding the good performance of Lusitania Vida, the sector showed even stronger growth, giving rise to a reduction of the market share by 0.14 p.p., to stand at 1.12%.

Net costs related to claims decreased by 13.8%, reaching 9.7 million euros as at 30 June 2013.

In spite of the increased production and decreased costs related to claims, this positive effect was annulled by Net Income and Interest of financial assets and liabilities, leading to net income having remained at 2.5 million euros.
The coverage rate of the solvency margin of Lusitania Vida at the end of June 2013 stood at 318.7%, compared with 276.0% for the same period of the previous year.

FINIVALOR – SOCIEDADE GESTORA DE FUNDOS DE INVESTIMENTO, SA

The corporate object of Finivalor - Sociedade Gestora de Fundos de Investimento, SA is the management of the Finipredial open real estate investment fund and various closed funds of private subscription, in particular the Montepio Arrendamento residential rental fund.

At the end of the first half of 2013, the Real Estate Investment Funds market stood at 11,488 million euros, corresponding to a minor year-on-year variation of 0.37%. The structure demonstrates stability, with the Closed Funds representing 55.2% of the market.

Compared to the same month of the previous year, Finivalor recorded a positive variation in the assets under management of 0.59%, to 425.3 million euros. The asset structure remains based on the Finipredial Fund, which accounts for 69.4% of the portfolio.

The market share improved moderately by 0.01 p.p. to stand at 3.70%, holding the 10th place in the ranking of holding companies (11th in June 2012). By category of funds, Finivalor records significant shares in terms of Accumulation Open Funds (12.4%) and FIIAHs (13.8%). The Finipredial Fund presents a yield profile that is clearly above its category, recording a differential of 4.9% in June.

Income from commissions and fees fell by 6.1% to 1.8 million euros, due to the lower volume of redemption fees associated to the Finipredial Fund. This value was offset by a 16.5% reduction in costs related to commissions and fees, associated to the placement fee of Montepio Arrendamento FIIAH. Consequently, net fees increased by 0.5% to 1.1 million euros, representing 95.7% of net operating income.

Structural costs were aggravated by 10.4%, to 0.9 million euros, explained by the items General Administrative Overheads (15.0%) and Personnel (6.4%), dragging the efficiency ratio down to 78.8%. Net Income declined by 36.8%, to 191 thousand euros.

10. MAIN RISKS AND UNCERTAINTIES FOR THE SECOND HALF OF 2013

The context of high uncertainty and risk should persist during the second half of 2013, considering the present evolution and most recent forecasts on economic and sectorial indicators.

The main risks that the activity faces, namely risks related to credit, market (including real estate risk) and liquidity, may continue high as a consequence of the difficult socio-economic conditions, abroad and internally, and scenario concerning political stability.

The combination of an uncertain international context, during the process of budget consolidation and financial assistance, constitutes a situation of particular fragility and unpredictability, which could compromise the forecasts of progressive reduction of the economic contraction throughout the second half of the year.

The forecasts of the country's economic recovery are essentially based on the growth of exports, with gains of market share, since domestic demand should remain in retraction, as a consequence of the austerity measures implemented during the process of fiscal consolidation and deleveraging of the financial sector.

The further deepening of the recession in the euro zone would place at risk the possibility of growth of economic activity, due to the less favourable evolution of Portuguese exports, reflected in the erosion of the confidence of economic agents and financial markets.

One of the highest risks resides in the possibility that the announced budget austerity measures will cause an effect of even stronger economic contraction than that forecast, exacerbating the reduction of the components of domestic demand, with greater decline of employment, exerting further upward pressure on the unemployment rate, which is already at high levels.

The economic or political difficulties in the achievement of the budget targets and commitments of the PAEF will place at risk the confidence of investors and the possibility of re-establishing normal access to funding from external markets.

The materialisation of these risks will lead to the need to review the policy targets and objectives of the current PAEF, imply the prolonging of the crisis and situation of financial assistance to the country, delaying the possibilities of access of national economic agents to financial markets and to external funding.

However, it is expected that, in the current context of crisis and uncertainty, the European institutions shall pursue non-conventional measures of monetary policy, namely in terms of liquidity assignment operations and the OMT (Outright Monetary Transactions) programme, as well as deepening the foundations of the Economic and Monetary Union, in the area of construction of the Banking Union, in order to maintain financial stability and confidence in the euro and its economies.

Under this scenario of risk and uncertainty, CEMG and the main credit institutions should continue to comply with the requirements and achieve the targets and objectives of their specific Funding and Capital Plans, as stipulated in the Memorandum of economic policies of the PAEF, revised, updated and sent on a quarterly basis to the authorities.

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

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

11.1. Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET OF CAIXA ECONÓMICA AS AT 30 JUNE 2013 AND 31 DECEMBER 2012

(thousand euros)

	2013			2012
	Gross Assets	Impairment and Depreciation	Net Assets	Net Assets
ASSETS				
Cash and deposits at central banks	337,605		337,605	304,886
Deposits at other credit institutions	233,792		233,792	235,659
Financial assets held for trading	87,297		87,297	139,055
Other financial liabilities at fair value through profit or loss	6,809		6,809	12,300
Financial assets available for sale	2,916,180	44,430	2,871,750	2,481,445
Other loans and advances to credit institutions	200,831	683	200,148	224,324
Customer credit	16,336,574	1,000,691	15,335,883	15,703,547
Investments held to maturity	28,024		28,024	27,495
Hedging derivatives	915		915	931
Non-current liabilities held for sale	757,489	53,887	703,602	491,795
Investment properties	383,450		383,450	388,260
Other tangible assets	283,027	182,653	100,374	96,575
Intangible assets	136,164	73,513	62,651	59,047
Investments in associates and subsidiaries excluded from consolidation	54,559	341	54,218	60,836
Current tax assets	1,953		1,953	2,702
Deferred tax assets	301,946		301,946	265,987
Other assets	276,888	12,029	264,859	477,887
TOTAL ASSETS	**22,343,503**	**1,368,227**	**20,975,276**	**20,972,731**
LIABILITIES				
Resources from central banks			1,854,813	1,776,514
Financial liabilities held for trading			67,427	84,794
Resources from other credit institutions			539,095	625,706
Resources from customers and other loans			13,262,663	13,255,447
Liabilities represented by securities			2,677,611	2,362,336
Financial liabilities associated with transferred assets			216,493	244,419
Hedging derivatives			2,572	3,177
Provisions			5,873	14,292
Current tax liabilities				2,044
Deferred tax liabilities			527	533
Other subordinated liabilities			461,108	467,120
Other liabilities			362,493	501,379
TOTAL LIABILITIES			**19,450,675**	**19,337,761**
EQUITY				
Share capital			1,295,000	1,295,000
Other equity instruments			15,000	15,000
Revaluation reserves			-14,391	-16
Other reserves and retained earnings			291,191	315,930
Net income for the year			-69,654	2,099
Minority interests			7,455	6,957
TOTAL EQUITY			**1,524,601**	**1,634,970**
TOTAL LIABILITIES AND EQUITY			**20,975,276**	**20,972,731**

THE CHARTERED ACCOUNTANT

Rosa Maria Alves Mendes

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 2013 AND 2012

(thousand euros)

	2013	2012
Interest and similar income	330,127	643,117
Interest and similar costs	330,127	489,784
NET INTEREST INCOME	**101,927**	**153,333**
Income from equity instruments	435	514
Income from fees and commissions	67,715	60,595
Fees and commissions expenses	12,484	12,092
Earnings from assets and liabilities at fair value through profit or loss	4,607	-14,803
Earnings from financial assets available for sale	38,190	47,121
Earnings from currency revaluation	8,607	5,914
Earnings from sale of other assets	-3,198	-18,594
Other net operating income	-8,669	34,707
NET OPERATING INCOME	**197,130**	**256,695**
Personnel costs	96,655	97,693
General administrative overheads	52,175	57,088
Depreciation and amortisation	15,324	15,321
Provisions net of adjustments	1,148	-3,527
Impairment of credit net of reversals and recoveries	83,598	39,633
Impairment of other financial assets net of reversals and recoveries	20,006	7,996
Impairment of other assets net of reversals and recoveries	22,659	32,439
Earnings from associates and joint ventures (equity method)	-3,935	-515
PROFIT BEFORE TAX AND MINORITY INTERESTS	**-98,370**	**9,537**
Taxes		
Current	-4,243	-2,439
Deferred	33,716	-1,196
Minority Interests	-757	-1,128
CONSOLIDATED NET INCOME FOR THE YEAR	**-69,654**	**4,774**

THE CHARTERED ACCOUNTANT

Rosa Maria Alves Mendes

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 2013

(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 2013
This report contains 141 pages

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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 2013, of **Caixa Económica Montepio Geral**, which includes the consolidated statement of financial position (which shows a total of Euro 20,975,276 thousands and total equity attributable to equity holders of CEMG of Euro 1,524,601 thousands, including a negative consolidated net profit attributable to equity holders of CEMG of 69,654 thousands of Euro) and the consolidated statement of income, cash flows, changes in equity and comprehensive income 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 cash flows, the consolidated changes in equity and the consolidated comprehensive income;

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 Our work also included the verification of the consistency of the consolidated 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 2013, is not free of material misstatements that affect its compliance with IAS’s and that is not complete, true, current, clear, objective and lawful.

Emphasis

9 Without affecting the conclusion expressed in the previous paragraph, and as referred in note 21 to the financial statements, as at 30 June 2013, we call the attention that following the instructions of Bank of Portugal, a revision of the Collective Impairment Model ("Model") of CEMG was conducted by an External Entity, whose conclusions and possible regulatory and accounting impacts are still in validation by CEMG and in discussion with Bank of Portugal. Therefore, the collective impairment accounted for, as at 30 June 2013, reflects the estimate made by the Executive Board of Directors supported by the current Model of CEMG.

Lisbon, 16 August 2013

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (no. 189)
Represented by
Jean-éric Gaign (Statutory Auditor no. 1081)

FINANCIAL STATEMENTS

- NOTES TO THE FINANCIAL STATEMENTS
(Pages 5 to 141)

Caixa Económica Montepio Geral

Consolidated Income Statement
for the six and three months periods ended at 30 June 2013 and 2012

(Amounts expressed in thousands of Euro)

	Notes	Six months period ended at 30 June 2013	Six months period ended at 30 June 2012	Three months period ended at 30 June 2013	Three months period ended at 30 June 2012
Interest and similar income	3	432 054	643 117	215 396	302 780
Interest and similar expense	3	330 127	489 784	164 800	223 842
Net interest income		101 927	153 333	50 596	78 938
Dividends from equity instruments	4	435	514	411	498
Fee and comission income	5	67 715	60 595	35 052	32 192
Fee and comission expense	5	(12 484)	(12 092)	(6 665)	(6 407)
Net losses arising from assets and liabilities at fair value through profit or loss	6	4 607	(14 803)	7 443	(11 033)
Net gains/(losses) arising from financial assets available for sale	7	38 190	47 121	24 220	45 601
Net gains arising from foreign exchange differences	8	8 607	5 914	5 191	2 791
Net gains from sale of other financial assets	9	(3 198)	(18 594)	(1 035)	(14 702)
Other operating income	10	(8 669)	34 707	(10 857)	29 156
Total operating income		197 130	256 695	104 356	157 034
Staff costs	11	96 655	97 693	48 788	49 663
General and administrative expenses	12	52 175	57 088	29 022	31 027
Depreciation	13	15 324	15 321	7 832	7 872
Total operating costs		164 154	170 102	85 642	88 562
Loans impairment	14	83 598	39 633	65 412	28 679
Other assets impairment	15	42 665	40 435	30 245	41 106
Other provisions	16	1 148	(3 527)	606	(3 815)
Operating profit		(94 435)	10 052	(77 549)	2 502
Share of profit of associates under the equity method	17	(3 935)	(515)	(56 528)	(4 257)
Profit before income tax		(98 370)	9 537	(134 077)	(1 755)
Taxes					
Current	32	(4 243)	(2 439)	(2 318)	(1 451)
Deferred	32	33 716	(1 196)	28 949	(2 031)
Net loss for the period		(68 897)	5 902	(107 446)	(5 237)
Profit for the period attributable to					
Montepio Geral - Associação Mutualista		(69 654)	4 774	(107 865)	(5 723)
Non-controlling interests	47	757	1 128	419	486
Profit for the period		(68 897)	5 902	(107 446)	(5 237)

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Statement of Comprehensive income

for the six and three months periods ended at 30 June 2013 and 2012

(Amounts expressed in thousands of Euro)

		Six months period ended at		Three months period ended at	
	Notes	**30 June 2013**	**30 June 2012**	**30 June 2013**	**30 June 2012**
Items that may be reclassified to the income statement					
Fair value reserves					
Financial assets available for sale	45	(16 337)	194 267	(21 561)	106 435
Taxes	32	2 676	(60 817)	6 252	(30 866)
		(13 661)	133 450	(15 309)	75 569
Items that will not be reclassified to the income statement					
Actuarial losses for the period	50	(21 598)	23 626	(10 708)	(25 844)
Deferred taxes	32	(426)	48 616	(1 128)	18 836
		(22 024)	72 242	(11 836)	(7 008)
Profit for the period		(69 654)	4 774	(107 865)	(5 723)
Total Comprehensive income for the period		(105 339)	210 466	(135 010)	62 838
Attributable to:					
Total equity attributable to MGAM		(105 339)	210 466	(135 010)	62 838
Total Comprehensive income for the period		(105 339)	210 466	(135 010)	62 838

Caixa Económica Montepio Geral

Consolidated Balance Sheet as at 30 June, 2013 and 31 December, 2012

(Amounts expressed in thousands of Euro)

	Notes	30 June 2013	31 December 2012
Assets			
Cash and deposits at central banks	18	337 605	304 886
Loans and advances to credit institutions repayable on demand	19	233 792	235 659
Other loans and advances to credit institutions	20	200 148	224 324
Loans and advances to customers	21	15 335 883	15 703 547
Financial assets held for trading	22	87 297	139 055
Other financial assets at fair value through profit or loss	23	6 809	12 300
Financial assets available for sale	24	2 871 750	2 481 445
Hedging derivatives	25	915	931
Held to maturity investments	26	28 024	27 495
Investments in associated companies and other	27	54 218	60 836
Non-current assets held for sale	28	703 602	491 795
Investment properties	29	383 450	388 260
Property and equipment	30	100 374	96 575
Intangible assets	31	62 651	59 047
Current income tax assets		1 953	2 702
Deferred income tax assets	32	301 946	265 987
Other assets	33	264 859	477 887
Total Assets		20 975 276	20 972 731
Liabilities			
Deposits from central banks	34	1 854 813	1 776 514
Deposits from other credit institutions	35	539 095	625 706
Deposits from customers	36	13 262 663	13 255 447
Debt securities issued	37	2 677 611	2 362 336
Financial liabilities relating to transferred assets	38	216 493	244 419
Financial liabilities held for trading	22	67 427	84 794
Hedging derivates	25	2 572	3 177
Provisions	39	5 873	14 292
Current income tax liabilities		-	2 044
Deferred income tax liabilities	32	527	533
Other subordinated debt	40	461 108	467 120
Other liabilities	41	362 493	501 379
Total Liabilities		19 450 675	19 337 761
Equity			
Share capital	42	1 295 000	1 295 000
Other capital instruments	43	15 000	15 000
Revaluation reserves	45	(14 391)	(16)
Reserves and retained earnings	44 and 45	291 191	315 930
Consolidated profit for the period attributable to MGAM		(69 654)	2 099
Total equity attributable to MGAM		1 517 146	1 628 013
Non-controlling interests	47	7 455	6 957
Total Equity		1 524 601	1 634 970
		20 975 276	20 972 731

CHIEF ACCOUNTANT THE EXECUTIVE BOARD OF DIRECTORS

See accompanying notes to the Interim consolidated financial statements

Caixa Económica Montepio Geral

Consolidated Statement of Changes in Equity
for the six months periods ended at 30 June 2013 and 2012

(Amounts expressed in thousands of Euro)

	Total equity	Share capital	Other capital instruments	General and special reserves	Other revaluation reserves	Revaluation reserves	Other reserves and retained earnings	Non-controlling interests
Balance on 31 December, 2011	1 259 488	1 245 000	15 000	245 820	7 541	(227 412)	(37 842)	11 381
Other movements recognised directly in Equity:								
Changes in fair value (note 45)	194 267	-	-	-	-	194 267	-	-
Actuarial losses for the period (note 50)	23 626	-	-	-	-	-	23 626	-
Deferred taxes related to balance sheet changes accounted for reserves (note 32)	(12 201)	-	-	-	-	(60 817)	48 616	-
Profit for the period	4 774	-	-	-	-	-	4 774	-
Total gains and losses recognized in the period	210 466	-	-	-	-	133 450	77 016	-
Non-controlling interests (note 47)	1 078	-	-	-	-	-	-	1 078
Dividends paid (note 46)	(16 584)	-	-	-	-	-	(16 584)	-
Other reserves	(1 128)	-	-	-	4 237	-	(5 365)	-
Costs related to the issue of perpetual subordinated instruments	(525)	-	-	-	-	-	(525)	-
Transfers of reserves								
General reserve	-	-	-	6 634	-	-	(6 634)	-
Special reserve	-	-	-	1 641	-	-	(1 641)	-
Balance on 30 June, 2012	1 452 795	1 245 000	15 000	254 095	11 778	(93 962)	8 425	12 459
Other movements recognized directly in Equity:								
Changes in fair value (note 45)	103 201	-	-	-	-	103 201	-	-
Actuarial losses for the period (note 50)	7 257	-	-	-	-	-	7 257	-
Deferred taxes related to balance sheet changes accounted for reserves (note 32)	19 084	-	-	-	-	(27 576)	46 660	-
Profit for the period	(2 675)	-	-	-	-	-	(2 675)	-
Total gains and losses recognized in the period	126 867	-	-	-	-	75 625	51 242	-
Increase in share capital (note 42)	50 000	50 000	-	-	-	-	-	-
Non-controlling interests (note 47)	(5 502)	-	-	-	-	-	-	(5 502)
Other reserves	11 185	-	-	-	6 543	-	4 642	-
Costs related to the issue of perpetual subordinated instruments	(375)	-	-	-	-	-	(375)	-
Transfers of reserves								
General reserve	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-
Balance on 31 December, 2012	1 634 970	1 295 000	15 000	254 095	18 321	(18 337)	63 934	6 957
Other movements recognized directly in Equity:								
Changes in fair value (note 45)	(16 337)	-	-	-	-	(16 337)	-	-
Actuarial losses for the period (note 50)	(21 598)	-	-	-	-	-	(21 598)	-
Deferred taxes related to balance sheet changes accounted for reserves (note 32)	2 250	-	-	-	-	2 676	(426)	-
Profit for the period	(69 654)						(69 654)	
Total gains and losses recognized in the period	(105 339)	-	-	-	-	(13 661)	(91 678)	-
Non-controlling interests (note 47)	498	-	-	-	-	-	-	498
Dividends paid (note 46)	(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	17 607	(31 998)	(34 268)	7 455

See accompanying notes to the Interim consolidated financial statements

Caixa Económica Montepio Geral

Consolidated Statement of Cash Flows
for the six months periods ended at 30 June 2013 and 2012

(Amounts expressed in thousands of Euro)

	30 June 2013	30 June 2012
Cash flows arising from operating activities		
Interest income received	435 863	706 982
Commissions income received	67 867	53 962
Interest expense paid	(343 255)	(465 933)
Commissions expense paid	(6 588)	(10 349)
Payments to employees and suppliers	(162 314)	(259 491)
Recoveries on loans previously written off	4 166	3 258
Other payments and receivables	(104 774)	90 397
Taxes	(35 965)	-
	(145 000)	118 826
(Increase) / decrease in operating assets		
Loans and advances to credit institutions and customers	271 763	241 864
Other assets	(39 446)	(79 154)
	232 317	162 710
(Increase) / decrease in operating liabilities		
Deposits from clients	52 863	94 322
Deposits from credit institutions	(86 473)	(123 895)
Deposits from central banks	70 000	(40 000)
	36 390	(69 573)
	123 707	211 963
Cash flows arising from investing activities		
Dividends received	435	514
(Acquisition) / sale of financial assets held for trading	53 497	(52 738)
(Acquisition) / sale of other financial assets at fair value through profit or loss	5 491	(61)
(Acquisition) / sale of financial assets available for sale	(424 686)	163 703
(Acquisition) / sale of hedging derivatives	(513)	2 596
(Acquisition) / sale of held to maturity investments	(123)	54 568
(Acquisition) / sale of shares in associated companies	(397)	(3 841)
Deposits owned with the purpose of monetary control	(35 097)	167 298
Proceeds from sale of fixed assets	1 818	-
Acquisition of fixed assets	(8 871)	(44 211)
	(408 446)	287 828
Cash flows arising from financing activities		
Dividends paid	(1 692)	(23 085)
Proceeds from issuance of bonds and subordinated debt	1 156 488	161 442
Reimbursement of bonds and subordinated debt	(864 183)	(644 747)
Increase / (decrease) in other sundry liabilities	(10 119)	(3 471)
	280 494	(509 861)
Net changes in cash and equivalents	(4 245)	(10 070)
Cash and equivalents balance at the beginning of the period	391 419	386 072
Net changes in cash and equivalents	(4 245)	(10 070)
Cash and equivalents balance at the end of the period	387 174	376 002
Cash and equivalents balance at the end of the period includes:		
Cash (note 18)	153 382	139 406
Loans and advances to credit institutions repayable on demand (note 19)	233 792	236 596
Total	387 174	376 002

See accompanying notes to the Interim consolidated financial statements

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. It is 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 six months period ended 30 June, 2013 and 2012.

During 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, S.A. 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.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Counsel, of 19 July, 2002, and its adoption into Portuguese Law through Decree-Law no. 35/2005, of 17 February and Regulation no. 1/2005 from the Bank of Portugal, Group's consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"), since 2005. 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 CEMG on 7 August, 2013. 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 six months period ended 30 June, 2013 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. These financial statements also present an income statement of the second quarter of 2013 and 2012 with comparative figures for the second quarter of last year. The financial statements for the six months ended 30 June, 2013 do not include all information to be disclosed in annual financial statements.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January, 2013, at the accounts presentation date.

The accounting policies presented in this note were applied consistently through all periods of the financial statements now presented, unless in what concerns to the adoption of IFRS 13 Fair Value Measurement, IAS 1 Presentation of Financial Statements and IAS 19 (Revised) Employee Benefits. The nature and the effects arising from the adoption of these standards are as follows:

IFRS 13 Fair value measurement

IFRS 13 provides the only orientation source of fair value measurement and replaces the standars that were scattered in several IFRS. Particularly, this standard defines fair value as the price for which ordered transaction for the sale of an asset or the transfer of a liability would be settled between market participations at measurement date.

According to the transitory arrangements of IFRS 13, the Group applied the orientatiosn to the fair value measurement prospectively. However, the changes arising from the adoption of IFRS 13, had no relevant impact at Group´s assets and liabilities measurement.

IAS 1 Presentation of Financial Statements - Presentation of items of other comprehensive income

Following the changes to IAS 1, the Group modified the presentation of the Comprehensive Statement of Income, separating the items that will not be reclassified to the income statement in subsequent periods, from the items that may be reclassified to the income statement in the future. The presentation of comparative information, was also modified.

The adoption of IAS 1 had no impact in the Group's assets, liabilities, profit for the period and other comprehensive income.

IAS 19 (Revised) Employee Benefits (2011)

According to IAS 19 (2011), the Group now determines the interest income/expense with pensions plan, multiplying the net asset/liability with retirement pensions (responsibility deducted from the fair value of the fund's assets) by the discount rate used to determine the liability with retirement pensions. On that basis, the net interest gain/loss includes the interest cost related with the liability with retirement pensions and the expected return on the fund's assets, both measured using the discount rate used in the liabilities calculation.

Previously, the Group assessed the expected return in the fund's assets, based in the long term expected returns.

The changes arising from the adoption of IAS 19 (Revised) had no relevant impact in the Group's accounts.

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 and financial assets available for sale, except those for which a reliable measure of fair value is not available. Financial assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the risk that is being hedged, if applicable. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the defined benefit obligation net of the value of the fund.

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

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.

Investment in subsidiaries

Investments in subsidiaries where the Group exercises control are fully consolidated from the date that the Group assumes control over its activities and until the control ceases to exist. Control is presumed to exist when the Group owns more than half of the voting rights. Additionally, control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities, even if the percentage of shareholding is less than 50%.

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 revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

Investments in associates

Investments in associated companies are 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 Executive Board of Directors or equivalent governing body of the investee;

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

- material transactions between the Group and the investee;

- interchange of the management team;

- provision of essential technical information.

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

Consolidation and revaluation differences - Goodwill

The record of the costs directly related with a subsidiary acquisition is recognised directly in the income statement.

All the positive goodwill that results of the acquisitions, is recognised as an asset and booked at its acquisition cost, not being amortized.

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

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

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

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

Purchases and dilution of non-controlling interests

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

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

The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests are recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The fair value of the liability is determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised against the income statement as well as the effect of the financial discount of the liability (unwinding). As from 1 January 2010 onwards, in an acquisition (dilution) of non-controlling interests not resulting in a loss of control, the difference between the fair value of the non-controlling interests acquired and the consideration paid, is accounted against reserves.

Special Purpose Entities („SPEs")

The Group fully consolidates SPEs resulting from securitization operation with assets from Group entities (as referred in note 53) and from operations regarding the sale of loans, when the substance of the relation with those entities indicates that the Group exercises control over its activities, independently of the percentage of the equity held. Besides these SPEs resulting from securitization and sale of loans operations, no additional SPEs have been consolidated considering that they do not meet the criteria established on SIC 12 as described below.

The evaluation of the existence of control is determined based on the criteria established by SIC 12, which can be analyzed as follows:

- The activities of the SPE, in substance, are being conducted on behalf of the Group, in accordance with the specific needs of the Group's business, in order to obtain benefits from these activities;

- The Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an "autopilot" mechanism; the Group has delegated these decision-making powers;

- The Group has the rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks inherent to the activities of the SPE; and

- The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

Investment fund management

The Group manages the assets held by investment funds for which the participation units are held by third parties. The financial statements of these entities are not consolidated by the Group, except when the Group has the control over these investment funds, namely when it holds more than 50% of the investment fund units.

When the Group consolidates real estate investment funds, the real estate property resulting from these funds are classified as investment properties, as referred in the accounting policy described in note 1 q).

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. The goodwill existing on these investments is valued against reserves.

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 reserves – exchange differences. 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 of the period.

To the investments that use a functional currency different from Euro and to the ones which full consolidation method applies, on the balance sheet dates, assets and liabilities are converted using the exchange rate of the balance sheet date. The items included on the income statement are converted using the average exchange rate of the period. The differences arising from the utilization of the balance sheet and average exchange rates are accounted against a specific item of the equity until the sold of the respective entities.

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 those entities.

Loans and advances to customers

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

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

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

Impairment

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

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

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

(i) Individually assessed loans

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

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

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

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

- A significant downgrading in the client rating;

- The assets available on liquidation or insolvency;

- The ranking of all creditor claims; and

- The amount and timing of expected receipts and recoveries.

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

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

(ii) Collective assessment

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

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

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

The collective impairment loss is determined considering the following factors:

- historical loss experience in portfolios of similar risk characteristics;

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

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

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

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

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

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 net gains arising from assets and liabilities at fair value trough profit or loss.

The interest from debt instruments are recognised as net interest income.

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

1b) Other financial assets and liabilities at fair value through profit and loss (“Fair Value Option”)

The Group has adopted the Fair Value Option for certain own bond issues, loans and time deposits that contain embedded derivatives or with related hedging derivatives. The variations of the Group's credit risk related with financial liabilities accounted under the Fair Value Option are disclosed in Net gains arising from assets and liabilities at fair value trough 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 recognised in the income statement. 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. The financial assets available for sale 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 arising from available for sale financial assets. Interest income from debt instruments is recognised in Net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends are recognised in the income statement when the right to receive the dividends is attributed.

3) Investments held to maturity

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

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

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

The financial gains or losses calculated at the time of the repurchase of other financial liabilities are recognised as Net gains arising from financial operation results when occurred.

(ii) Transfers between categories

The Group transfers financial assets not derivates with fixed or determinable payments and defined maturities, from financial assets available for sale to the category of held to maturity investments, as long as the intention and ability to hold these financial assets to maturity were considered.

These transfers are performed by based on the fair value of transferred assets, determined on the date of transfer. The difference between this fair value and nominal value is recognised in the income statement until maturity, based on the effective interest rate method. The fair value reserve existing on the date of transfer is also recognised in the income statement based on the effective interest rate method.

Transfers to (i) held to maturity investements category can only be performed provided as long as the intention and ability to hold these financial assets to maturity were considered and to (ii) category of loans and advances to customers, where it is intention and ability to hold these financial assets in the foreseeable future and are not traded in an active market.

There were no transfers between portfolios in the first semester of 2013 and in the 2012.

(iii) Impairment

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

d) Derivatives hedge accounting

(i) Hedge accounting

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

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

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

- the hedge is expected to be highly effective;

- the effectiveness of the hedge can be reliably measured;

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

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

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

(ii) Fair value hedge

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

(iii) Cash flow hedge

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

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

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

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

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

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

(iv) Hedge effectiveness

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

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

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

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 advances to costumers - Loans represented by securities or to held to maturity investments, 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.

Transfers of financial assets recognised in the category of Financial assets available for sale to Loans and receivables - Loans represented by securities and to held to maturity investments 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.

During the first semester of 2013 and 2012, the Group did not perform any reclassifications between financial instruments categories.

f) 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.

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

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

h) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

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

(ii) Repurchase agreements

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

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

i) 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 valuations performed by the Group.

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

j) 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.

k) Interest income and expense

Interest income and expense for financial instruments measured at amortised cost are recognised 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 recognised on the net interest income as well as those from assets and liabilities at fair value through profit and loss.

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

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

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

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

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

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

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

l) Fee and commission income

Fees and commissions are recognised according to the following criteria:

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

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

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

m) Financial results (Results arising from trading and hedging activities and financial assets available for sale and 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 recognised in this caption.

n) Fiduciary activities

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

o) Property and equipment

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

The Group performs impairment testing whenever events or circumstances indicate that the book value exceeds the highest between the value in use and the fair value less costs to sell, being the difference charged to the profit and loss.

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

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

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

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

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

p) 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's responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

q) 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 years. The Group does not capitalise internal costs arising from software development.

Other tangible assets

The recoverable amount of intangible assets without finite useful life as an asset is reviewed annually, regardless of the existence of signs of impairment. Any impairment losses are recognised in the 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 the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

t) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in the profit and loss.

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

u) Employee benefits

Pensions

Arising from the signing of the "Acordo Colectivo de Trabalho" (ACT) and subsequent amendments resulting from the 3 tripartite agreements as described in note 50, the Group entities set up pension funds and other mechanisms to cover the liabilities with pensions on retirement and disability, widows' pension, healthcare 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 every year for each plan individually, using the projected unit credit ("PUC") 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 Group determines the interest gain/loss with pensions plan by multiplying the net asset/liability with retirement pensions (liabilities net of the fund's assets fair value) by the discount rate used for the determination the retirement pension's liability, mentioned before. Therefore, the net interest gain/loss includes the interest cost related to the retirement pension's liability and the expected return of fund assets, both measured in accordance with the discount rate used in the liabilities estimate.

Actuarial gains and losses determined annually and resulting from (i) the differences between financial and actuarial assumptions used and real values obtained and (ii) the changes in actuarial assumptions, are accounted for equity and in the balance of other comprehensive income.

At each period, the Group recognises as a cost in the income statement a net total amount that comprises (i) the service cost, (ii) the interest cost, (iii) the expected return on plan assets, (iv) effect early retirement, and (v) effect of settlement or curtailment occurred during the period. Early retirement costs corresponds to an increase on the liabilities due to the fact the employee retires before reaching 65 years of age.

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.

As part of the preparation of financial statements in accordance with NCA, the recognition of the impact determined as at 31 December 2004, due to the transition to NCAs has being amortised on a straight line basis until 31 December 2010. Since then and in accordance with Regulation no. 7/2008 of 18 October of Bank of Portugal, the impact started being amortised for an additional period of 3 years until 31 December 2012, except the part related with healthcare post-employment liabilities and assumption changes on mortality tables, for which the amortising plan can last seven years.

Healthcare 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 healthcare 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 Board of Directors

In accordance with IAS 19 Employee benefits, the bonus payment to employees and to the 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 a entity free from Income Tax Code ("IRC"), in accordance with subparagraph a) n. 1 of Article 10 of the IRC. This exemption been recognised 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 IRC. Additionally, deferred taxes resulting from the temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation, are accounted for, whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

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

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

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

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

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

w) Segmental reporting

The Group adopted the IFRS 8 – Operational Segments for purposes of disclosure of financial information by operating segments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The results of the operating segments are periodically reviewed by Management, for decisions taking purposes. The Group prepares on a regular basis, financial information regarding the operating segments, which is reported to the Management. A geographical segment is a group of assets and operations located within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

For business management purposes, the Group considers the following operating segments: (i): Operational: Retail Banking, Companies and Others segments, and (ii) geographical segments: Portugal and International area (Angola and Cabo Verde).

x) Provisions

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

On the cases that the discount effect is material, provisions corresponds to actual value of the expected future payments, discounted by a rate that considers the associated risk of the obligation.

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

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

y) Insurance and reinsurance brokerage services

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

In the insurance brokerage services area, 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;

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

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

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 the Group reported results and related disclosure.

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

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

Impairment of financial assets available for sale

The Group determines that financial assets available for sale 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.

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

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

Fair value of derivative financial instruments

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

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

Held to maturity investments

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

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

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

Securitizations and special purpose entities (SPE)

The Group 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, Aqua SME No. 1, Pelican Mortgages No. 4, Pelican Mortgages No. 5, Pelican SME and Pelican Mortgages No. 6 were not derecognised in the Groups financial statements.

The Group derecognised the following SPE which also resulted from operations of securitization: Pelican Mortgages No. 1 e 2. For these SPE, the Group concluded that the main risks and the benefits were transferred, as the Group 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, recognised in the period.

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

Pension and other employees benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors that could impact the cost and liability of the pensions 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 available for sale 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 financial assets available for sale 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, financial assets available for sale and interest and similar income activities are generated by a range of different business activities.

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	**Jun 2012**
Net interest income	101 927	153 333
Net gains arising from assests and liabilities at fair value through profit and loss and financial assets available for sale	42 797	32 318
	144 724	185 651

3 Net interest income

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013			Jun 2012		
	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	256 033	-	256 033	321 570	-	321 570
Interest from other assets	865	-	865	1 504	-	1 504
Interest from deposits	310	-	310	2 156	-	2 156
Interest from finacial assets available for sale	106 747	-	106 747	167 493	-	167 493
Interest from held to maturity investments	338	-	338	659	-	659
Interest from hedging derivates	421	-	421	1 303	-	1 303
Interest from financial assets held for trading	-	54 862	54 862	-	137 738	137 738
Other interest and similar income	12 478	-	12 478	10 694	-	10 694
	377 192	54 862	432 054	505 379	137 738	643 117
Interest and similar expense:						
Interest from deposits	167 328	-	167 328	243 943	-	243 943
Interest from securities issued	55 345	-	55 345	36 370	-	36 370
Interest from loans	1 960	-	1 960	2 366	-	2 366
Interest from other funding	12 417	-	12 417	14 375	-	14 375
Interest from hedging derivates	647	-	647	2 233	-	2 233
Interest from financial assets held for trading	-	53 967	53 967	-	128 564	128 564
Other interest and similar expense	38 463	-	38 463	61 933	-	61 933
	276 160	53 967	330 127	361 220	128 564	489 784
Net interest income	101 032	895	101 927	144 159	9 174	153 333

The balance Interest on loans and advances includes the amount of Euro 10,021 thousands (30 June 2012: Euro 11,198 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 includes the effect of accounting the interest on deposits with increasing interest rates in the amount of negative Euro 3,525 thousands (30 June 2012: positive Euro 3,685 thousands).

4 Dividends from equity instruments

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

5 Net fees and comissions income

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Fee and commission income		
From banking services	47 942	46 704
From transactions order by third parties	7 942	6 122
From insurance activity	3 175	3 185
From commitments to third parties	4 380	3 970
Other fee and commission income	4 276	614
	67 715	60 595
Fee and commission expense		
From banking services rendered by third parties	10 097	9 410
From transactions with securities	257	212
Other fee and commission expense	2 130	2 470
	12 484	12 092
Net fees and commissions income	55 231	48 503

As at 30 June 2013 and 2012, commissions received on insurance brokerage services or reinsurance is made up as follows:

(Thousands of Euro)

	Jun 2013	Jun 2012
Life insurance		
Mortgage	589	609
Consumer	336	389
Other	695	693
	1 620	1 691
Non-life insurance		
Mortgage	1 042	1 008
Consumer	55	58
Other	458	428
	1 555	1 494
	3 175	3 185

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

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013			Jun 2012		
	Gains	Losses	Total	Gains	Losses	Total
Financial assets and liabilities held for trading						
Bonds and other fixed income securities						
Issued by public entities	1	-	1	-	-	-
Issued by other entities	48	69	(21)	-	-	-
Shares	2 917	2 249	668	881	1 694	(813)
Investment fund units	46	64	(18)	261	297	(36)
	3 012	2 382	630	1 142	1 991	(849)
Derivative financial instruments						
Exchange rate contracts	47 859	47 550	309	40 279	40 925	(646)
Interest rate contracts	200 096	227 451	(27 355)	925 603	928 196	(2 593)
Credit default contracts	365	228	137	2 062	1 470	592
Other	55 636	18 432	37 204	38 723	34 156	4 567
	303 956	293 661	10 295	1 006 667	1 004 747	1 920
Other financial assets at fair value through profit or loss						
Bonds and other fixed income securities issued by other entities	1 059	-	1 059	153	-	153
	1 059	-	1 059	153	-	153
Financial liabilities						
Deposits from other credit institutions	204	-	204	75	34	41
Deposits from customers	275	219	56	436	100	336
Other subordinated debt	5 414	4 901	513	220 038	221 477	(1 439)
Other	1 606	9 756	(8 150)	11 727	26 692	(14 965)
	7 499	14 876	(7 377)	232 276	248 303	(16 027)
	315 526	310 919	4 607	1 240 238	1 255 041	(14 803)

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 trough profit or loss.

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

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

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

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013			Jun 2012		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Bonds and other fixed income securities						
Issued by public entities	32 508	653	31 855	773	351	422
Issued by other entities	5 494	1 587	3 907	45 979	246	45 733
Shares	184	621	(437)	19	21	(2)
Other variable income securities	2 867	2	2 865	975	7	968
	41 053	2 863	38 190	47 746	625	47 121

The balance Bonds and other fixed income securities – Issued by other entities includes the amount of 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 Mortgage No. 3, as described in note 37.

8 Net gains/ (losses) from foreign exchange

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013			Jun 2012		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Foreign exchange differences	33 292	24 685	8 607	24 065	18 151	5 914

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 2013	**Jun 2012**
Sale of real estate properties	(3 754)	(11 775)
Sale of investments in associates	1 000	-
Other	(444)	(6 819)
	(3 198)	(18 594)

The balance Sale of real estate properties includes the losses arising from the sale of non-current assets available for sale.

As at 30 June 2012, the balance Other includes the amount of Euro 6,695 thousands, related to the full recognition of software program as an expense of the period.

10 Other operating income

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Other operating income		
Income from services	3 337	3 632
Reimbursement of expenses	4 050	4 301
Profits arising from deposits on demand management	7 970	8 212
Repurchase of own securities	420	23 822
Other	14 993	5 314
	30 770	45 281
Other operating expense		
Indirect taxes	5 060	2 768
Donations and quotizations	196	157
Contributions to the Deposit Guarantee Fund	1 624	1 548
Resolution Fund	1 145	-
Other	31 414	6 101
	39 439	10 574
Other net operating income	(8 669)	34 707

As at 30 June, 2012, the balance Repurchase of own securities is calculated in accordance with accounting policy described in note 1 c) and refer to the re-acquisition of covered bonds and Euro Medium Term Notes. As at 30 June 2012, this balance also includes the amount resulting from the cancellation of covered bonds of Euro 1,857 thousands.

The specific contribution for the Banking Sector is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) the off-balance notional amount of derivatives. As at 30 June 2012, the Group recognizes as cost expense for the period the amount of Euro 2,637 thousands (30 June 2012: Euro 2,116 thousands), included in the balance Other operating expense – Indirect taxes.

11 Staff costs

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Remunerations	71 893	70 279
Mandatory social security charges	19 537	19 765
Charges with the pensions fund	2 622	5 406
Other staff costs	2 603	2 243
	96 655	97 693

The caption Charges with the pensions fund, as at 30 June 2012, includes the amount of Euro 1,377 thousands related to the impact in the income statement of the responsibilities with retirees and pensioners transferred to the General Social Security Scheme ('GSSS'), as referred in note 50. The referred impact corresponds to the effect of the recalculation of the liabilities based on the actuarial assumptions set by the Portuguese State, in the scope of the transfer.

This balance also includes, as at 30 June 2012, the amount of Euro 878 thousands regarding the cost with early retirements.

12 General and administrative expenses

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Rents	14 981	16 752
Specialised services		
IT services	4 688	5 998
Independent work	2 621	3 076
Other specialised services	8 585	10 684
Advertising	2 379	2 221
Communication	4 864	5 728
Water, energy and fuel	2 789	3 054
Maintenance and related services	2 528	2 546
Transportation	1 653	1 653
Insurance	1 382	1 128
Travel, hotel and representation costs	974	1 122
Consumables	1 304	708
Training costs	167	123
Other supplies and services	3 260	2 295
	52 175	57 088

The balance Rents, includes the amount of Euro 13,119 thousands (30 June 2012: Euro 12,526 thousands) related to rents paid regarding buildings used by the Group as leaser.

13 Depreciation

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Intagible assets		
Software	6 013	5 949
Other intangible assets	279	270
	6 292	6 219
Other tangible assets		
Land and buildings	2 406	2 096
Equipment		
Furniture	1 079	1 274
Office equipment	10	64
Computer equipment	3 419	3 980
Interior installations	37	178
Motor vehicles	49	73
Security equipment	1 028	613
Operational lease	907	732
Other tangible assets	97	92
	9 032	9 102
	15 324	15 321

14 Loans impairment

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Other loans and advances to credit instituitions		
Charge for the period	1 098	50
Write-back for the period	(440)	(316)
	658	(266)
Loans and advances to costumers		
Charge for the period net of reversals	87 106	43 157
Recovery of loans and interest charged-off	(4 166)	(3 258)
	82 940	39 899
	83 598	39 633

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 assets impairment

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Impairment for non-current assets held for sale		
Charge for the period	23 832	5 927
Impairment for securities		
Charge for the period	35 033	17 825
Write-back for the period	(15 027)	(8 829)
	20 006	8 996
Impairment for intangible assets		
Charge for the period	-	26 512
	-	26 512
Impairment for other assets		
Charge for the period	621	-
Write-back for the period	(1 794)	(1 000)
	(1 173)	(1 000)
	42 665	40 435

As at 30 June 2013, the balance Impairment for securities – Charge for the period includes the amount of Euro 1,279 thousands, related to the impairment recognised for investment fund units in Specialized Credit Funds, acquired as part of the transfer of loans and advances to costumers, as described in note 24.

As at 30 June 2012, the intangibles assets impairment refers to the charged impairment for the goodwill related to the participation in the Finibanco Group, as described in note 31.

16 Other provisions

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Provision for liabilities and charges		
Charge for the period	1 196	1 507
Write-back for the period	(48)	(5 034)
	1 148	(3 527)

17 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 2013	Jun 2012
Lusitania, Companhia de Seguros, S.A.	(2 900)	(1 315)
Lusitania Vida, Companhia de Seguros, S.A.	975	999
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	(79)	(175)
Iberpartners Cafés S.G.P.S., S.A.	-	(33)
Nutre S.G.P.S., S.A.	(1 931)	(320)
Prio Energy S.G.P.S., S.A.	-	329
	(3 935)	(515)

18 Cash and deposits at central banks

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Cash	153 382	155 760
Deposits at central banks		
Bank of Portugal	154 475	108 581
Other deposits at central banks	29 748	40 545
	337 605	304 886

The balance Deposits at central banks 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 2% of the average value of deposits and other liabilities, during each reserve requirement period. This rate is different for countries outside the Euro Zone.

As at 30 June 2013, these deposits at Banco de Portugal presented an average interest rate of 0.50% (31 December 2012: 0.75%). Other deposits at central banks are non-interest-bearing deposits.

19 Loans and advances to credit institutions repayable on demand

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Credit institutions in Portugal	174 754	180 342
Credit institutions abroad	15 454	10 895
Amounts due for collection	43 584	44 422
	233 792	235 659

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 analyzed as follows:

(Thousands of Euro)

	Jun 2013	**Dec 2012**
Loans and advances to credit institutions in Portugal		
Deposits	1 135	1 135
Loans	-	19 715
Other loans and advances	6 003	6 003
	7 138	26 853
Loans and advances to credit institutions abroad		
Deposits	9 994	9 993
Short term deposits	65 099	69 573
Other loans and advances	118 600	117 930
	193 693	197 496
	200 831	224 349
Impairment for loans and advances to credit institutions	(683)	(25)
	200 148	224 324

The main loans and advances to credit institutions in Portugal, as at 30 June 2013, bear interest at an average annual interest rate of 1% (31 December 2012: 1,25%).

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

(Thousands of Euro)

	Jun 2013	**Jun 2012**
Balance on 1 January	25	345
Charge for the period	1 098	50
Write-back for the period	(440)	(316)
Balance on 30 June	683	79

21 Loans and advances to customers

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Domestic loans		
Corporate		
Loans	2 091 596	1 936 956
Commercial lines of credits	1 498 253	1 695 686
Financial leases	400 377	384 849
Discounted bills	125 633	173 517
Factoring	93 121	105 231
Overdrafts	91 569	66 508
Other loans	1 259 529	1 370 846
Retail		
Mortgage loans	8 439 929	8 617 320
Finance leases	87 229	119 616
Consumer and other loans	1 108 023	1 137 704
	15 195 259	15 608 233
Foreign loans		
Corporate	95 315	63 878
Retail	13 929	12 248
	15 304 503	15 684 359
Correction value of assets subject to hedge operations		
Finance leases	1 559	2 759
Other loans	4 231	4 148
	5 790	6 907
Overdue loans and interest		
Less than 90 days	109 986	103 608
More than 90 days	916 295	830 957
	1 026 281	934 565
	16 336 574	16 625 831
Impairment for credit risks	(1 000 691)	(922 284)
	15 335 883	15 703 547

As at 30 June 2013, the balance Loans and advances to customers includes the amount of Euro 2,737,065 thousands (31 December 2012: Euro 2,816,016 thousands) related to the issue of covered bonds held by the Group.

As referred in note 57, the Group performed a set of sales of Loans and advances to customers for Specialized Funds in the recovery of loans. The total amount of loans sold amounted to Euro 25,425 thousands (31 December 2012: Euro 15,318 thousands).

During 2012, the Group sold two loans and advances to customers portfolios to a securitisation company named "Hefesto Sociedade de Titularização de Créditos, S.A.". These operations were denominated as Aurea 1 and Aurea 2. These loans presented a balance value of Euro 70,540 thousands, being the sale made by the same amount.

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; an 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 SIC 12, according with the accounting policy described in note 1 b).

As at 30 June 2013, the value of loans and advances to customers (net of impairment), includes the amount of Euro 215,810 thousands (31 December 2012: Euro 229,286 thousands) related to securitization 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 (note 53).

As at 30 June 2013, the balance Loans and advances to customers includes the amount of Euro 3,777,202 thousands (31 December 2012: Euro 3,941,386 thousands) related with securitized loans and, in accordance with note 1 g), were not subject to derecogniton.

In the balance Correction of asset values subject to hedge operations is accounted the fair value of portfolio that is hedged. The valuation is accounted for in the income statement, in accordance with note 1 e). The Group evaluates on an ongoing basis the effectiveness of the existing hedge operations.

The fair value of the portfolio of loans to customers is presented in note 49.

Loans and advances to customers include mostly variable interest rate contracts.

The analysis of Loans and advances to customers, by maturity date and type of client as at 30 June 2013, is as follows:

(Thousands of Euro)

	Loans and advances to costumers				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Asset - backed loans	549 476	1 518 007	9 886 566	437 696	12 391 745
Other guarantee loans	908 668	261 897	512 537	252 325	1 935 427
Unsecured loans	554 440	198 586	272 439	284 475	1 309 940
Public sector loans	10 894	4 395	33 979	2 409	51 677
Foreign loans	10 059	87 850	11 335	10 855	120 099
Financial leases loans	6 964	168 126	314 075	38 521	527 686
	2 040 501	2 238 861	11 030 931	1 026 281	16 336 574

The analysis of Loans and advances to customers, by maturity date and type of client as at 31 December 2012, 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	595 945	1 604 010	9 974 404	411 918	12 586 277
Other guarantee loans	947 541	330 218	377 924	210 758	1 866 441
Unsecured loans	678 224	208 266	337 809	268 864	1 493 163
Public sector loans	87	7 788	46 648	311	54 834
Foreign loans	17 448	54 864	2 866	10 810	85 988
Financial leases	8 758	178 364	320 102	31 904	539 128
	2 248 003	2 383 510	11 059 753	934 565	16 625 831

The balance Financial leases, by the period to maturity as at 30 June 2013, is analyzed as follows:

(Thousands of Euro)

	Financial leases			
	Due within 1 year	1 year to 5 years	Over 5 years	Total
Outstanding rents	81 290	272 472	198 585	552 347
Outstanding interest	(16 929)	(65 776)	(46 150)	(128 855)
Residual Values	5 665	23 507	36 501	65 673
	70 026	230 203	188 936	489 165

The balance Financial leases, by the period to maturity as at 31 December 2012, is analyzed as follows:

(Thousands of Euro)

	Financial leases			
	Due within 1 year	1 year to 5 years	Over 5 years	Total
Outstanding rents	83 063	277 951	204 556	565 570
Outstanding interest	(16 521)	(61 941)	(43 175)	(121 637)
Residual Values	9 119	21 128	33 044	63 291
	75 661	237 138	194 425	507 224

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

(Thousands of Euro)

	Jun 2013	Dec 2012
Asset-backed loans	437 696	411 918
Other guarantee loans	252 325	210 758
Unsecured loans	284 475	269 812
Public sector loans	2 409	311
Foreign loans	10 855	9 862
Finance leases loans	38 521	31 904
	1 026 281	934 565

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

(Thousands of Euro)

	Jun 2013	**Dec 2012**
Corporate		
Construction / Production	201 855	178 342
Investment	168 773	223 990
Treasury	337 189	237 164
Other loans	27 362	17 242
Retail		
Mortgage loans	119 531	125 166
Consumer credit	59 822	54 248
Other loans	70 936	61 256
Public sector	2 410	311
Other segments	38 403	36 846
	1 026 281	934 565

The impairment for credit risks is analyzed as follows:

(Thousands of Euro)

	Jun 2013	**Jun 2012**
Balance on 1 January	922 284	770 476
Charge for the period net of reversals	87 106	43 157
Loans charged-off	(16 132)	(141 277)
Transfers	7 420	92 472
Other	13	-
Balance on 30 June	1 000 691	764 828

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 accounting policy described in note 1 c), and in accordance with "Carta-circular" n.º 15/2009, of January, 28 from Bank of Portugal, 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 2013	Dec 2012
Asset-backed loans	594 203	442 528
Other guaranteed loans	232 838	212 367
Unsecured loans	173 650	267 389
	1 000 691	922 284

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

(Thousands of Euro)

	Jun 2013	Dec 2012
Asset-backed loans	10 133	135 889
Other guarateed loans	3 845	29 465
Unsecured loans	2 154	14 297
	16 132	179 651

The recovered loans and overdue interest, performed during from 1 January to 30 June 2013 and during 2012, includes the amount of Euro 4,166 thousands and Euro 3,258 thousands, related with the recovery of asset-backed loans, as referred in note 14.

As at 30 June 2013 and 31 December 2012, the impairment detail, according to note 1 c), is as follows:

(Thousands of Euro)

	Jun 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	4 487 730	(449 483)	2 795 325	(327 394)	7 283 055	(776 877)	6 506 178
Loans to costumers - Mortgage	7 542	(520)	8 520 992	(125 821)	8 528 534	(126 341)	8 402 193
Loans to costumers - Others	92 342	(6 543)	909 144	(90 930)	1 001 486	(97 473)	904 013
	4 587 614	(456 546)	12 225 461	(544 145)	16 813 075	(1 000 691)	15 812 384

(Thousands of Euro)

	Dec 2012						
	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	4 004 102	(371 294)	3 333 616	(341 307)	7 337 718	(712 601)	6 625 117
Loans to costumers - Mortgage	446	(101)	8 696 646	(117 733)	8 697 092	(117 834)	8 579 258
Loans to costumers - Others	70 271	(788)	989 686	(91 061)	1 059 957	(91 849)	968 108
	4 074 819	(372 183)	13 019 948	(550 101)	17 094 767	(922 284)	16 172 483

The Group's credit portfolio, which includes loans to customers, also have the guarantees granted and open documentary credits, is splitted between impaired credit and credit not impaired is analyzed as follows:

(Thousands of Euro)

	Jun 2013	**Dec 2012**
Total of loans	16 813 075	17 094 767
Loans and advances to customers with impairment		
Individually significant		
Gross amount	4 587 614	4 074 819
Impairment	(456 546)	(372 183)
Net book amount	4 131 068	3 702 636
Parametric analysis		
Gross amount	2 865 014	3 022 365
Impairment	(522 309)	(524 140)
Net book amount	2 342 705	2 498 225
Loans and advances to customers without impairment	9 360 447	9 997 583
Impairment (IBNR)	(21 836)	(25 961)
	15 812 384	16 172 483

Following the instructions of Bank of Portugal, a revision of the Collective Impairment Model ("Model") of CEMG was conducted by an External Entity, whose conclusions and possible regulatory and accounting impacts are still in validation by CEMG and in discussion with Bank of Portugal. Therefore, the collective impairment accounted for, as at 30 June 2013, reflects the estimate made by the Executive Board of Directors supported by the current Model of CEMG.

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

22 Financial assets and liabilities held for trading

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

(Thousands of Euro)

	Jun 2013	Dec 2012
Financial assets held for trading		
Securities		
Shares	12 932	12 337
Bonds	1 533	1 949
	14 465	14 286
Derivatives		
Derivative financial instruments with positive fair value	47 022	106 800
Loans and other receivables	25 810	17 969
	72 832	124 769
	87 297	139 055
Financial liabilities held for trading		
Securities		
Short sells	1 246	984
Derivatives		
Derivative financial instruments with negative fair value	66 181	83 810
	67 427	84 794

As at 30 June 2013, the balance Loans and other receivables includes the amount of Euro 9,672 thousands, related to the reclassification of a loans and advances to costumers portfolio written-off and accounted for in off-balance sheet (nominal value of Euro 157,013 thousands). This portfolio was reclassified, considering the sales perspectives already undertaken trough a purchase and sale agreement.

As at 30 June 2013, the balance Derivatives financial instruments with positive fair value includes the amount of Euro 16,362 thousands (31 December 2012: Euro 54,523 thousands), related to instruments associated to assets or liabilities at fair value through profit and loss.

As at 30 June 2013, the balance Derivatives financial instruments with negative fair value includes the amount of Euro 7,958 thousands (31 December 2012: Euro 10,385 thousands), related to instruments associated to assets or liabilities at fair value through profit and loss.

As at 31 December 2012, the fair value of derivative financial instruments includes the valuation of the embedded derivatives separated from the host contracts in accordance with the accounting policy described in note 1 d) in the amount of Euro 8,450 thousands.

As at 30 June 2013, 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 accounting policy, 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 7, financial assets held for trading and available for sale are valued in accordance with the following fair value measurement levels:

- Level 1: financial instruments measured in accordance with quoted market prices or providers.

- Level 2: financial instruments measured in accordance with internal valuation techniques based on observable market inputs;

- Level 3: financial instruments measured in accordance with valuation techniques based on inputs not based on observable data that have significant impact in the instruments valuation.

The financial assets and liabilities held for trading are valued in accordance with market prices or providers and with internal valuation techniques based on observable market inputs. Therefore, accordingly with the hierarchy of the valuation sources, as referred in IFRS 7 these instruments are classified in the levels 1 and 2, as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Financial assets held for trading		
Level 1	14 465	14 286
Level 2	47 022	106 800
Level 3	25 810	17 969
	87 297	139 055
Financial liabilities held for trading		
Level 1	1 246	984
Level 2	66 181	83 810
	67 427	84 794

During the first semester of 2013, no significant reclassifications were made between valuation levels.

The book value of the assets and liabilities at fair value through profit or loss as at 30 June 2013, is as follows:

(Thousands of Euro)

		Jun 2013						
		Derivative			Related asset/liability			
Derivative	**Related financial asset / liability**	**Notional**	**Fair value**	**Changes in the fair value in the period**	**Fair value**	**Changes in the fair value in the period**	**Book Value**	**Reimbursement amount at maturity date**
Interest rate swap	Secutities issued	715 636	6 082	(5 973)	23 590	(6 753)	223 990	221 950
Interest rate swap	Deposits	41 000	(765)	(26 820)	(9 846)	5 685	409 692	403 553
Interest rate swap	Deposits from customers	152 040	7 442	(9 884)	5 689	(501)	75 989	86 509
Interest rate swap	Titularization	8 910 620	(9 930)	(499)	-	-	-	-
Interest rate swap	Covered bonds	10 943 490	(4 883)	636	-	-	-	-
Interest rate swap	Loans and advances to costumers	50 000	(2 080)	632	1 901	(574)	25 346	25 000
Interest rate swap	Other	495 420	(15 665)	(45)	-	-	-	-
Exchange rate swap	-	372 330	102	(113)	-	7	-	-
Future options	-	41 014	23	13	-	-	-	-
Options	Time deposits and other deposits	366 834	603	(182)	-	-	-	-
Credit Default Swaps	-	25 000	(88)	86	-	-	-	-
-	Credit to customers and other receivables	-	25 810	7 841	-	-	-	-
		22 113 384	6 651	(34 308)	21 334	(2 136)	735 017	737 012

The book value of the assets and liabilities at fair value through profit or loss as at 31 December 2012, is as follows:

(Thousands of Euro)

		Dec 2012						
		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**	**Reimburseme nt amount at maturity date**
Interest rate swap	Secutities issued	875 236	12 055	324	30 343	118 476	229 501	223 950
Interest rate swap	Deposits	1 360 400	26 055	3 805	(15 531)	375	443 782	437 599
Interest rate swap	Deposits from customers	330 424	17 326	3 655	6 190	13 402	102 196	100 577
Interest rate swap	Titularization	9 276 333	(9 431)	(1 683)	-	-	-	-
Interest rate swap	Covered bonds	11 275 036	(5 519)	(11 394)	-	6 509	-	-
Interest rate swap	Loans and advances to costumers	50 000	(2 712)	(1 153)	2 475	960	25 350	25 000
Interest rate swap	Other	517 840	(15 620)	(13 330)	-	-	-	-
Exchange rate swap	-	280 482	215	(264)	(7)	28	1 554	1 516
Future options	-	38 766	10	32	-	-	-	-
Options	Time deposits and other deposits	332 394	785	787	-	-	-	-
Credit Default Swaps	-	32 500	(174)	2 897	-	-	-	-
-	Credit to customers and other receivables	-	17 969	(38 957)	-	-	-	-
		24 369 411	40 959	(55 281)	23 470	139 750	802 383	788 642

The analysis of financial instruments held for trading, by maturity date as at 30 June 2013, is as follows:

(Thousands of Euro)

	Jun 2013					
	Notionals with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Interest rate contracts						
Interest rate swap	7 000	142 900	21 158 307	21 308 207	39 638	(59 437)
Options	3 437	51 589	311 808	366 834	6 835	(6 232)
Exchange rate contracts						
Currency swap	366 252	6 077	-	372 329	494	(392)
Index contracts						
Index futures	41 014	-	-	41 014	25	(2)
Credit default contracts						
Credit default swaps	-	3 000	22 000	25 000	30	(118)
Other	-	-	-	-	25 810	-
	417 703	203 566	21 492 115	22 113 384	72 832	(66 181)

The analysis of financial instruments held for trading, by maturity date as at 31 December 2012, is as follows:

(Thousands of Euro)

	Dec 2012					
	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Interest rate contracts:						
Interest rate swap	234 000	371 383	23 079 886	23 685 269	99 248	77 094
Options	433	19 200	312 761	332 394	6 857	6 072
Exchange rate contracts:						
Currency swap	279 706	776	-	280 482	627	412
Index contracts:						
Index futures	38 766	-	-	38 766	10	-
Credit default contracts:						
Credit default swaps	-	7 500	25 000	32 500	58	232
Other	-	-	-	-	17 969	-
	552 905	398 859	23 417 647	24 369 411	124 769	83 810

23 Other financial assets and liabilities at fair value through profit or loss

The caption Other financial assets and liabilities at fair value trough profit or loss includes bonds issued by foreign issuers.

The Group's choice of naming these assets at fair value through profit and loss, according to IAS 39 and accounting policy 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.

Other financial assets and liabilities held for trading at fair value through profit or loss are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 7, these instruments are classified in level 1.

24 Financial assets available for sale

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013				
		Fair value reserve			
	Cost (1)	Positive	Negative	Impairment Losses	Book Value
Fixed income securities					
Issued by public entities					
Portuguese	1 649 049	6 765	(28 662)	-	1 627 152
Foreign	55 892	2 345	(1 277)	(11 257)	45 703
Issued by other entities					
Portuguese	308 917	1 381	(4 154)	-	306 144
Foreign	216 910	1 380	(6 487)	(6 499)	205 304
Commercial paper	228 873	-	-	(10 160)	218 713
Variable income securities:					
Shares					
Portuguese	18 155	112	(73)	(6 426)	11 768
Foreign	12 707	1 356	(819)	(3 211)	10 033
Investment fund units	464 097	3 639	(13 926)	(6 877)	446 933
	2 954 600	16 978	(55 398)	(44 430)	2 871 750

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

(Thousands of Euro)

	Dec 2012				
		Fair value reserve			
	Cost (1)	**Positive**	**Negative**	**Impairment Losses**	**Book Value**
Fixed income securities					
Issued by public entities					
Portuguese	1 106 897	14 067	(5 049)	-	1 115 915
Foreign	95 444	1 322	(1 209)	(11 257)	84 300
Issued by other entities					
Portuguese	353 080	655	(6 698)	-	347 037
Foreign	281 053	1 344	(21 565)	(1 049)	259 783
Commercial paper	248 708	-	-	(1 224)	247 484
Variable income securities					
Shares					
Portuguese	12 763	108	(42)	(6 437)	6 392
Foreign	8 772	1 087	(81)	(2 596)	7 182
Investment fund units	424 457	2 860	(8 882)	(5 083)	413 352
	2 531 174	21 443	(43 526)	(27 646)	2 481 445

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

As referred in note 1 d), the portfolio of assets available-for-sale are presented at market value with fair value changes accounted for against fair value reserves, as referred in note 45. The Group assesses periodically whether there is objective evidence of impairment losses on the available-for-sale financial assets, following the judgment criteria's according to accounting policy described in note 1 aa).

As referred in note 57, the balance Variable income securities – Investment fund units includes the amount of Euro 26,372 thousands (31 December 2012: Euro 19,018 thousands) relating to units in Funds Specialized in the recovery of loans acquired under the sale of loans and advances to customers. This amount includes Euro 6,153 thousands (31 December 2012: Euro 4,874 thousands) engaged to junior securities (investment fund units with a more subordinated character), which are fully provisioned, according to note 15.

The balance Variable income securities – Investment fund units also includes 20,195,716 participation units of "CA Imobiliário – Fundo Especial de Investimento Imobiliário Aberto (FEII)" in the amount of Euro 169,446 thousands.

The financial assets available for sale are valued in accordance with market prices or providers and with internal valuation techniques based on observable market inputs. Therefore, accordingly with the hierarchy of the valuation sources, as referred in IFRS 7 these instruments are classified, as follows:

(Thousands of Euro)

	Jun 2013	**Dec 2012**
Level 1	2 389 471	1 895 751
Level 2	435 740	136 504
Level 3	38 506	181 987
At cost acquisition	8 033	267 203
	2 871 750	2 481 445

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

(Thousand of Euro)

	Jun 2013	**Jun 2012**
Balance on 1 January	27 646	30 115
Charge for the period	35 033	17 825
Write-back for the period	(15 027)	(8 829)
Charged-off	(410)	(16 170)
Regularization	(2 812)	(10 797)
Balance on 30 June	44 430	22 941

As described in note 1 d), the portfolio of financial assets available for sale are presented net of the total fair value reserve and impairment. As at 30 June 2013, the total fair value reserve for financial assets available for sale is negative and amounts to Euro 38,420 thousands (31 December 2012: Euro 22,083 thousands negative) and impairment amounts to Euro 44,430 thousands (31 December 2012: Euro 27,646 thousands).

The evolution of the debt crisis of the Euro zone countries associated with the 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 the EU and the IMF.

Given this situation, the item includes securities for impairment losses recognised in the sovereign debt of Greece during the year 2012, as referred in note 56.

The analysis of the available-for-sale financial assets by maturity date, as at 30 June 2013, is as follows:

(Thousands of Euro)

	Jun 2013				
	Due within 3 months	**3 months to 1 year**	**Over 1 year**	**Undetermined**	**Total**
Fixed income securities					
Issued by public entities					
Portuguese	-	38 531	1 588 621	-	1 627 152
Foreign	-	26 897	18 806	-	45 703
Issued by other entities					
Portuguese	37 539	37 422	228 644	2 539	306 144
Foreign	2 114	7 111	192 947	3 132	205 304
Commercial paper	134 898	64 833	18 982	-	218 713
	174 551	174 794	2 048 000	5 671	2 403 016
Variable income securities					
Shares					
Portuguese	-	-	-	11 768	11 768
Foreign	-	-	-	10 033	10 033
Investment fund units	-	-	164	446 769	446 933
	-	-	164	468 570	468 734
	174 551	174 794	2 048 164	474 241	2 871 750

The analysis of the available-for-sale financial assets by maturity date, as at 31 December 2012, is as follows:

(Thousands of Euro)

	Dec 2012				
	Due within 3 months	**3 months to 1 year**	**Over 1 year**	**Undetermined**	**Total**
Fixed income securities					
Issued by public entities					
Portuguese	51 886	248 353	815 676	-	1 115 915
Foreign	2 521	63 627	18 152	-	84 300
Issued by other entities					
Portuguese	48	64 324	282 665	-	347 037
Foreign	24 674	14 420	217 570	3 119	259 783
Commercial paper	100 596	81 295	65 593	-	247 484
	179 725	472 019	1 399 656	3 119	2 054 519
Variable income securities					
Shares					
Portuguese	-	-	-	6 392	6 392
Foreign	-	-	-	7 182	7 182
Investment fund units	-	-	7 375	405 977	413 352
	-	-	7 375	419 551	426 926
	179 725	472 019	1 407 031	422 670	2 481 445

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

(Thousands of Euro)

	Jun 2013			Dec 2012		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed income securities						
Issued by public entities						
Portuguese	1 627 152	-	1 627 152	1 115 915	-	1 115 915
Foreign	45 703	-	45 703	84 300	-	84 300
Issued by other entities						-
Portuguese	277 363	28 781	306 144	319 553	27 484	347 037
Foreign	205 304	-	205 304	259 783	-	259 783
Commercial paper	-	218 713	218 713	1 766	245 718	247 484
Variable income securities						
Shares						
Portuguese	1 405	10 363	11 768	1 380	5 012	6 392
Foreign	9 678	355	10 033	6 827	355	7 182
Investment fund units	431 740	15 193	446 933	399 207	14 145	413 352
	2 598 345	273 405	2 871 750	2 188 731	292 714	2 481 445

25 Hedging derivatives

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Asset		
Interest rate swaps	915	931
Liability		
Interest rate swaps	2 572	3 177

Hedging derivatives are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 7 these derivatives are classified in level 2.

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

The Group performs periodical effectiveness tests of the hedging relationships.

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

(Thousands of Euro)

	Jun 2013	Dec 2012
Deposits from other credit institutions	205	(600)
Financial assets available for sale	(1 771)	1 987
	(1 566)	1 387

The analysis of the hedging derivatives portfolio by maturity date, as at 30 June 2013 is as follows:

(Thousands of Euro)

	Jun 2013							
	Notionals 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	-	20 000	72 000	92 000	-	828	(2 485)	(1 657)
	-	20 000	72 000	92 000	-	828	(2 485)	(1 657)

The analysis of the hedging derivatives portfolio by maturity date, as at 31 December 2012 is as follows:

(Thousands of Euro)

	Dec 2012							
	Notionals 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	-	23 000	92 000	115 000	-	(366)	(1 880)	(2 246)
	-	23 000	92 000	115 000	-	(366)	(1 880)	(2 246)

26 Held to maturity investments

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Fixed income securities		
Bonds issued by Portuguese public entities	6 317	6 185
Bonds issued by foreign public entities	21 707	21 310
	28 024	27 495

The fair value of held to maturity investments portfolio is presented in note 49.

The Group assessed, with reference to 30 June 2013, 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 2013 are analyzed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity Date	Interest Rate	Book Value
OT - Setembro_98/23-09-2013	May, 1998	September, 2013	Fixed rate of 5.450%	99
OT - Outubro_05/15-10-2015	July, 2005	October, 2015	Fixed rate of 3.350%	6 218
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3.250%	5 110
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3.500%	2 057
Belgium Kingdom 05/28-09-2015	March, 2005	September, 2015	Fixed rate of 3.750%	2 034
Buoni Poliennali Del Tes. 05/2015	May, 2005	August, 2015	Fixed rate of 3.750%	2 004
OT Angola 12/18-07-2014 - 6,98%	July, 2012	July, 2014	Fixed rate of 6,980%	1 247
OT Angola 12/18-07-2014 - 6,98%	July, 2012	July, 2014	Fixed rate of 6,980%	3 991
OT Angola 12/25-07-2014 - 6,98%	July, 2012	July, 2014	Fixed rate of 6.980%	1 248
OT Angola 12/25-07-2014 - 6,99%	July, 2012	July, 2014	Fixed rate of 6.990%	3 966
OT Cabo Verde - Março_10/01-03-2013	March, 2010	March, 2013	Fixed rate of 5.740%	50
				28 024

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

During the first semester of 2013 and the year 2012, the Group did not transfer to or from this assets category.

27 Investments in associated companies and others

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Investments in associated companies and others		
Lusitania Vida, Companhia de Seguros, S.A.	19 619	20 596
Nutre S.G.P.S., S.A.	15 936	18 242
Lusitania, Companhia de Seguros, S.A.	14 304	17 541
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 362	3 460
Iberpartners Cafés S.G.P.S., S.A.	997	997
Pinto & Bulhosa, S.A.	191	191
Naviser – Transportes Maritimos Internacionais, S.A.	150	150
Unquoted	54 559	61 177
Impairment of investments in associated companies and other	(341)	(341)
	54 218	60 836

The financial information concerning associated companies, as at 30 June 2013 and 31 December 2012, is presented in the following table:

(Thousands of Euro)

	Assets	Liabilities	Equity	Income	Profit / (Loss) for the year	Acquisition cost
30 June 2013						
Lusitania, Companhia de Seguros, S.A.	507 374	451 611	55 763	88 596	(11 306)	29 566
Lusitania Vida, Companhia de Seguros, S.A.	507 995	458 129	49 866	26 118	2 479	9 530
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	44 206	27 398	16 808	3 127	(397)	3 200
Iberpartners Cafés S.G.P.S., S.A.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nutre S.G.P.S., S.A.	173 314	140 377	32 937	8 868	(9 654)	22 018
31 December 2012						
Lusitania, Companhia de Seguros, S.A.	522 559	442 860	79 699	212 334	(15 706)	29 566
Lusitania Vida, Companhia de Seguros, S.A.	497 552	445 090	52 462	51 628	5 158	9 530
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	45 731	28 302	17 429	7 638	(596)	3 200
Iberpartners Cafés S.G.P.S., S.A.	4 983	1 593	3 390	41	(41)	1 000
Nutre S.G.P.S., S.A.	172 274	127 930	44 344	62 698	(7 232)	21 018

n.a. - Information not available.

(Thousands of Euro)

	Percentage held		Book value		Share of associates of	
	Jun 2013 %	Dec 2012 %	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Lusitania, Companhia de Seguros, S.A.	25.65%	25.65%	14 304	17 541	(2 900)	(7 205)
Lusitania Vida, Companhia de Seguros, S.A.	39.34%	39.34%	19 618	20 596	975	1 970
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	20.00%	20.00%	3 362	3 460	(79)	(145)
Iberpartners Cafés S.G.P.S., S.A.	29.41%	29.41%	997	997	-	(13)
Nutre S.G.P.S., S.A.	20.00%	20.00%	15 936	18 242	(1 931)	(1 446)
Pinto & Bulhosa, S.A.	16.00%	16.00%	-	-	-	-
Naviser - Transportes Marítimos Internacionais, S.A.	20.00%	20.00%	-	-	-	-

The changes in the balance Investments in associates and other is analysed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Initial balance	60 836	57 856
Acquisitions	1 000	6 000
Share of profit of associates	(3 935)	(6 086)
Fair value reserve from associates	(2 739)	8 722
Dividends received	(944)	(866)
Disposals	-	(4 790)
Final balance	54 218	60 836

28 Non-current assets held for sale

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	**Dec 2012**
Investments arising from recovered loans	757 488	521 849
Impairment for non-current assets held for sale	(53 886)	(30 054)
	703 602	491 795

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 pledge.

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. This balance includes buildings and other assets for which the Group has already established contracts for the sale in the amount of Euro 13,267 thousands (31 December 2012: Euro 15,345 thousands).

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

(Thousands of Euro)

	Jun 2013	**Jun 2012**
Balance on 1 January	30 054	31 091
Charge for the period net of reversals	23 832	5 927
Transfers	-	(1 549)
Balance on 30 June	53 886	35 469

29 Investement 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" and “Fundo Polaris – Fundo de Investimento Imobiliário Fechado de Subscrição Particular”, wich 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).

30 Property and equipment

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Cost:		
Land and buildings		
For own use	34 482	35 288
Leasehold improvements in rented buildings	70 755	70 698
Construction in progress	19	35
Equipment		
Furniture	20 680	20 635
Office equipment	3 298	3 292
Computer equipment	83 876	92 550
Interior installations	25 566	25 467
Motor vehicles	4 957	4 835
Security equipment	9 522	9 474
Other equipment	5	5
Works of art	2 869	2 869
Assets in operacional lease	14 971	10 365
Assets in finance lease	38	38
Other tangible assets	1 954	2 454
Work in progress	10 036	3 898
	283 028	281 903
Accumulated depreciation:		
Charge for the period	(9 032)	(24 748)
Accumulated charge for the previous periods	(173 622)	(160 580)
	(182 654)	(185 328)
	100 374	96 575

31 Intangible assets

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Cost		
Software	75 575	64 565
Revaluation and consolidation differences (goodwill)	53 024	53 024
Other intangible assets	7 100	8 590
Work in progress	463	87
	136 162	126 266
Accumulated depreciation:		
Charge for the period	(6 292)	(18 808)
Accumulated charge for the previous periods	(40 707)	(21 899)
	(46 999)	(40 707)
Impairment for intangible assets	(26 512)	(26 512)
	62 651	59 047

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 decribed in notes 1 a) and 1 b).

This intangible asset does not have finite useful life, so that, as referred in accounting policy described in notes 1 r) and 1 aa), its recoverable amount is annually reviewed, regardless of the existence of impairment signs. Any impairment losses are recognised in the 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 valuations to their investments for which there is goodwill recorded which considered among other factors:

(i) an estimate of future cash flows generated;

(ii) an expectation of potential changes in the amounts and timing of cash flows;

(iii) the time value of money;

(iv) a risk premium associated with the uncertainty by holding the asset; and

(v) other factors associated with the current situation of financial markets.

The valuations were based on reasonable and sustainable assumptions representing the best estimate of the Executive Board of Directors on the economic conditions that affect each entity, the budgets and the latest projections approved by the Executive Board of Directors for those entities and their extrapolation to future periods. The assumptions made for these valuations might vary with the change in economic conditions and in the market.

On this basis, and considering the maintenance of adverse intenacional and nacional market conditions, the Executive Board of Directors decided to initiate a detailled review of the assumptions that supported the ex-Finibanco Group Business Plan. The referred review in still in progress and shall incorporate, not only the impacts from the actual economic condition in Portugal, but also, the impact of the actual Eurozone condition.

Besides the Business Plan revaluation, to be completed during 2013, the Executive Board of Directors conclude for the need to reflect in the consolidated financial statements of 2012, a prudent perspective compared to the results of the referred revaluation. Based on the above, it was accounted an impairment of the total value of the goodwill associated with the participation of Finibanco Group, in the amount of Euro 26,512 thousands, as described in note 15.

The Intangible assets impairment movements are analyzed as follows:

(Thousands of Euro)

	Jun 2013	Jun 2012
Balance on 1 January	26 512	-
Charges for the period	-	26 512
Balance on 30 June	26 512	26 512

32 Taxes

With effect from 1 January 2012, CEMG is subject to the regime established by the Income Tax Code ("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 in the accounting policy described in note 1 w) are eligible for the recognition of deferred taxes.

Deferred income tax assets and liabilities as at 30 June 2013 and 31 December 2012, are analyzed as follows:

(Thousands of Euro)

	Assets		Libilities		Net	
	Jun 2013	Dec 2012	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Financial instruments	6 425	3 749	-	-	6 425	3 749
Other tangible assets	(29)	(26)	(460)	(459)	(489)	(485)
Provisions	160 923	153 229	-	-	160 923	153 229
Employees benefits	41 175	41 784	(67)	(74)	41 108	41 710
Tax losses carried forward	93 452	67 251	-	-	93 452	67 251
Net deferred tax asset/(liability)	301 946	265 987	(527)	(533)	301 419	265 454

The Group evaluated the recoverability of its deferred tax assets on the balance sheet based on the expectations of future taxable profits.

Deferred tax assets and liabilities related to tax losses carried forward are recognised to the extent it is probable that future taxable profits will be available. The uncertainty about the recovery of the tax losses carried forward and credit tax it is considered in qualifying for deferred tax assets.

The deferred tax assets related to tax losses carried forward, by expire date, are presented as follows:

(Thousands of Euro)

Tax losses generating year	Expire date	Jun 2013	Dec 2012
2008	2014	571	1 527
2010	2014	8 872	9 015
2009	2015	3 828	4 606
2012	2017	51 814	52 103
2013	2018	28 367	-
		93 452	67 251

Deferred tax balance movements were recognised as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Initial balance	265 454	80 657
Charged to profit	33 716	177 914
Charged to reserves and retained earnings	2 249	6 883
Final balance (Asset / (Liability))	301 419	265 454

Tax recognised in the income statement and in reserves and retained earnings for the periods ended 30 June 2013 and 31 December 2012 is analyzed as follows:

(Thousands of Euro)

	Jun 2013		Dec 2012	
	Charged to net (loss) / income	Charged to reserves and retained earnings	Net (loss) / income	Reserves and retained earnings
Financial instruments	-	2 675	-	(14 887)
Other tangible assets	(4)	-	(1 444)	5
Provisions	7 695	-	117 128	-
Pensions Fund	(176)	(426)	10 979	22 318
Tax losses carried forward	26 201	-	51 251	(553)
Deferred tax recognised as gain/ (loss)	33 716	2 249	177 914	6 883
Deferred tax recognised as gain/ (loss)	(4 243)	-	(6 963)	-
	29 473	2 249	170 951	6 883

The change in net deferred tax assets changes includes the deferred tax expenses for the year recognised in the income statement, as well as the changes recognised in equity, namely the impact resulting from the changes, in accordance with the accounting policy for the recognition of actuarial gains and losses related with pension plans and defined post-employment benefits, and unrealized gains and losses resulting from the revaluation of financial assets available for sale recognised in equity.

The reconciliation of the effective tax rate, in which concerns to the amount recognised in the income statement, can be analyzed as follows:

(Thousands of Euro)

	Jun 2013		Dec 2012	
	%	Valor	%	Valor
Profit before taxes		(104 181)		(134 804)
Extraordinary contribution for the banking sector		2 637		4 621
Profit before tax for tax reconciliation		(101 544)		(130 183)
Tax rate	25,0		25,0	
Income tax based on the tax rate		(25 386)		(32 546)
Non deductible costs	(5,9)	(6 027)	68,2	(88 729)
Tax-exempt profits	(1,7)	(1 739)	36,7	(47 715)
Tax losses apllication	(0,4)	(365)	3,4	(4 423)
Autonomous taxation and other taxes	0,7	688	(1,2)	1 584
Other	3,2	3 356	(0,7)	878
Tax for the period	(28,3)	(29 473)	126,8	(170 951)

The Group evaluated the recoverability of its deferred tax assets on the balance sheet based on the expectations of future taxable profits.

Since 1 January 2012, CEMG is subject to the regime established by the Income Tax Code. 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 probability that such taxes will be paid or recovered in the future are eligible for the recognition of deferred taxes.

Considering this change, in 2011, the Group already recorded temporary differences calculated on 31 December, 2011 in the amount of Euro 80,657 thousands. During 2012, the Executive Board of Directors analyzed the additional information received from the competent Tax Authorities about the clarifications requested by CEMG and concluded the analysis about the future recoverability of not recognised temporary differences and depending on the evaluation of these aspects, conclude about the eventual recording of deferred taxes not yet recognised in the amount of Euro 184,797 thousands.

33 Other assets

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Recoverable subsidies from Portuguese Government	9 094	9 736
Other debtors	141 319	136 948
Other accrued income	7 057	6 328
Deferred costs	13 247	6 690
Sundry debtors	106 171	321 821
	276 888	481 523
Impairment for other assets	(12 029)	(3 636)
	264 859	477 887

The balance Recoverable subsidies from Portuguese State corresponds to mortgage credit interest subsidies, in accordance with the regulations applicable to mortgage loans benefits and small and medium companies. The referred amounts do not bear interest and are claimed monthly.

As at 30 June 2013 and 31 December 2012, the balance Recoverable subsidies from the Portuguese State is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Recoverable subsidies from the Portuguese Government unliquidated	4 051	4 275
Subsidies unclaimed	1 018	1 543
Overdue subsidies unclaimed	4 025	3 918
	9 094	9 736

The balance Sundry debtors includes, as at 30 June 2013, the amount of Euro 924 thousands (31 December 2012: Euro 157,010 thousands) refer to transactions with securities recorded on trade date and pending settlement. Additionally, this balance also includes the amount of Euro 33,447 thousands (31 December 2012: Euro 57,667 thousands) relating to net assets recognised in balance sheet and in order to account the excess coverage of pension liabilities, health benefits and death subsidies, as described in note 50.

The movements in impairment for other assets are analyzed as follows:

(Thousands of Euro)

	Jun 2013	Jun 2012
Balance on 1 January	3 636	1 037
Charge for the period	621	-
Write-back for the period	(1 794)	(1 000)
Transfers	9 566	-
Balance on 30 June	12 029	37

34 Deposits from central banks

As at 30 June 2013 and 31 December 2012, this balance is related to deposits obtained in the European System of Central Banks and are covered with securities from the financial assets available for sale portfolio.

35 Deposits from other financial institutions

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013			Dec 2012		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions in Portugal	397	65 649	66 046	850	48 348	49 198
Deposits from credit institutions abroad	36 960	436 089	473 049	60 706	515 802	576 508
	37 357	501 738	539 095	61 556	564 150	625 706

36 Deposits from customers

This balance is analyzed as follows:

	Jun 2013			Dec 2012		
	Non-interest bearing	**Interest bearing**	**Total**	**Non-interest bearing**	**Interest bearing**	**Total**
Deposits repayable on demand	88 788	2 257 486	2 346 274	164 245	2 053 014	2 217 259
Time deposits (*)	-	10 733 453	10 733 453	-	10 845 501	10 845 501
Saving accounts (*)	-	147 925	147 925	-	170 577	170 577
Other deposits	25 165	-	25 165	6 579	-	6 579
Adjustments arising from hedging operations	9 846	-	9 846	15 531	-	15 531
	123 799	13 138 864	13 262 663	186 355	13 069 092	13 255 447

Observations: (*) Structured deposits for which the embedded derivate, as at 31 December 2012, was separate from the host contract, in accordance with note 22 and accounting policy 1 d).

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 annually by instruction of the Bank of Portugal. The criteria to calculate the annual contributions to the referred fund are defined in the Regulation no. 11/94 of the Bank of Portugal.

As at 30 June 2013, the balance Time deposits includes the amount of Euro 403,553 thousands (31 December 2012: Euro 437,197 thousands) related to deposits recognised on the balance sheet at fair value through profit or loss.

37 Debt securities issued

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Euro Medium Term Notes(EMTN)	368 301	708 970
Bonds	1 546 298	1 010 123
Covered bonds	76	63
Commercial paper	762 936	643 180
	2 677 611	2 362 336

The fair value of the debts securities issued is presented in note 49.

As at 30 June 2013, this balance includes the amount of Euro 49,939 thousands (31 December 2012: Euro 307,844 thousands) related to debt securities issued recognised at the balance sheet at fair value through profit or loss.

During the first semester of 2013, the Group issued Euro 990,088 thousands (31 December 2012: Euro 1,182,612 thousands) of debt securities and performed the reimbursement of Euro 864,163 thousands (31 December 2012: Euro 1,277,664 thousands).

Under the Issuance of covered bonds program, which maximum amount is 5,000,000 million Euro, the Group proceed to the emissions which totalized Euro 2,000,000 million. The main characteristics of these issues, as at 30 June 2013, 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	1 000 373	December 2009	December 2016	Quarterly	Euribor 3M + 0.75%	Baa3/BBB-/AL
Covered bonds - 3S	500 000	502 105	November 2010	November 2015	Quarterly	Euribor 3M + 2.5%	Baa3/BBB-/AL
Covered bonds - 4S	500 000	500 121	May 2013	May 2017	Monthly	Euribor 1M + 0.75%	Baa3/BBB-/AL
	2 000 000	2 002 599					

The covered bonds are guaranteed by a cover assets pool, comprised of mortgage credit assets and limited classes of other assets, that the issuer of mortgage covered bonds shall maintain segregated and over which the holders of the relevant covered bonds have a statutory special creditor privilege. These conditions are set up in Decree-Law no. 59/2006, Regulations no. 5/2006 of 20 March, no. 6/2006 of 11 October, no. 7/2006 of 11 October and no. 8/2006 of 11 October and in Instruction no. 13/2006 of 15 November of the Bank of Portugal.

The amount of credits that collateralize these emissions is higher than, as at 30 June 2013, Euro 2,737,065 thousands (31 December 2012: Euro 2,816,016 thousands), according to note 21.

The change occurred in debt securities issued during the first semester of 2013 is analyzed as follows:

(Thousands of Euro)

	Balance on 1 January	Issues	Reimbursement	Net repurchase	Other movements [(a)]	Balance on 30 June
Euro Medium Term Notes (EMTN)	708 970	-	(510 351)	166 400	3 282	368 301
Bonds	1 010 123	553 308	(26 907)	-	9 774	1 546 298
Covered bonds	63	-	-	-	13	76
Commercial paper	643 180	436 780	(326 925)	-	9 901	762 936
	2 362 336	990 088	(864 183)	166 400	22 970	2 677 611

(a) Other movements include accrued interest, corrections by hedging operations, fair value adjustments and foreign translation exchanges adjustments.

The change occurred in debt securities issued during the year ended 31 December 2012 is analyzed as follows:

(Thousands of Euro)

	Balance on 1 January	Issues	Reimbursements	Net repurchase	Other movements [(a)]	Balance on 31 December
Euro Medium Term Notes (EMTN)	1 314 250	-	(569 364)	(87 919)	52 003	708 970
Bonds	452 505	546 037	-	13 401	(1 820)	1 010 123
Covered bonds	706 357	-	(708 300)	17 750	(15 744)	63
Commercial paper	-	636 575	-	-	6 605	643 180
	2 473 112	1 182 612	(1 277 664)	(56 768)	41 044	2 362 336

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

In accordance with accounting policy described in note 1 d), debt issued repurchased by the Group is derecognised from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement, as described in note 10.

The change occurred in debt securities issued during the first semester of 2013 is analyzed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-03012015	2013-01-03	2015-01-03	Fixed annual rate of 5%	11 800
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-12.SERIE	2013-01-15	2017-12-29	1st year: 5%, 2nd year: 5.125%, 3rd year: 5.25%, 4th year: 5.4% and 5th year: 5.75%	28 350
OBRIGS CAIXA-MG POUPANÇA FAMILIAR 2.SERIE	2013-01-15	2017-12-29	1st year: 5%; 2nd year: 5.25%; 3rd year: 5.4%; 4th year: 5.6% and 5th year: 6.25%)	2 300
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-22012015	2013-01-22	2015-01-22	Fixed semi annual rate of 4.6%	1 050
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-23012016	2013-01-23	2016-01-23	1st year: 4.5%; 2nd year: 5.25%; 3rd year: 5.25%	550
OBRIGS CAIXA-MONTEPIO TAXA FIXA-23JAN-2013-2015	2013-01-23	2015-01-23	Fixed annual rate of 4.25%	6 153
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-23JAN 2013/15	2013-01-23	2015-01-23	Fixed annual rate of 4.75%	19 017
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-29012016	2013-01-29	2016-01-29	1st year: 4.5%; 2nd year: 4.75%; 3rd year: 5%	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-1.SERIE	2013-01-31	2018-01-31	1st year: 5%; 2nd year: 5.1%; 3rd year: 5.15%; 4th year: 5.25%; and 5th year: 5.50%	58 700
OBRIGS CAIXA-MONTEPIO PARTIC FEVEREIRO 2013-01022015	2013-02-01	2015-02-01	Fixed annual rate of 4%	500
OBRIGS CAIXA-MONTEPIO PARTIC FEVEREIRO 2013-04022015 3,95%	2013-02-04	2015-02-04	Fixed semi annual rate of 3.95%	500
OBRIGS CAIXA-MONTEPIO PARTIC FEV2013-04022015-4PC	2013-02-04	2015-02-04	Fixed annual rate of 4%	446
OBRIGS CAIXA-MONTEPIO PARTIC FEV2013-04022015-4,625PC	2013-02-04	2015-02-04	1st year: 4.5%; 2nd year: 4.5%; 3rd and 4th years: 4.75%	1 000
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-6FEV-2013-2015	2013-02-06	2015-02-06	Fixed annual rate of 4.5%	14 736
OBRIGS CAIXA-MONTEPIO TAXA FIXA-6 FEVEREIRO 2013-2015	2013-02-06	2015-02-06	Fixed annual rate of 4.15%	5 961
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-13022016	2013-02-13	2016-02-13	1st year: 4.25%; 2nd year: 4.40% and 3rd year: 4.5%	250
OBRIGACOES CAIXA-MONTEPIO PARTIC-USD-FEV/13-13022016	2013-02-13	2018-02-13	Fixed annual rate of 3.90%	206
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-19022015	2013-02-19	2016-02-19	1st year: 4.25%; 2nd year: 4.40%	529
OBRIGS CAIXA-MONTEPIO TAXA FIXA-20 FEVEREIRO 2013-2015	2013-02-20	2015-02-20	Fixed annual rate of 4%	4 500
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-20FEV-2013-2015	2013-02-20	2015-02-20	Fixed annual rate of 4.25%	9 077
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-22022015	2013-02-22	2015-02-22	1st year: 4.25%; 2nd year: 4.4%	640
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-26022015	2013-02-26	2015-02-26	1st year: 4.25%; 2nd year: 4.4%	1 528
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-2.SERIE	2013-02-28	2018-03-01	1st year: 3.9%; 2nd year: 4.85%; 3rd and 4th years: 5% and 5th year: 5.4%	44 450
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2021-1.SERIE	2013-02-28	2018-03-01	1st year: 5.15%; 2nd year: 5.2%; 3rd and 4th years: 5.3% and 5th year: 5.9%	2 865
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-04032015	2013-03-04	2015-03-04	1st year: 4.25%; 2nd year: 4.4%	250
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-05032015	2013-03-05	2018-03-05	1st year: 4.25%; 2nd year: 4.4%; 3rd year: 4.5%; 4th year: 4.7% and 5th year: 4.9%	250
OBRIGS CAIXA-MONTEPIO TAXA FIXA-06 MARCO 2013-2015	2013-03-06	2015-03-06	Fixed annual rate of 4%	3 681
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-06 MAR-2013-2015	2013-03-06	2015-03-06	Fixed annual rate of 4.25%	11 479
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-15032015	2013-03-15	2015-03-15	Fixed annual rate of 4.2%	15 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-18032015	2013-03-18	2015-03-18	1st year: 4.15%; 2nd year: 4.25%	265
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-19032015	2013-03-19	2015-03-19	1st year: 4.15%; 2nd year: 4.25%	700
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-27032015	2013-03-27	2015-03-27	1st year: 4.05%; 2nd year: 4.125%	250
OBRIGS CAIXA-MONTEPIO TAXA FIXA-20 MARCO 2013-2015	2013-03-20	2015-03-20	Fixed annual rate of 4.1%	30 770
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-3.SERIE	2013-03-28	2018-03-29	1st year: 4.4%; 2nd year: 4.55%; 3rd year: 4.75%; 4th year: 4.9% and 5th year: 5.65%	31 425
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-28032016	2013-03-28	2016-03-28	1st year: 4.075%; 2nd year: 4.175% and 3rd year: 4.275%	425
OBRIGS CAIXA-MONTEPIO TAXA FIXA-03 ABRIL 2013-2015	2013-04-03	2015-04-03	Fixed annual rate of 4%	18 203
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 05042015	2013-04-05	2015-04-05	Fixed annual rate of 4.125%	500
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 17042015	2013-04-17	2015-04-17	1st year: 4.075%; 2nd year: 4.175%	500
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 22042015	2013-04-22	2015-04-22	1st year: 4.075%; 2nd year: 4.175%	300
OBRIGS CAIXA-MONTEPIO TAXA FIXA-17 ABRIL 2013-2015	2013-04-24	2015-04-24	Fixed annual rate of 4%	30 599
OBRIGS CAIXA-MONTEPIO POUPANÇA FAMILIAR 2013-2018-1.SERIE	2013-04-30	2018-05-01	1st year: 4.4%; 2nd year: 4.55%; 3rd and: 4.75%; 4th year: 4.9% and 5th year: 6.70%	3 150
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-4.SERIE	2013-04-30	2018-05-01	1st year: 4.4%; 2nd year: 4.55%; 3rd year: 4.75%; 4th and: 4.9% and 5th year: 5.65%	41 600
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 06052015	2013-05-06	2015-05-06	1st year: 4.075%; 2nd year: 4.175%	1 100
OBRIGS CAIXA-MONTEPIO TAXA FIXA-15 MAIO 2013-2015	2013-05-15	2015-05-15	Fixed annual rate of 4%	22 406
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 17052015	2013-05-20	2015-05-17	1st and 2nd year: 4%; 3rd and 4th year: 4.10%	400
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 22052015	2013-05-22	2015-05-22	Fixed annual rate of 3.5%	7 500
OBRIGS CAIXA-MONTEPIO TAXA FIXA-29 MAIO 2013-2015	2013-05-29	2015-05-29	Fixed annual rate of 4%	9 450

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 29052015	2013-05-29	2015-05-29	1st year: 4.075%; 2nd year: 4.175%	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-5.SERIE	2013-05-31	2018-06-01	1st year: 4.4%; 2nd year: 4.55%; 3rd year: 4.75%; 4th year: 4.9% and 5th year: 5.65%	50 000
OBRIGS CAIXA-MONTEPIO TAXA FIXA-12 JUNHO 2013-2015	2013-06-12	2015-06-12	Fixed annual rate of 3.75%	7 867
OBRIGS CAIXA-MONTEPIO TAXA FIXA-26 JUNHO 2013-2015	2013-06-26	2015-06-26	Fixed annual rate of 3.75%	6 835
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-6.SERIE	2013-06-28	2018-06-28	1st year: 4.4%; 2nd year: 4.4%; 3rd year: 4.6%; 4th year: 4.75% and 5th year: 4.9%	41 150
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2021-2.SERIE	2013-06-28	2021-06-28	1st and 2nd years: 4.9%; 3rd year: 5.1%; 4th year: 5.1%; 5th year: 5.65% and from 6th to 8th year: rate Max(5.95%;Min(IPC+2%;8.15%))	1 645
PAPEL COMERCIAL 180 DIAS-4P/C-18012013	2013-01-18	2013-07-17	Fixed rate of 4%	45 886
PAPEL COMERC-364 DIAS-4,5 PC-18012013	2013-01-18	2014-01-17	Fixed rate of 4.5%	42 164
PAPEL COMERCIAL 180 DIAS-4P/C-30012013	2013-01-30	2014-01-29	Fixed rate of 4.5%	30 897
PAPEL COMERCIAL-364 DIAS-4,5 -30012013	2013-01-30	2013-07-29	Fixed rate of 4%	34 514
PAPEL COMERCIAL 180DIAS-3,5PC-06022013	2013-02-06	2013-08-05	Fixed rate of 3.5%	12 172
PAPEL COMERCIAL 180DIAS-3,5PC-06022013	2013-02-06	2014-02-05	Fixed rate of 4%	22 015
PAPEL COMERCIAL 180DIAS-3,5PC-13022013	2013-02-13	2013-08-12	Fixed rate of 3.5%	11 145
PAPEL COMERCIAL-364 DIAS-4PC-13022013	2013-02-13	2014-02-12	Fixed rate of 4%	15 537
PAPEL COMERCIAL 180DIAS-3,5PC-20022013	2013-02-20	2013-08-19	Fixed rate of 3.5%	8 750
PAPEL COMERCIAL-364 DIAS-4PC-20022013	2013-02-20	2014-02-19	Fixed rate of 4%	14 943
PAPEL COMERCIAL 180DIAS-3,5PC-27022013	2013-02-27	2013-08-26	Fixed rate of 3.5%	17 331
PAPEL COMERCIAL-364 DIAS-4PC-27022013	2013-02-27	2014-02-27	Fixed rate of 4%	21 967
PAPEL COMERCIAL 180DIAS-3,5PC-06032013	2013-03-06	2013-09-02	Fixed rate of 3.5%	18 363
PAPEL COMERCIAL-364 DIAS-4PC-06032013	2013-03-06	2014-03-05	Fixed rate of 4%	17 724
PAPEL COMERC 180 DIAS-3,5P/C-13032013	2013-03-13	2013-09-13	Fixed rate of 3.5%	12 655
PAPEL COMERCIAL-364 DIAS-4PC-13032013	2013-03-13	2014-03-13	Fixed rate of 4%	14 466
PAPEL COMERCIAL 180 DIAS-3P/C-27032013	2013-03-27	2013-09-23	Fixed rate of 3%	8 011
PAPEL COMERCIAL 180 DIAS-3P/C-27032013	2013-03-27	2014-03-26	Fixed rate of 3.5%	3 916
PAPEL COMERC 180 DIAS-3,25PC-20032013	2013-03-20	2013-09-16	Fixed rate of 3.25%	8 529
PAPEL COMERC-364 DIAS-3,75PC-20032013	2013-03-20	2014-03-19	Fixed rate of 3.75%	6 089
PAPEL COMERCIAL 180 DIAS-3P/C-03042013	2013-04-03	2013-09-30	Fixed rate of 3%	5 269
PAPEL COMERC-364 DIAS-3,5 PC-03042013	2013-04-03	2014-04-02	Fixed rate of 3.5%	2 786
PAPEL COMERCIAL-180 DIAS-3PC-100413	2013-04-10	2013-10-04	Fixed rate of 3%	4 949
PAPEL COMERC-364 DIAS-3,5PC-10042013	2013-04-10	2014-04-09	Fixed rate of 3.5%	3 297
PAPEL COMERCIAL-180 DIAS-3PC-23042013	2013-04-23	2013-10-21	Fixed rate of 3%	11 540
PAPEL COMERCIAL-364DIAS-3,5PC-23042013	2013-04-23	2014-04-22	Fixed rate of 3.5%	9 370
PAPEL COMERCIAL-180 DIAS-3PC-30042013	2013-04-30	2013-10-28	Fixed rate of 3%	5 259
PAPEL COMERCIAL-364DIAS-3,5PC-30042013	2013-04-30	2014-04-29	Fixed rate of 3.5%	2 119
PAPEL COMERCIAL-180 DIAS-3PC-08052013	2013-05-08	2013-11-04	Fixed rate of 3%	3 771
PCOMERC-364D-3,5PC080513	2013-05-08	2014-05-07	Fixed rate of 3.5%	3 981
PCOMERC-180D-3PC-15052013	2013-05-15	2013-11-11	Fixed rate of 3%	3 723
PCOMERC-364D-3,5PC150513	2013-05-15	2014-05-14	Fixed rate of 3.5%	2 624
PCOMERC-180D-3PC-22052013	2013-05-22	2013-11-18	Fixed rate of 3%	3 620
PCOMERC-364D-3,5PC 220513	2013-05-22	2014-05-21	Fixed rate of 3.5%	2 908
PCOMERC-180D-3PC-29052013	2013-05-29	2013-11-25	Fixed rate of 3%	2 760
PCOMERC-364D-3,5PC 290513	2013-05-29	2014-05-28	Fixed rate of 3.5%	1 230
PAPEL COMERCIAL-PARTICUL-4PC-21022013	2013-02-21	2014-02-20	Fixed rate of 4%	500
				990 088

As at 30 June 2013, for the bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 0.43% and 16.76% (31 December 2012: 0.44% and 10.94%).

38 Financial liabilities relating to transferred assets

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Pelican Mortgages No. 3	213 141	240 051
Others	3 352	4 368
	216 493	244 419

39 Provisions

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Other provisions for liabilities and charges	5 873	14 292

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

(Thousands of Euro)

	Jun 2013	Jun 2012
Balance on 1 January	14 292	7 985
Charge for the period	1 196	1 507
Write-back for the period	(48)	(5 034)
Transfers	(9 567)	61
Balance on 30 June	5 873	4 519

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

40 Other subordinated debt

As at 30 June 2013 and 31 December 2012, this balance refers to Bonds with fixed maturity and with a residual reimbursement over 5 years.

As at 30 June 2013, the mainly characteristics of the Other subordinated debt, are analyzed 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 monthss+0.45%	50 086
CEMG/08	Fev.2008	Feb.2018	150 000	Euribor 6 months+0.13%	150 896
CEMG/08	Jun.2008	Jun.2018	28 000	Euribor 12 months+0.10%	28 030
CEMG/08	Jul.2008	Jul.2018	150 000	Euribor 6 months+0.13%	150 942
FNB 08/18 1ª/2ª Série	Dec.2008	Dec.2018	10 363	Euribor 6 months+0.15% (iv)	10 371
FNB Rendimento Seguro 05/15	Jun.2005	Jun.2015	238	6.25%*NV Min.(quotation) (iii)	238
FNB Grandes empresas 07/16_ 1ª série	May 2007	May 2016	4 713	Max.(0;6.0%*(1-n/5)) (i)	4 715
FNB Grandes empresas 07/16_ 2ª/3ª série	Jun.2007	Jun.2016	19 199	Max.(0;6.0%*(1-n/5)) (i)	19 199
FNB Indices estratégicos 07/17 1ª série	May 2007	Jun.2017	10 245	6.25%*NV Min.(quotation) (ii)	10 245
FNB Indices estratégicos 07/17 2ª/3ª série	Jun.2007	Jun.2017	30 708	Euribor 6 months+0.5% (ii)	30 708
Ob. Cx Subordinadas Finicrédito	Nov.2007	Nov.2017	16 006	Basis tax+0.90% (*barrier level*)	15 986
					471 416
				Adjustment liability value	(10 308)
					461 108

Other subordinated debt portfolio is recorded at fair value, in accordance with note 49.

As at 30 June 2013, the effective interest rate range of the subordinated debt bears postponed interest every three and six months is set between 0.86% and 2.00% (31 December 2012: 1.00% and 5.00%).

References:

(i) - The following cupons will be paid, on the year end of each year (May 9, to the 1st série and June 20, to the 2nd and 3rd series):

Coupon	Interest rate/ range
1st Coupon	5.50%
2nd Coupon	5.50%
3rd Coupon	Max [0; 6.0% * (1-n/3)]
4th Coupon	Max [0; 6.0% * (1-n/4)]
5th Coupon	Max [0; 6.0% * (1-n/5)]
6th Coupon	Max [0; 6.0% * (1-n/6)]
7th Coupon	Max [0; 6.0% * (1-n/7)]
8th Coupon	Max [0; 6.0% * (1-n/8)]
9th 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 following	6.25% * notional if Min (SDk/SD0-SXk/SX0; HSk/HS0- SXk/SX0) > Barrier k ***

*** if not = 0%, where:

Barrier 3 = Barrier to be applied on 3rd coupon = 0%;
Barrier 4 = Barrier to be applied on 4th coupon = 1%;
Barrier 5 = Barrier to be applied on 5th coupon = 2%;
Barrier 6 = Barrier to be applied on 6th coupon = 3%;
Barrier 7 = Barrier to be applied on 7th coupon = 4%;
Barrier 8 = Barrier to be applied on 8th coupon = 5%;
Barrier k = Barrier to be applied on kth coupon:
SDk – Closing of Eurostoxx Select Dividend Index (Bloomberg: SD3E) on the observation date K (K=1 to 6)
SD0 – Closing of Eurostoxx Select Dividend Index (Bloomberg: SD3E) on the starting date
SXk – Closing of Eurostoxx50 Total Return Index (Bloomberg: SX5T) on the observation date K (K=1 to 6)
SX0 – Closing of Eurostoxx50 Total Return Index (Bloomberg: SX5T) on the starting date
HSk – Closing of HS60 Europe Index (Bloomberg: HS60EU) on the observation date K (K=1 to 6)
HS0 – Closing of HS60 Europe Index (Bloomberg: HS60EU) on the starting 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-2005	[1.60; 2.75%]
2nd semester	09-Jun-2006	[1.60; 3.00%]
3rd semester	09-Dec-2006	[1.60; 3.25%]
4th semester	09-Jun-2007	[1.60; 3.50%]
5th semester	09-Dec-2007	[1.60; 3.50%]
6th semester	09-Jun-2008	[1.70; 3.75%]
7th semester	09-Dec-2008	[1.70; 3.75%]
8th semester	09-Jun-2009	[1.70; 4.00%]
9th semester	09-Dec-2009	[1.80; 4.00%]
10th semester	09-Jun-2010	[1.80; 4.25%]
11th semester	0-Dec-2010	[1.80; 4.25%]
12th semester	09-Jun-2011	[1.80; 4.50%]
13th semester	0-Dec-2011	[1.90; 4.50%]
14th semester	09-Jun-2012	[1.90; 4.50%]
15th semester	09-Dec-2012	[1.90; 4.50%]
16th semester	09-Jun-2013	[1.90; 4.50%]
17th semester	09-Dec-2013	[2.00; 4.50%]
18th semester	09-Jun-2014	[2.00; 4.50%]
19th semester	09-Dec-2014	[2.00; 4.50%]
20th semester	09-Jun-2015	[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)

41 Other liabilities

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Creditors		
Suppliers	13 884	16 130
Other creditors	169 394	201 130
Administrative public sector	21 411	17 330
Holiday pay and subsidies	28 682	32 833
Other administrative costs payable	1 630	1 144
Deferred income	3 574	3 351
Other sundry liabilities	123 918	229 461
	362 493	501 379

The balance Other sundry liabilities includes the amount of Euro 29,612 thousands (31 December 2012: Euro 145,898 thousands) engaged to balances with securities transactions pending settlement.

42 Share capital

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.

After the referred operation, the share capital of CEMG, amounts Euro 1,295,000 thousands (31 December 2012: Euro 1,295 thousands) totally subscribed by “Montepio Geral – Associação Mutualista”, and is fully paid.

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 Finibanco, SA, and in connection with the acquisition of Finibanco Holding, SGPS, S.A. and its subsidiaries start to integrate the Equity of the Group.

Payment

Subject to the payment of interest limitations described below, the payment will be paid semiannually on 2 February and 2 August of each year, beginning on 2 August, 2010 and will be equal to:

1st ao 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 not in compliance with the Regulatory capital requirements regulamentation or the extent and up to competition in its payment implies that is in default with that Regulamentation.

The Issuer is also prevented from proceeding to the interest payment if, in the Executive Board of Directors or the Bank of Portugal opinion, this payment endanger the comply of Regulatory capital requirements regulamentation.

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 determinated 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 year.

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.

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 variation of the general and special reserves balance is analyzed in note 45.

45 Revaluation reserves, other reserves and retained earnings

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Revaluation reserves		
Financial assets available for sale		
Gross value	(38 420)	(22 083)
Tax	6 422	3 746
Other	17 607	18 321
	(14 391)	(16)
Other reserves and retained earnings		
General reserve	187 532	185 935
Special reserve	68 273	68 160
Deferred tax reserves	51 416	51 842
Other reserves and retained earnings	(16 030)	9 993
	291 191	315 930

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

The movements of this balance, as at 30 June 2013, are analyzed as follows:

(Thousands of Euro)

	Balance on 1 January	Reavaluation	Aquisitions	Disposals	Impairment in profit and loss for the period	Balance on 30 June
Fixed income securities						
Bonds issued by public entities						
Portuguese	9 018	(2 780)	(22 531)	(5 604)	-	(21 897)
Foreign	114	1 074	(72)	(48)	-	1 068
Bonds issued by other entities						
Portuguese	(6 043)	4 031	(1 133)	372	-	(2 773)
Foreign	(20 222)	18 960	(238)	1 843	(5 450)	(5 107)
Commercial paper	-	8 936	-	-	(8 936)	-
	(17 133)	21 285	(23 974)	(3 437)	(14 386)	(28 709)
Variable income securities						
Shares						
Portuguese	66	(20)	(19)	1	11	39
Foreign	1 006	820	(666)	(8)	(615)	537
Investment fund units	(6 022)	(2 536)	(190)	255	(1 794)	(10 287)
	(4 950)	(1 736)	(875)	248	(2 398)	(9 711)
	(22 083)	19 549	(24 849)	(3 189)	(16 784)	(38 420)

The movements of this balance, during the year of 2012, are analyzed as follows:

(Thousands of Euro)

	Balance on 1 January	Reavaluation	Aquisitions	Disposals	Impairment in profit and loss for the year	Balance on 31 December
Fixed income securities						
Bonds issued by public entities						
Portuguese	(241 563)	151 212	4 605	94 764	-	9 018
Foreign	(684)	(6 051)	73	(1 276)	8 052	114
Bonds issued by other entities						
Portuguese	(21 610)	9 694	(325)	6 198	-	(6 043)
Foreign	(54 785)	15 353	22	18 188	1 000	(20 222)
Commercial paper	-	226	-	-	(226)	-
	(318 642)	170 434	4 375	117 874	8 826	(17 133)
Variable income securities						
Shares						
Portuguese	(4)	308	4	-	(242)	66
Foreign	(68)	2 184	45	25	(1 180)	1 006
Investment fund units	(837)	(2 436)	2 005	181	(4 935)	(6 022)
	(909)	56	2 054	206	(6 357)	(4 950)
	(319 551)	170 490	6 429	118 080	2 469	(22 083)

The fair value reserve can be analyzed as follows:

(Thousands of Euro)

	Jun 2013	**Dec 2012**
Amortised cost of financial assets available for sale	2 954 600	2 531 174
Accumulated impairment recognized	(44 430)	(27 646)
Amortised cost of financial assets available for sale , net impairment	2 910 170	2 503 528
Market value of financial assets available for sale	2 871 750	2 481 445
Net unrealised gains/losses recognised in the fair value reserve	(38 420)	(22 083)

46 Dividends paid

On 23 April 2013, following the General Assembly, CEMG distributed to Montepio Geral – Associação Mutualista the amount of Euro 1,692 thousands (31 December 2012: Euro 16,584 thousands).

47 Non – controlling interests

This balance is analyzed as follows:

(Thousands of Euro)

	Balance sheet		**Income statement**	
	Jun 2013	**Dec 2012**	**Jun 2013**	**Jun 2012**
Finibanco Angola S.A.	7 455	6 957	757	1 128
	7 455	6 957	757	1 128

The movements of this balance are analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Initial balance	6 957	11 381
Exchange differences	(259)	744
Dividends	-	(1 994)
Other	-	(4 268)
	6 698	5 863
Net income attributable to non-controlling interests	757	1 094
Final balance	7 455	6 957

48 Obligations and future commitments

Obligations and future commitments are analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Guarantees granted	481 369	473 804
Guarantees received	31 764 369	31 935 895
Commitments to third parties	1 415 708	1 524 034
Commitments from third parties	103 402	42 279
Assets transferred in securitized operations	226 313	238 856
Securities and other items held for safekeeping on behalf of costumers	7 436 602	6 601 424
	41 427 763	40 816 292

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

(Thousands of Euro)

	Jun 2013	Dec 2012
Guarantees granted		
Guarantees	469 756	464 722
Open documentary credits	6 745	4 214
Guarantees and indemnities (counter)	4 868	4 868
	481 369	473 804
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	156 276	186 351
Securities subscription	348 495	359 200
Annual contribution to the Guarantee Deposits Fund	25 314	25 314
Potencial obligation with the Investors Indemnity System	2 859	2 399
Revocable commitments		
Revocable credit lines	882 764	950 770
	1 415 708	1 524 034

Guarantees granted and are banking operations that do not imply any outflow by the Group.

Documentary credits are irrevocable commitments by the Group, in the name of its clients, to pay or order to pay a certain amount to a supplier of goods or services, within a determined term, against the exhibition of the expedition documentation of the goods or service provided. The condition of irrevocable consists of the fact that the terms initially agreed can only be changed or cancelled with the agreement of all parties.

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.

Despite the characteristics of these commitments, these operations require a previous rigorous risk assessment of the client and its business, like any other commercial operation. When necessary, the Group require that these operations are collateralized. As it is expected that the majority of these operations will mature without any use of funds, these amounts do not represent necessarily future out-flows.

As at 30 June 2013 and 31 December 2012, the balance Annual contribution to the Guarantee Deposits Fund is related with the irrevocable commitment assumed by the Group and required by law, to deliver the unrealized amounts of annual contributions required by the Fund.

The balance Potential obligation with the Investors Indemnity System, as at 30 June 2013 and 31 December 2012, is related with the irrevocable commitment assumed by the Group and required by law, to deliver to that System the necessary amounts for the Group's obligation with the investors indemnities to be paid.

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.

49 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 market interest rate curve and the current conditions of the pricing policy of the Group.

Therefore, the fair value obtained is influenced by the parameters used in the evaluation model that, necessarily have some degree of judgment 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 financial assets and liabilities of the Group are presented as follows:

- *Cash and deposits at central banks, Loans and advances to credit institutions 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 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 installments 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 2012: 0.75%).

For the remaining loans and advances and deposits, it was considered that the book value is a reasonable estimate of its fair value. As at 30 June 2013, the average interest rate was 3.80% for loans and advances (31 December 2012: 4.33%) and 2.39% for deposits (31 December 2012: 2.85%).

- *Financial assets held for trading (except derivatives), Financial liabilities held for trading (except derivatives), Available-for-sale financial assets and Other financial liabilities at fair value trough profit or loss*

  These financial instruments are accounted at fair value. Fair value is based on market prices (bid price), 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 market 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 market 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 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 installments 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 report date, which was calculated from the average production of the first semester of 2013. The average discount rate was 5.70% (31 December 2012: 5.12%), 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 the Group. Therefore, the amount in the balance sheet is a reasonable estimate of its fair value.

- *Deposits from customers*

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in identical instruments with a similar maturity.The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the year) and the spread of the Group at the report date, which was calculated from the average production of the first semester of 2013. The average discount rate was of 2.39% (31 December 2012: 2.69%).

- *Debt securities issued and Other Subordinated debt*

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate instruments for which the Group adopts hedge-accounting, the fair value related to 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 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	0,208%	0.125%	0.425%	0.050%	0.094%
7 days	0,094%	0.161%	0.425%	-0.250%	0.100%
1 month	0.123%	0.210%	0.460%	0.060%	0.075%
2 months	0.176%	0.240%	0.470%	-0.040%	0.075%
3 months	0.218%	0.280%	0.480%	0.090%	0.085%
6 months	0.335%	0.430%	0.550%	0.150%	0.150%
9 months	0.435%	0.560%	0.690%	0.195%	0.260%
1 year	0.527%	0.700%	0.840%	0.175%	0.320%
2 years	0.606%	0.518%	0.792%	0.204%	0.274%
3 years	0.793%	0.830%	0.989%	0.379%	0.327%
5 years	1.234%	1.586%	1.525%	0.764%	0.500%
7 years	1.601%	2.164%	1.997%	1.116%	0.712%
10 years	2.016%	2.713%	2.515%	1.513%	1.000%
15 years	2.380%	3.187%	2.954%	1.778%	1.435%
20 years	2.503%	3.312%	2.954%	1.778%	1.435%
30 years	2.516%	3.423%	2.954%	1.778%	1.435%

As at 31 December 2012, 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	0.170%	0.180%	0.505%	-0.045%	0.010%
7 days	0.005%	0.193%	0.505%	-0.045%	0.010%
1 month	0.030%	0.230%	0.590%	-0.175%	0.070%
2 months	0.060%	0.270%	0.545%	0.080%	0.080%
3 months	0.080%	0.415%	0.480%	-0.050%	0.100%
6 months	0.245%	0.505%	0.620%	-0.050%	0.160%
9 months	0.365%	0.590%	0.795%	0.075%	0.270%
1 year	0.460%	0.875%	0.960%	0.245%	0.350%
2 years	0.374%	0.384%	0.703%	0.065%	0.218%
3 years	0.465%	0.493%	0.768%	0.108%	0.223%
5 years	0.765%	0.845%	1.015%	0.318%	0.315%
7 years	1.125%	1.271%	1.359%	0.578%	0.506%
10 years	1.565%	1.775%	1.863%	0.923%	0.846%
15 years	2.018%	2.308%	2.426%	1.283%	1.373%
20 years	2.172%	2.521%	2.426%	1.283%	1.373%
30 years	2.241%	2.692%	2.426%	1.283%	1.373%

Exchange rates and volatilities

Câmbios e volatilidades cambiais

We present below the exchange rates (European Central bank) at the balance sheet date and the implied volatilities (at the money) for the main currencies used on the derivatives valuation:

			Volatility (%)				
Exchange rates	**Jun 2013**	**Dez 2012**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1.3080	1.3194	8.90	9.00	9.11	9.35	9.46
EUR/GBP	0.8572	0.8161	7.40	7.50	7.65	7.75	7.83
EUR/CHF	1.2338	1.2072	6.48	6.25	5.90	5.93	5.90
EUR/JPY	129.39	113.61	14.93	14.78	15.13	15.13	15.13

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

The fair value of financial assets and liabilities of the Group, as at 30 June 2013 and 31 December 2012, is presented as follows:

(Thousand of Euro)

	Jun 2013					
	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	-	337 605	-	-	337 605	337 605
Loans and advances to credit institutions repayable on demand	-	233 792	-	-	233 792	233 792
Loans and advances to credit institutions	-	200 148	-	-	200 148	200 148
Loans and advances to customers	25 346	15 310 537	-	-	15 335 883	14 254 977
Financial assets held for trading	87 297	-	-	-	87 297	87 297
Other financial assets at fair value trough profit or loss	6 809	-	-	-	6 809	6 809
Financial assets available for sale	-	-	2 871 750	-	2 871 750	2 871 750
Hedging derivates	915	-	-	-	915	915
Held to maturity investments	-	28 024	-	-	28 024	28 765
Investments in associated companies and other	-	-	-	54 218	54 218	54 218
	120 367	16 110 106	2 871 750	54 218	19 156 441	18 076 276
Financial liabilities						
Deposits from central banks	-	1 854 813	-	-	1 854 813	1 854 813
Deposits from other credit institutions	79 817	459 278	-	-	539 095	539 095
Deposits from customers	409 692	12 852 971	-	-	13 262 663	13 278 621
Debt securities issued	275 876	2 401 735	-	-	2 677 611	2 677 613
Financial liabilities associated to transferred assets	-	-	-	216 493	216 493	216 493
Financial liabilities held for trading	67 427	-	-	-	67 427	67 427
Hedging derivates	2 572	-	-	-	2 572	2 572
Other subordinated debt	90 647	370 461	-	-	461 108	347 198
	926 031	17 939 258	-	216 493	19 081 782	18 983 832

(Thousand of Euro)

	Dec 2012					
	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	-	304 886	-	-	304 886	304 886
repayable on demand	-	235 659	-	-	235 659	235 659
Loans and advances to credit institutions	-	224 324	-	-	224 324	224 324
Loans and advances to customers	27 475	15 676 072	-	-	15 703 547	14 574 920
Financial assets held for trading	139 055	-	-	-	139 055	139 055
Other financial assets at fair value trough profit or loss	12 300	-	-	-	12 300	12 300
Financial assets available for sale	-	-	2 481 445	-	2 481 445	6 730 502
Hedging derivates	931	-	-	-	931	931
Held to maturity investments	-	27 495	-	-	27 495	28 490
Investments in associated companies	-	-	-	60 836	60 836	60 836
	179 761	16 468 436	2 481 445	60 836	19 190 478	22 311 903
Financial liabilities						
Deposits from central banks	-	1 776 514	-	-	1 776 514	1 776 514
Deposits from other credit institutions	65 280	560 426	-	-	625 706	625 706
Deposits from customers	459 313	12 796 134	-	-	13 255 447	13 282 519
Debt securities issued	283 667	2 078 669	-	-	2 362 336	2 312 161
Financial liabilities associated to transferred assets	-	-	-	244 419	244 419	244 419
Financial liabilities held for trading	84 794	-	-	-	84 794	84 794
Hedging derivates	3 177	-	-	-	3 177	3 177
Other subordinated debt	88 212	378 908	-	-	467 120	343 677
	984 443	17 590 651	-	244 419	18 819 513	18 672 967

50 Employee benefits

Retirement pensions and healthcare benefits

In compliance with the collective labor 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, in accordance with the 2nd tripartite agreement, 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 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 banks 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 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 irreversible 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 fulfill 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:

	Assumptions		**Checked**	
	Jun 2013	**Dec 2012**	**Jun 2013**	**Dec 2012**
Financial Assumptions				
Salaries increase rate	1,50%	1,50%	1,32%	1,60%
Pensions increase rate	0,50%	0,50%	0,11%	0,14%
Projected rate of return of Fund assets	4,50%	4,50%	1,38%	16,30%
Discount rate	4,50%	4,50%	1,38%	16,30%
Demographic assumptions and valuation methods				
Mortality table				
Men	TV 88/90	TV 88/90		
Women	TV 88/90	TV 88/90		
Actuarial valuation method	PUC	PUC		

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

	Jun 2013	Dec 2012
Actives	4 022	4 054
Retirees and survivors	991	977
	5 013	5 031

Based on the changes performed to the accounting policy described in note 1 v) during the year ended 31 December 2012, the application of IAS 19 responsibilities and coverage levels reportable to 30 June 2013 and 31 December 2012 is presented as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Assets/(Liabilities) recognized in balance sheet		
Responsabilities with retirement benefits		
Pensioners	(105 940)	(96 539)
Employees	(343 984)	(326 632)
	(449 924)	(423 171)
Responsabilities with healthcare benefits		
Pensioners	(17 166)	(16 771)
Employees	(23 681)	(23 094)
	(40 847)	(39 865)
Responsabilities with death subsidy		
Pensioners	(1 001)	(1 075)
Employees	(1 104)	(976)
	(2 105)	(2 051)
Total responsabilities	(492 876)	(465 087)
Coverages		
Value of the funds	526 323	522 754
Net assets in the balance sheet (see note 33)	33 447	57 667
Accumulated actuarial differences recognized in other comprehensive income	26 422	4 824

In accordance with the accounting policy described in note 1 v), the Group liability with pensions is calculated annually.

In accordance with the accounting policy described in note 1 v) and following the requirements of IAS 19 – Employees benefits, the Group assesses at each balance sheet date and for each plan separately, the recoverability of the recognised assets in relation to the defined benefit pension plans based on the expectation of reductions in future contributions to the funds.

The changes in responsibilities with retirement pensions and healthcare benefits can be analyzed as follows:

(Thousands of Euros)

	Jun 2013				Dec 2012			
	Retirement pensions	**Healthcare benefits**	**Death subsidy**	**Total**	**Retirement pensions**	**Healthcare benefits**	**Death subsidy**	**Total**
Responsabilities in the beginning of the period	423 171	39 865	2 051	465 087	387 075	31 501	8 260	426 836
Current service cost	4 550	578	26	5 154	8 738	799	500	10 037
Interest cost	9 520	897	46	10 463	21 289	1 733	454	23 476
Actuarial gains / (losses)								
- Changes in the assumptions and in the conditions of the plans	12 663	-	-	12 663	21 025	3 242	(6 868)	17 399
- Not related to changes in assumptions	4 258	(493)	(18)	3 747	(10 132)	2 590	(295)	(7 837)
Pensions paid by the fund	(4 238)	-	-	(4 238)	(7 872)	-	-	(7 872)
Early retirements	-	-	-	-	3 048	-	-	3 048
Responsabilities in the end of the period	449 924	40 847	2 105	492 876	423 171	39 865	2 051	465 087

Under the third tripartite agreement mentioned above and the subsequent transfer to the Social Security sphere of the banks liabilities with pensions in payment as at 31 December 2011, there was a reduction of liabilities, measured based on the actuarial assumptions used in preparing the financial statements and consistent with IAS 19, in the amount of Euro 169,815 thousands.

However, under the agreement, the value of assets to be transferred to the Social Security in return for the transfer of the liabilities with pensions in payment was determined on a settlement perspective, as it is a definitive and irreversible transfer of these responsibilities and corresponded to the value thereof, and it was estimated based on a discount rate of 4% (instead of the 5.5% rate used for the purpose of preparing the financial statements).

Thus, the amount to be paid by the Group to the Portuguese State amounted to Euro 183,910 thousands, which led to the recognition in 2011 of a loss in the income statement in the amount of Euro 14,096 thousands, corresponding to the differential of the discount rates mentioned above.

During 2012 and against the background of this process, the Group paid to Portuguese State the amounted of Euro 1,256 thousands, against the income statement.

The pension funds are managed by “Futuro – Sociedade Gestora de Fundos de Pensões, S.A.”.

The change in the value of plan's assets is analyzed as follows:

(Thousands of Euro)

	Jun 2013	**Dec 2012**
Balance of the funds in the beginning of the period	522 754	447 825
Expected return on plan assets	6 573	72 146
Group contributions	-	9 659
Participant contributions	1 234	2 252
Pensions paid by the funds	(4 238)	(7 872)
Transfer to the general social healthcare system ("RGSS")	-	(1 256)
Balance of the funds at the end of the period	526 323	522 754

The pension Fund's assets are analyzed as follows:

(Thousands of Euro)

	Jun 2013	**Dec 2012**
Investment in banks and other	122 894	223 156
Bonds	324 863	234 522
Other variable income securities	42 513	51 462
Direct real estate	9 245	9 677
Shares	26 808	3 937
	526 323	522 754

The assets of pension funds used by the Group and securities issued by other Group entities are analyzed as follows:

(Thousands of Euro)

	Jun 2013	**Dec 2012**
Investment in banks and other	97 932	207 921
Direct real estare	9 245	9 677
Bonds	2 722	2 760
	109 899	220 358

The changes in the actuarial changes in the balance sheet are analyzed as follows:

(milhares de Euros)	Jun 2013	Dec 2012
Actuarial changes in the beginning of the period	4 824	35 707
Actuarial (Gains) and losses in the period		
- Changes in actuarial assumptions	12 663	24 470
- Experience adjustments	8 935	(55 353)
Actuarial changes recognised in other comprehensive income	26 422	4 824

The costs with retirement pensions, healthcare benefits and death subsidies are analyzed as follows:

(Thousands of Euro)	Jun 2013	Jun 2012
Service cost	5 154	5 019
Interest cost	10 463	11 737
Expected return on plan assets	(11 761)	(12 316)
Early retirements cost	-	878
Resulting from the transfer to the general social healthcare system ("RGSS")	-	1 377
Participant contributions	(1 234)	(1 092)
Other	-	(197)
Staff costs	2 622	5 406

In 2012, the balance Other refers to the positive effect from the reduction of the liabilities related with death subsidies, following the referred publishment of Decree-Law 133/2012 on 27 June 2012.

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

(Thousands of Euro)

	Jun 2013	Dec 2012
At the beginning of the period	57 667	20 989
Expected return on plan assets	6 573	72 146
Contributions of the Group	-	9 659
Contributions of the employees	1 234	2 252
Current service cost	(5 154)	(10 037)
Interest cost	(10 463)	(23 476)
Actuarial (gains) / losses	(16 410)	(9 562)
Transfer for the Social Security regime of the liabilities with pensions in payment	-	(1 256)
Early retirements	-	(3 048)
At the end of the period	33 447	57 667

The evolution of the defined benefit obligations, fair value of plan assets and of the experience adjustments gains/ (losses) in the past 5 years, is presented as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
Liabilities	(492 876)	(465 087)	(426 836)	(597 140)	(569 822)
Funds balance	526 323	522 754	447 825	545 097	504 883
Responsabilities (sub)/over funded	33 447	57 667	20 989	(52 043)	(64 939)
(Gains) and losses arising from liabilities	3 747	(7 837)	(6 499)	(4 143)	(2 197)
(Gains) and losses arising from experience adjustments arising on assets	5 188	(47 515)	57 680	17 957	(14 893)

51 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 fulfillment of the obligations assumed under the terms of the Law and the management regulations of the funds.

As at 30 June 2013 and 31 December 2012, the amount of the investment funds managed by the Group companies is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Investment funds	323 950	347 249
Real estate investment funds	340 963	339 123
Pensions fund	184 324	185 571
Bancassurance	144 816	148 579
	994 053	1 020 522

The amounts recognised in these accounts are measured at fair value determined at the balance sheet date.

52 Related parties transactions

The entities considered to be the Group related parties together with the subsidiaries referred in note 27, as defined by IAS 24, are as follows:

CEMG's associates:

HTA – Hotéis, Turismo e Animação dos Açores, S.A.
Iberpartners Cafés - S.G.P.S., S.A.
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Nova Câmbios, S.A.
Silvip, S.A.

Executive Board of Directors

Other related parties:

Bem Comum, Sociedade Capital Risco, S.A.
Bolsimo – Gestão de Activos, S.A.
Finibanco Vida - Companhia de Seguros Vida, S.A.
Finimóveis - Sociedade Imobiliária de Serviços Auxilares, S.A.
Fundação Montepio Geral
Fundo de Pensões CEMG - Gerido pela Futuro
Fundo de Pensões Finibanco - 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 Geral - Associação Mutualista
Montepio Gestão de Activos – S.G.F.I., S.A.
Montepio Mediação - Sociedade Mediadora de Seguros, S.A.
N Seguros, S.A.
NEBRA, Energias Renovables, SL
Nutre S.G.P.S., S.A.
Prio Energy, S.G.P.S., S.A.
Residências Montepio, Serviços de Saúde, S.A.
Sagies, S.A.
SIBS - Sociedade Interbancária de Serviços, S.A.
Sociedade Portuguesa de Administrações

As at 30 June 2013, the Group's liabilities with related parties, represented or not by securities, included in the balances Deposits from customers, Other subordinated debt and Loans and advances to customers, are analyzed as follows:

(Thousands of Euro)

Companies	Jun 2013		
	Deposits from customers	**Other subordinated debt**	**Loans and advances to customers**
Bolsimo – Gestão de Activos, S.A.	2 108	-	1
Conselho de Administração Executivo	42	-	55
Finibanco Vida – Companhia de Seguros de Vida, S.A.	9 225	-	-
Finimóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	2 384	-	15 924
Fundação Montepio Geral	1 893	-	-
Fundo de Pensões CEMG - Gerido pela Futuro	104 275	2 000	-
Fundo de Pensões Finibanco - Gerido pela Futuro	19 160	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1 325	-	-
Germont – Empreendimentos Imobiliários, S.A.	226	-	19 494
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	37	-	-
Iberpartners Cafés S.G.P.S., S.A.	-	-	1 500
Lestinvest, S.G.P.S., S.A.	83	-	36 427
Lusitania Vida, Companhia de Seguros, S.A.	28 860	3 250	5 609
Lusitania, Companhia de Seguros, S.A.	20 604	13 000	1
MG Investimentos Imobiliários, S.A.	9	-	-
Montepio Geral – Associação Mutualista	549 551	639 601	1
Montepio Gestão de Activos – S.G.F.I., S.A.	105	-	-
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	893	-	-
N Seguros, S.A.	875	-	-
NEBRA, Energias Renovables, SL	21	-	1 730
Nova Câmbios, S.A.	-	-	1 069
Nutre S.G.P.S., S.A.	1	-	-
Prio Energy S.G.P.S., S.A.	740	-	8 130
Residências Montepio, Serviços de Saúde, S.A.	94	-	2 009
SIBS - Sociedade Interbancária de Serviços, S.A.	1 013	-	-
Silvip, S.A.	1 878	-	-
	745 402	657 851	91 950

Em 30 de Junho de 2013, o valor dos créditos concedidos pela CEMG aos membros do Conselho de Administração Executivo ascende a 564 milhares de Euros.

As at 31 December 2012, the Group's liabilities with related parties, represented or not by securities, included in the balances Deposits from customers, Other subordinated debt and Loans and advances to customers, are analyzed as follows:

(Thousands of Euro)

	Dec 2012		
Companies	**Deposits from customers**	**Other subordinated debt**	**Loans and advances to customers**
Bolsimo – Gestão de Activos, S.A.	3 839	-	-
Finibanco Vida – Companhia de Seguros de Vida, S.A.	3 735	-	-
Finimóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	16	-	6 100
Fundação Montepio Geral	965	-	-
Fundo de Pensões CEMG	188 848	2 350	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	3 460	-	-
Germont – Empreendimentos Imobiliários, S.A.	9	-	21 769
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	147	-	-
Iberpartners Cafés S.G.P.S., S.A.	24	-	-
Lestinvest, S.G.P.S., S.A.	653	-	47 640
Lusitania Vida, Companhia de Seguros, S.A.	22 551	3 250	-
Lusitania, Companhia de Seguros, S.A.	16 318	13 000	15 000
MG Investimentos Imobiliários, S.A.	2	-	25
Montepio Geral – Associação Mutualista	572 848	574 257	-
Montepio Gestão de Activos – S.G.F.I., S.A.	891	-	-
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	836	-	-
N Seguros, S.A.	4 808	-	-
Nova Câmbios, S.A.	181	-	230
Nutre S.G.P.S., S.A.	-	-	15 000
Prio Energy S.G.P.S., S.A.	11 643	-	-
Residências Montepio, Serviços de Saúde, S.A.	50	-	-
Silvip, S.A.	1 640	-	-
	833 464	592 857	105 764

As at 30 June 2013, the Group's gains and losses with related parties, included in the balances Interest and similar income, Interest and similar expense and Commission and other income, are analyzed as follows:

(Thousands of Euro)

	Jun 2013		
Companies	**Interest and similar expense**	**Interest and similar income**	**Comissions and other 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

As at 30 June 2012, the Group's gains and losses with related parties, included in the balances Interest and similar income, Interest and similar expense and Commission and other income, are analyzed as follows:

(Thousands of Euro)

	Jun 2012		
Companies	**Interest and similar expense**	**Interest and similar income**	**Comissions and other income**
Finibanco Vida - Companhia de Seguros Vida, S.A.	-	-	1
Finimóveis Soc. Imob. Serviços Auxiliares, S.A.	-	69	-
Fundo de Pensões CEMG - Gerido pela Futuro	1 860	12	22
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	24	-	-
Germont – Empreendimentos Imobiliários, S.A.	-	88	-
Iberpartners Cafés - S.G.P.S., S.A.	-	12	-
Lusitania Vida, Companhia de Seguros, S.A.	185	1	10
Lusitania, Companhia de Seguros, S.A.	116	151	21
Montepio Geral - Associação Mutualista	2 987	37	15
Montepio Gestão de Activos – S.G.F.I., S.A.	6	-	-
N Seguros, S.A.	263	15	-
NEBRA, Energias Renovables, SL	869	-	-
Nova Câmbios, S.A.	-	5	1
Prio Energy S.G.P.S., S.A.	-	62	41
Residências Montepio, Serviços de Saúde, S.A.	-	17	8
SIBS - Sociedade Interbancária de Serviços, S.A.	-	10	-
Silvip, S.A.	13	-	-
	6 323	479	119

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 2013 and the year of 2012, there were no transactions with pension's fund of the Group.

53 Securitisation transactions

As at 30 June 2013, there are nine securitization transactions, eight 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, S.G.P.S, S.A. and transmission of almost all assets and liabilities for the Group, as referred in accounting policy 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 («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 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 30 June 2009, Montepio Crédito – Instituição Financeira de Crédito, S.A. had settled a portfolio of consume, automobile, Long term rental and leasing credits with "Tagus – Sociedade de Titularização de Créditos, S.A.", with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 207,000 thousands (Aqua Finance No.3). The total term of the operation is 14 years, with a revolving period of 3 years.

As at 22 June 2010, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage SME. The referred agreement consists in a mortgage credit transfer for a period of 26 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,167,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.15% of the Asset Backed Notes.

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 and the settlement costs have represented 0.1083% of the Asset Backed Notes.

The entity that guarantees the debt service (servicer) of this operations is «Caixa Económica Montepio Geral» assuming the collection and distribution of credits assigned amounts received by deposits, to Credit-purchase financing companies (Pelican Mortgages No. 1, Pelican Mortgages No. 2 e Pelican SME No. 1) and to Securitization companies (Pelican Mortgages No. 3, Pelican Mortgages No. 4, Pelican Mortgages No. 5, Aqua Finance No. 3 and Pelican Mortgages No. 6).

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 derecognised. 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 derecognised 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 2013, the securitisation 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	June 2007	Euro	Small companies	1 028 600
Aqua Mortgage No. 1	May 2008	Euro	Mortgage credit	236 500
Pelican Mortgages No. 5	December 2008	Euro	Mortgage credit	1 027 500
Aqua Finance No. 3	March 2009	Euro	Mortgage credit	213 210
Pelican SME	June 2010	Euro	Small companies	1 205 794
Pelican Mortgages No. 6	February 2012	Euro	Mortgage credit	1 107 000
				6 939 829

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

(Thousand of Euro)

	Jun 2013	Dec 2012
Pelican Mortgages No.1	76 719	81 282
Pelican Mortgages No.2	149 594	157 573
	226 313	238 855

As at 30 June 2013, the notes issued by the special purpose vehicles, are analyzed as follows:

Issue	Bond issued	Issue amount	Current amount	CEMG's interest retention (valor nominal)	Maturity	Rating (Initial)				Rating (Current)			
		Euro	Euro	Euro	date	Fitch	Moody's	S&P	DBRS	Fitch	Moody's	S&P	DBRS
Pelican Mortgages No. 1	*Class A*	611 000 000	32 633 218	6 884 487	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.	Ba1	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	107 792 236	44 059 617	2036	AAA	Aaa	AAA	n.a.	A	Baa3	A-	n.a.
	Class B	17 500 000	17 500 000	-	2036	AA+	A1	AA-	n.a.	A	Baa3	A-	n.a.
	Class C	22 750 000	22 750 000	-	2036	A-	Baa2	BBB	n.a.	BBB	Ba2	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	315 811 217	121 372 761	2054	AAA	Aaa	AAA	n.a.	A	Ba1	A-	n.a.
	Class B	14 250 000	8 153 798	7 839 090	2054	AA-	Aa2	AA-	n.a.	BBB	B1	BBB	n.a.
	Class C	12 000 000	6 866 357	5 474 775	2054	A	A3	A	n.a.	BB	B3	BBB-	n.a.
	Class D	6 375 000	3 647 752	3 647 752	2054	BBB	Baa3	BBB	n.a.	B	Caa2	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	626 950 430	626 950 430	2056	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	A
	Class B	55 500 000	55 500 000	55 500 000	2056	AA	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	60 000 000	60 000 000	60 000 000	2056	A-	n.a.	n.a.	n.a.	BBB-	n.a.	n.a.	n.a.
	Class D	25 000 000	25 000 000	25 000 000	2056	BBB	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class E	27 500 000	27 500 000	27 500 000	2056	BB	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No. 1	*Class A*	203 176 000	161 997 635	161 997 635	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.
Pelican Mortgages No. 5	*Class A*	750 000 000	566 515 561	566 515 561	2061	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	AAH
	Class B	195 000 000	195 000 000	195 000 000	2061	BBB-	n.a.	n.a.	n.a.	BBB-	n.a.	n.a.	n.a.
	Class C	27 500 000	27 500 000	27 500 000	2061	B	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Class D	27 500 000	27 500 000	27 500 000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4 500 000	1 504 685	1 504 685	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.
Aqua Finance No. 3	*Class A*	110 020 000	65 740 339	65 740 339	2023	n.a.	n.a.	AAA	AAA	n.a.	n.a.	A-	AA
	Class B	96 980 000	75 556 025	75 556 025	2023	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	6 210 000	6 210 000	6 210 000	2023	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican SME	*Class A*	577 500 000	125 232 372	125 232 372	2036	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	AL
	Class B	472 500 000	310 639 517	310 639 517	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Vertical	117 000 000	44 762 322	44 762 322	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	7 294 000	-	-	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Residual	31 500 000	31 500 000	31 500 000	2036	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	720 225 806	720 225 806	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 E	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.

As at 31 December 2012, the notes issued by the special purpose vehicles, are analyzed as follows:

Issue	Bond issued	Issue amount Euro	Currents amount Euro	CEMG's interest retention Euro	Maturity date	Rating (Initial) Fitch	Rating (Initial) Moody's	Rating (Initial) S&P	Rating (Initial) DBRS	Rating (Current) Fitch	Rating (Current) Moody's	Rating (Current) S&P	Rating (Current) DBRS
Pelican Mortgages No. 1	*Class A*	611 000 000	36 888 222	7 782 276	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.	Ba1	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	115 549 576	47 230 398	2036	AAA	Aaa	AAA	n.a.	A	Baa3	A-	n.a.
	Class B	17 500 000	17 500 000	-	2036	AA+	A1	AA-	n.a.	A	Baa3	A-	n.a.
	Class C	22 750 000	22 750 000	-	2036	A-	Baa2	BBB	n.a.	BBB	Ba2	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	328 136 946	106 897 632	2054	AAA	Aaa	AAA	n.a.	A	Ba1	A-	n.a.
	Class B	14 250 000	8 472 031	-	2054	AA-	Aa2	AA-	n.a.	BBB	B1	BBB	n.a.
	Class C	12 000 000	7 134 342	-	2054	A	A3	A	n.a.	BB	B3	BBB-	n.a.
	Class D	6 375 000	3 790 119	-	2054	BBB	Baa3	BBB	n.a.	B	Caa2	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	642 669 435	642 669 435	2056	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	A
	Class B	55 500 000	55 500 000	55 500 000	2056	AA	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	60 000 000	60 000 000	60 000 000	2056	A-	n.a.	n.a.	n.a.	BBB-	n.a.	n.a.	n.a.
	Class D	25 000 000	25 000 000	25 000 000	2056	BBB	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class E	27 500 000	27 500 000	27 500 000	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	584 642 673	584 642 673	2061	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	AAH
	Class B	195 000 000	195 000 000	195 000 000	2061	BBB-	n.a.	n.a.	n.a.	BBB-	n.a.	n.a.	n.a.
	Class C	27 500 000	27 500 000	27 500 000	2061	B	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Class D	27 500 000	27 500 000	27 500 000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4 500 000	1 678 875	1 678 875	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.
Aqua Finance No. 3	*Class A*	110 020 000	78 803 402	78 803 402	2023	n.a.	n.a.	AAA	AAA	n.a.	n.a.	AA-	AA
	Class B	96 980 000	90 569 533	90 569 533	2023	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	6 210 000	6 210 000	6 210 000	2023	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	734 436 087	734 436 087	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 E	40 200 000	40 200 000	40 200 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican SME	*Class A*	577 500 000	208 303 453	208 303 453	2036	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	AL
	Class B	472 500 000	310 639 517	310 639 517	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Vertical	117 000 000	73 331 850	73 331 850	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	7 294 000	-	-	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Residual	31 500 000	31 500 000	31 500 000	2036	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	161 997 635	161 997 635	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.

54 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 1 x).

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 natural 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 reestablishing its available financial resources.

The Group has a network of 458 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 Non-profit Organizations;

(2) Corporate and Institutional, which includes big sized companies, medium and small companies, Financial Institutions and the Administrative 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 (International Area).

Operational 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 operational segment corresponds to all activity developed by the Group, with private customers, Individual Managers, Micro business and Non-profit Organizations, commercially designated as Privates Segment and Small Businesses, fundamentally originated by the branches network, agent network and electronic channels. The financial information of the segment relates to, among other products and services, mortgage loans, individual or consumer credit, deposits repayable on demand and term deposits and other savings investments, retirement plans, debit and credit cards, 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 large companies, through branches network and commercial structure dedicated to this segment. It also includes institutional clients business, mostly from the financial sector and central public administration. Among the products, it is emphasized cash and investments loans, commercial discount, guarantees granted, leasing, factoring, renting, foreign operations, documentary credits, checks and remittances, deposits, received or paid services, 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 (shares 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 favorites 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 analyzed by the decision makers of the Group, as required by IFRS 8 – Operating Segments.

The accounting policies applied in the preparation of the financial information related with the operating segments are consistent with the ones used in the preparation of these consolidated financial statements, which are described in note 1. The following principles were also adopted:

Measurement of profit or loss from operating segments

The Group uses net income before taxes as the measure of profit or loss for evaluating the performance of each operating segment.

Autonomous Operating Segments

As mentioned above, each operating unit (branches MG Cabo verde and associated entities) is evaluated separately, as these units are considered investment centers. Additionally, considering the characteristics of the business developed by these units, they are fully included in one of the operating segments, assets, liabilities, equity, income and expenses.

Group structures dedicated to the segment

The Group activity comprises most of its operating segments and therefore its activity is disaggregated.

For the purpose of allocating the financial information, the following principles are used:

(i) The origin of the operation, i.e., the operation is allocated to the same segment as the commercial structure that originated it, even though, in a subsequent phase, the Group makes a strategic decision in order to securitize some of these originated assets;

(ii) The allocation of a commercial margin to mass-products, established in a high level when the products are launched;

(iii) The allocation of a final financial margin through the transfer of assets and liabilities of each product/segment to a pool, that proceeds to the balancing and adjustment of interest, according to market interest rates at each moment, which means, Euribor to several maturity dates;

(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; and

(vi) The allocation of credit risk determined in accordance with the Notice no. 3/95 of 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 2013, is as follows:

(Thousands of Euro)

Income statement	**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 financial assets available for sale	-	-	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	10 477	2 601	2 246	15 324
Total operating costs	116 784	27 747	19 623	164 154
Total 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
Profit for the period attributable to MGAM	(34 823)	61 971	(96 802)	(69 654)
Net asset	13 274 078	3 314 084	4 387 114	20 975 276
Liability	13 495 041	2 325 961	3 629 673	19 450 675
Investments in associated companies and other	-	-	54 218	54 218

The report by operating segments as at 31 December 2012, is as follows:

(Thousands of Euro)

Income statement	**Retail**	**Corporate and institutional**	**Operations between segments**	**Total**
Interest and similar income	854 518	291 013	9 478	1 155 009
Interest and similar expense	655 947	195 397	22 585	873 929
Net interest income	198 571	95 616	(13 107)	281 080
Dividends from equity instruments	-	-	554	554
Fees and commissions income	104 092	18 874	7 551	130 517
Fees and commissions expense	(4 022)	(940)	(20 610)	(25 572)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	-	-	(62 743)	(62 743)
Net gains/(losses) arising from financial assets available for sale	-	-	82 586	82 586
Net gains arising from foreign exchange differences	-	-	14 419	14 419
Net gains from sale of other financial assets	-	-	(10 706)	(10 706)
Other operating income	17 028	2 998	345	20 371
Total operating income	315 669	116 548	(1 711)	430 506
Staff costs	101 896	32 804	62 446	197 146
General and administrative expenses	66 074	23 409	29 874	119 357
Depreciation	8 246	2 010	33 300	43 556
Total operating income	176 216	58 223	125 620	360 059
Total Provisions and Impairment	140 199	64 896	27 024	232 119
Operating profit	(746)	(6 571)	(154 355)	(161 672)
Share of profit of associates under the equity method	-	-	(6 086)	(6 086)
Income before taxes and non-controlling interests	(746)	(6 571)	(160 441)	(167 758)
Current taxes			(6 963)	(6 963)
Deferred taxes			177 914	177 914
Non-controlling interests			(1 094)	(1 094)
Profit for the period attributable to MGAM	(746)	(6 571)	9 416	2 099
Net asset	13 510 161	3 301 703	4 160 867	20 972 731
Liability	12 923 886	4 771 257	1 642 618	19 337 761
Investments in associated companies and other	-	-	60 836	60 836

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

Geographical Segments

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 2013, the net contribution of the main geographical segments is as follows:

(Thousands of Euro)

Income statement	**Domestic area**	**International area**	**Adjustments**	**Consolidated**
Interest and similar income	422 736	20 740	(11 422)	432 054
Interest and similar expense	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 financial assets available for sale	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 operational 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 for the period	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 assets impairment	42 665	-	-	42 665
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)
Income before taxes and non-controlling interests	(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
Profit for the period attributable to MGAM	(75 633)	6 415	(436)	(69 654)

(Thousands of Euro)

Balance sheet	**Domestic area**	**International area**	**Adjustments**	**Consolidated**
Cash and deposits at central banks	285 251	52 354	-	337 605
Loans and advances to credit institutions repayable on demand	230 154	44 342	(40 704)	233 792
Other loans and advances to credit institutions	188 603	585 826	(574 281)	200 148
Loans and advances to customers	15 224 360	111 455	68	15 335 883
Financial assets held for trading	87 297	-	-	87 297
Other financial assets at fair value through profit or loss	6 809	-	-	6 809
Financial assets available-for-sale	2 871 561	189	-	2 871 750
Hedging derivatives	915	-	-	915
Held-to-maturity investments	17 521	10 503	-	28 024
Investments in associated companies and others	61 219	-	(7 001)	54 218
Non- current assets held for sale	703 187	415	-	703 602
Investment properties	383 450	-	-	383 450
Other tangible assets	83 265	17 109	-	100 374
Intangible assets	61 419	1 232	-	62 651
Current tax assets	95	1 858	-	1 953
Deferred tax assets	301 946	-	-	301 946
Other assets	262 698	3 051	(890)	264 859
Total Assets	20 769 750	828 334	(622 808)	20 975 276
Deposits from central banks	1 854 813	-	-	1 854 813
Deposits from other credit institutions	1 150 380	-	(611 285)	539 095
Deposits from customers	12 516 223	746 440	-	13 262 663
Debt securities issued	2 677 611	-	-	2 677 611
Financial liabilities associated to transferred assets	216 493	-	-	216 493
Financial liabilities held for trading	67 427	-	-	67 427
Hedging derivatives	2 572	-	-	2 572
Provisions	5 664	209	-	5 873
Deferred tax liabilities	527	-	-	527
Other subordinated debt	461 098	3 710	(3 700)	461 108
Other liabilities	353 558	9 825	(890)	362 493
Total Liabilities	19 306 366	760 184	(615 875)	19 450 675
Share capital	1 261 773	40 228	(7 001)	1 295 000
Other equity instruments	15 000	-	-	15 000
Revaluation reserves	(22 171)	9	3 056	(19 106)
Other reserves and retained earnings	276 960	21 498	(2 552)	295 906
Profit for the period	(75 631)	6 413	(436)	(69 654)
Total Equity attributable to MGAM	1 455 931	68 148	(6 933)	1 517 146
Non-controlling interests	7 455			7 455
Total Equity	1 463 386	68 148	(6 933)	1 524 601
Total Liabilities and Equity	20 769 752	828 332	(622 808)	20 975 276

As at 31 December 2012, the net contribution of the main geographical segments is as follows:

(Thousands of Euro)

Income statement	Domestic area	International area	Adjustments	Consolidated
Interest and similar income	1 139 077	35 182	(19 250)	1 155 009
Interest and similar expense	867 753	25 426	(19 250)	873 929
Net interest income	271 324	9 756	-	281 080
Dividends from equity instruments	1 174	-	(620)	554
Fees and commissions income	123 737	6 780	-	130 517
Fees and commissions expense	(25 433)	(139)	-	(25 572)
Net gains/(losses) arising from assets and liabilities at fair value through profit	(62 743)	-	-	(62 743)
Net gains/(losses) arising from available-for-sale financial assets	82 586	-	-	82 586
Net gains arising from foreign exchange differences	4 329	10 090	-	14 419
Net gains from sale of other financial assets	(10 706)	-	-	(10 706)
Other operating income	20 230	807	(666)	20 371
Total operational income	404 498	27 294	(1 286)	430 506
Staff costs	192 998	4 148	-	197 146
General and administrative expenses	114 638	5 385	(666)	119 357
Depreciation and amortisation	42 656	900	-	43 556
Total operating costs	350 292	10 433	(666)	360 059
Loans impairment	168 202	3 167	(68)	171 301
Other assets impairment	63 783	-	-	63 783
Other provisions	(2 816)	(149)	-	(2 965)
Operating profit	(174 963)	13 843	(552)	(161 672)
Share of profit of associates under the equity method	(6 086)		-	(6 086)
Income before taxes and non-controlling interests	(181 049)	13 843	(552)	(167 758)
Current taxes	(2 438)	(4 525)	-	(6 963)
Deferred taxes	177 914	-	-	177 914
Non-controlling interests	(1 094)	-	-	(1 094)
Profit for the year attributable to MGAM	(6 667)	9 318	(552)	2 099

(Thousands of Euro)

Balance sheet	**Domestic**	**International**	**Adjustments**	**Consolidated**
Cash and deposits at central banks	247 588	57 298	-	304 886
Loans and advances to credit institutions repayable on demand	232 354	27 540	(24 235)	235 659
Other loans and advances to credit institutions	187 752	504 668	(468 096)	224 324
Loans and advances to customers	15 624 154	79 293	100	15 703 547
Financial assets held for trading	139 055	-	-	139 055
Other financial assets at fair value through profit or loss	12 300	-	-	12 300
Financial assets available for sale	2 481 257	188	-	2 481 445
Hedging derivatives	931	-	-	931
Held to maturity investments	17 222	10 273	-	27 495
Investments in associated companies and others	67 837	-	(7 001)	60 836
Non-current assets held for sale	491 045	750	-	491 795
Investment properties	388 260	-	-	388 260
Other tangible assets	86 210	10 365	-	96 575
Intangible assets	58 242	805	-	59 047
Current tax assets	94	2 608	-	2 702
Deferred tax assets	265 987	-	-	265 987
Other assets	476 888	1 891	(892)	477 887
Total Assets	20 777 176	695 679	(500 124)	20 972 731
Deposits from central banks	1 776 514	-	-	1 776 514
Deposits from other credit institutions	1 114 036	4 001	(492 331)	625 706
Deposits from customers	12 640 967	614 480	-	13 255 447
Debt securities issued	2 362 336	-	-	2 362 336
Financial liabilities associated to transferred assets	244 419	-	-	244 419
Financial liabilities held for trading	84 794	-	-	84 794
Hedging derivatives	3 177	-	-	3 177
Provisions	14 163	129	-	14 292
Current tax liabilities	2 044	-	-	2 044
Deferred tax liabilities	533	-	-	533
Other subordinated debt	467 120	-	-	467 120
Other liabilities	489 441	12 830	(892)	501 379
Total Liabilities	19 199 544	631 440	(493 223)	19 337 761
Share capital	1 261 907	40 094	(7 001)	1 295 000
Other equity instruments	15 000	-	-	15 000
Revaluation reserves	(4 386)	(235)	2 652	(1 969)
Other reserves and retained earnings	304 820	15 063	(2 000)	317 883
Profit for the year	(6 667)	9 318	(552)	2 099
Total Equity attributable to MGAM	1 570 674	64 240	(6 901)	1 628 013
Non-controlling interests	6 957			6 957
Total Equity	1 577 631	64 240	(6 901)	1 634 970
Total Liabilities and Equity	20 777 175	695 680	(500 124)	20 972 731

55 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 analysis and risk control are carried out in an integrated mode, through the «Direcção de Risco» («DRI»), which includes three departments:

- Credit Risk Department: responsible for development and integration in decision-making of internal models of credit risk analysis, and reporting on Prudential Equity and internal reports on credit risk;
- Market Risk Department: ensure the examination and supervisory reporting and internal market risk, interest rate, foreign exchange, liquidity and solvency, as well as their integration into decision-making processes of the dealing room;
- Operational Risk Department: operational risk management responsible.

«DRI» also ensures coordination with the Bank of Portugal, in the field of prudential reports, including the level of capital requirements, liquidity risk and interest rate risk.

Under the credit risk management and control have been developed several activities, including most importantly the regular realization of Committee of the Risk and Internal Control and policy delegation review of credit decision, in order to make it sensitive to the level expected risk of the client / transaction.

Additionally, 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. 2/2010, 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.

It also ensured the participation in the work of «Programa Especial de Inspecções», under the Memorandum signed between the Portuguese State and European Central Bank, European Commission and International Monetary Fund.

This program focused on three areas of work –credit impairment calculation, capital requirements for credit risk calculation and stress testing procedures. The results were very satisfactory, confirming the adequacy of procedures adopted by the Group.

The Group has also been following the recommendations of the Basel Committee and follows closely the developments in the Basel III framework of liquidity management and capital assessment, having been carried out analyzes of their impact. The Group has also regularly participated in Quantitative Impact Studies (QIS) Basel III, developed by the Bank of Portugal in accordance with the guidelines of the European Bank Association (EBA). The documents published by the Basel Committee in late 2009, are now published in their final versions and is expected to be transposed into European directives at the end of the year of 2013, in order that the first official report according to the new rules is conducted in March 2014.

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 fulfill 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»).

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 Dealing 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 segment.

Credit decisions are dependent upon risk ratings and compliance with various rules governing financial capacity and applicants' behavior. 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.

The Group's credit risk exposure can be analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Loans and advances to credit institutions repayable on demand	233 792	235 659
Other loans and advances to credit institutions	200 148	224 324
Loans and advances to customers	15 335 883	15 703 547
Financial assets held for trading	74 365	126 718
Financial assets at fair value through profit or loss	6 809	12 300
Available-for-sale financial assets	2 403 016	2 054 519
Hedging derivatives	915	931
Held-to-maturity investments	28 024	27 495
Investments in associated companies and others	54 218	60 836
Other assets	221 059	399 660
Guarantees granted	469 756	464 722
Documentary credits	6 745	4 214
Irrevocable commitments	156 276	186 350
Credit default swaps (notionals)	25 000	32 500
	19 216 006	19 533 775

The analysis of the risk exposure by sector of activity, as at 30 June 2013, can be analyzed as follows:

(Thousands of Euro)

Sector of activity	**Jun 2013**							
	Loans and advances to costumers		**Financial assets held for trading**	**Other financial assets at fair value trough profit or loss**	**Financial assets available for sale**		**Held to maturity investments**	**Guarantees granted**
	Gross Amount	**Impairment**	**Book value**	**Book value**	**Gross Amount**	**Impairment**	**Book value**	**Book value**
Agriculture	79 266	(4 243)	-	-	-	-	-	8 070
Mining	33 329	(2 864)	-	-	-	-	-	2 236
Food, beverage and tobacco	175 594	(12 991)	-	-	34 020	-	-	4 675
Textiles	77 462	(22 665)	-	-	-	-	-	439
Shoes	24 572	(4 678)	-	-	-	-	-	125
Wood and cork	45 697	(11 547)	-	-	4 813	-	-	2 680
Printing and publishing	50 805	(3 726)	-	-	4 942	-	-	358
Petroleum refining	391	(278)	-	-	497	-	-	-
Chemicals and rubber	91 522	(9 207)	-	-	518	-	-	2 005
Non-metallic minerals	57 603	(3 448)	-	-	-	-	-	2 825
Basis metallurgic industries and metallic products	149 366	(11 203)	-	-	68 382	-	-	10 262
Production of machinery	46 809	(2 704)	-	-	-	-	-	1 597
Production of transport material	29 067	(1 210)	-	-	-	-	-	155
Other transforming material	38 086	(4 642)	-	-	64 962	-	-	1 581
Electricity, gas and water	116 251	(617)	-	-	1 264	-	-	5 323
Construction	1 964 301	(304 272)	97	-	998	(998)	-	182 270
Wholesale and retail	982 437	(129 832)	-	-	5 534	-	-	71 607
Tourism	292 231	(18 412)	-	-	-	-	-	8 596
Transports	291 673	(21 294)	-	-	41 730	-	-	10 553
Communications and information activities	51 947	(5 742)	963	-	106 581	(9 163)	-	766
Financial activities	480 995	(31 606)	59 900	6 809	248 449	(6 499)	-	77 464
Real estates activities	901 210	(105 686)	-	-	4 022	-	-	26 955
Services provided to companies	337 333	(23 443)	473	-	14 177	-	-	13 569
Public services	132 718	(7 637)	-	-	1 690 156	(11 257)	28 024	6 531
Other activities of collective services	384 109	(13 745)	-	-	-	-	-	13 772
Mortgage loans	8 773 929	(126 340)	-	-	38 684	-	-	-
Others	727 871	(116 659)	12 932	-	101 203	(16 153)	-	15 342
Total	16 336 574	(1 000 691)	74 365	6 809	2 430 932	(44 070)	28 024	469 756

The analysis of the risk exposure by sector of activity, as at 31 December 2012, can be analyzed as follows:

(Thousands of Euro)

Sector of activity	Dec 2012							
	Loans and advances to costumers		Financial assets held for trading	financial assets at fair value trough profit or loss	Financial assets available for sale		Held to maturity investments	Guarantees granted
	Gross Amount	Impairment	Book value	Book value	Gross Amount	Impairment	Book value	Book value
Agriculture	80 306	(4 347)	-	-	-	-	-	6 199
Mining	49 123	(2 391)	-	-	-	-	-	1 546
Food, beverage and tobacco	159 576	(9 711)	-	-	2 948	-	-	5 461
Textiles	82 277	(22 844)	-	-	-	-	-	434
Shoes	23 395	(4 539)	-	-	-	-	-	154
Wood and cork	53 262	(10 173)	-	-	87 275	-	-	1 996
Printing and publishing	55 024	(3 606)	-	-	-	-	-	374
Petroleum refining	600	(305)	-	-	54 638	-	-	-
Chemicals and rubber	103 147	(8 772)	-	-	1 034	-	-	2 079
Non-metallic minerals	58 161	(3 172)	-	-	-	-	-	2 878
Basis metallurgic industries and metallic products	153 564	(9 538)	-	-	-	-	-	9 151
Production of machinery	49 270	(3 007)	-	-	260	-	-	1 691
Production of transport material	21 514	(1 062)	-	-	-	-	-	305
Other transforming material	45 734	(5 506)	-	-	129 000	(78)	-	1 709
Electricity, gas and water	110 573	(394)	-	3 165	5 466	-	-	5 261
Construction	2 167 840	(289 806)	-	-	2 245	(998)	-	198 770
Wholesale and retail	1 141 948	(116 120)	250	-	6 911	(148)	-	61 174
Tourism	346 941	(19 322)	-	-	7 314	-	-	10 039
Transports	240 004	(15 856)	-	-	22 831	-	-	11 362
Communications and information activities	56 133	(3 861)	-	-	30 721	-	-	1 169
Financial activities	557 047	(34 992)	108 499	9 135	299 369	(12 351)	-	68 814
Real estates activities	855 172	(101 860)	-	-	7 008	-	-	34 800
Services provided to companies	556 961	(23 544)	-	-	18 777	-	-	13 551
Public services	153 003	(3 636)	-	-	1 218 023	(11 257)	27 495	595
Other activities of collective services	443 293	(18 799)	-	-	999	-	-	10 824
Mortgage loans	8 404 707	(153 134)	-	-	44 597	-	-	-
Others	657 256	(51 987)	17 969	-	139 935	-	-	14 386
Total	16 625 831	(922 284)	126 718	12 300	2 079 351	(24 832)	27 495	464 722

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 2013, there was a reduction in the nominal of credit default swaps, having reached the majority of them the maturity. Therefore the credit protection bought and sold reduced to Euro 9,000 thousands and Euro 16,500 thousands, respectively (31 December 2012: Euro 21,000 thousand and Euro 11,500 thousand).

Regarding the credit quality, the average level of counterparties has increased, due to maturity of the higher risk positions (BB-) and to the reduction in the rating of a foreign financial counterparty, from BBB to BBB-. The credit protection from Portuguese counterparties, the only one below the investment grade and following the rating of the Portuguese Republic, led to buying and selling protection positions of Euro 13,000 thousands and Euro 3,000 thousands, 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.

Normally the static interest rate and liquidity gaps are positive and moderate in size, with exception of those months when payments are made relating to bond issue debt service. As for exchange rate risk, the resources obtained in different currencies are hedged as assets in the respective monetary market and for periods not exceeding those of the resources, which 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 of 2013 represented 76% of the total's portfolio, including 60.2% of sovereign debt.

During the first semester of 2013, interest rate gaps (considering the total of the refixing terms of the interest rates), reached, in static terms, Euro 547,431 thousands negative (31 December 2012: Euro 293,649 thousand positive).

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 2013 and 31 December 2012:

(Thousands of Euro)

	Jun 2013				Dec 2012			
	June	**Annual average**	**Maximum**	**Minimum**	**December**	**Annual average**	**Maximum**	**Minimum**
Interest rate Gap	(547 431)	(547 431)	(547 431)	(547 431)	(293 649)	(125 526)	42 597	(293 649)

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)

	Due within 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	Over 5 years
30 June 2013					
Assets	10 496 716	4 009 549	582 374	1 613 564	1 074 907
Off-balance sheet	9 157 423	68 871	334 497	1 164 041	-
Total	19 654 139	4 078 420	916 871	2 777 605	1 074 907
Liabilities	5 740 895	1 501 357	2 770 204	8 165 040	147 045
Off-balance sheet	9 211 968	191 225	-	1 321 639	-
Total	14 952 863	1 692 582	2 770 204	9 486 679	147 045
GAP (Assets - Liabilities)	4 701 276	2 385 838	(1 853 333)	(6 709 074)	927 862
31 December 2012					
Assets	10 861 051	4 534 848	465 864	1 206 548	662 270
Off-balance sheet	9 695 282	184 356	182 271	1 754 548	-
Total	20 556 333	4 719 204	648 135	2 961 096	662 270
Liabilities	6 362 202	1 901 153	2 047 909	7 551 138	161 855
Off-balance sheet	10 046 033	436 494	5 900	1 328 004	-
Total	16 408 235	2 337 647	2 053 809	8 879 142	161 855
GAP (Assets - Liabilities)	4 148 098	2 381 557	(1 405 674)	(5 918 046)	500 415

Sensibility analysis

As at 30 June 2013, 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 48,209 thousands (31 December 2012: Euro 44,536 thousands).

The following table presents the average interests, in relation to the Group major assets and liabilities categories for the period ended 30 June 2013 and the year of 2012, as well as the average balances and the income and expense for the year:

(Thousands of Euro)

	Jun 2013			Dec 2012		
Products	**Average balance for the year**	**Average interest rate (%)**	**Income / Expense**	**Average balance for the year**	**Average interest rate (%)**	**Income / Expense**
Assets						
Loans and advances to customers	16 434 442	3.75	305 267	16 906 212	4.41	745 323
Deposits	139 551	1.43	992	116 001	0.80	930
Securities portfolio	2 820 551	4.91	68 658	2 665 351	6.37	169 813
Inter-bank loans and advances	200 323	0.18	183	256 795	1.82	4 680
Swaps	-		55 139	-		230 410
Total Assets	19 594 867		430 239	19 944 359		1 151 156
Liabilities						
Deposits from customers	12 818 548	2.63	167 328	13 204 002	3.41	450 127
Securities deposits	3 653 709	5.18	93 934	3 284 373	5.45	178 862
Interbank deposits	2 452 577	1.02	12 436	2 697 032	1.09	29 436
Other liabilities	158	0.34	-	260	30.77	80
Swaps	-		54 614	-		211 571
Total liabilities	18 924 992		328 312	19 185 667		870 076

In relation to foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 30 June 2013 is analyzed as follows:

(Thousands of Euro)

	Jun 2013							
	Euro	**United States Dollar**	**Libra Esterlina**	**Sterling Pound**	**Suisse Franc**	**Japanese Yen**	**Other foreign currencies**	**Total amount**
Assets by currency								
Cash and deposits at central banks	275 824	26 568	909	505	851	102	32 846	337 605
Loans and advances to credit institutions repayable on demand	190 997	37 908	427	280	496	43	3 641	233 792
Loans and advances to credit institutions	184 954	105	-	-	-	-	15 089	200 148
Loans and advances to customers	15 214 871	24 093	-	-	138	-	96 781	15 335 883
Financial assets held for trading	81 466	5 515	316	-	-	-	-	87 297
Other financial assets at fair value trough profit or loss	6 809	-	-	-	-	-	-	6 809
Financial assets available for sale	2 871 750	-	-	-	-	-	-	2 871 750
Hedging derivatives	915	-	-	-	-	-	-	915
Held to maturity investments	17 577	-	-	-	-	-	10 447	28 024
Investments in associated companies and others	54 218	-	-	-	-	-	-	54 218
Non- current assets held for sale	703 187	59	-	-	-	-	356	703 602
Property and equipment	383 450	-	-	-	-	-	-	383 450
Intangible assets	83 414	-	-	-	-	-	16 960	100 374
Current tax assets	61 163	-	-	-	-	-	1 488	62 651
Deferred tax assets	96	-	-	-	-	-	1 857	1 953
Other assets	301 946	-	-	-	-	-	-	301 946
	99 098	65 887	717	36 966	4 605	1 375	56 211	264 859
Total Assets	20 531 735	160 135	2 369	37 751	6 090	1 520	235 676	20 975 276
Liabilities by currency								
Deposits from central banks	1 854 813	-	-	-	-	-	-	1 854 813
Deposits from other credit institutions	490 981	47 834	190	70	3	-	17	539 095
Deposits from customers	12 903 757	198 715	10 737	37 154	3 597	32	108 671	13 262 663
Debt securities issued	2 654 818	22 793	-	-	-	-	-	2 677 611
Financial liabilities associated to transferred assets	216 493	-	-	-	-	-	-	216 493
Financial liabilities held for trading	66 750	675	2	-	-	-	-	67 427
Hedging derivatives	2 572	-	-	-	-	-	-	2 572
Provisions	5 664	-	-	-	-	-	209	5 873
Deferred tax liabilities	527	-	-	-	-	-	-	527
Other subordinated debt	461 108	-	-	-	-	-	-	461 108
Other liabilities	9 043	216 556	9 964	73 358	6 190	1 262	46 120	362 493
Total Liabilities	18 666 526	486 573	20 893	110 582	9 790	1 294	155 017	19 450 675
Net asset / liability by currency	1 865 209	(326 438)	(18 524)	(72 831)	(3 700)	226	80 659	1 524 601

In relation to foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 31 December 2012 is analyzed as follows:

(Thousands of Euro)

	Dec 2012							
	Euro	United States Dollar	Libra Esterlina	Sterling Pound	Suisse Franc	Japanese Yen	Other foreign currencies	Total amount
Assets by currency								
Cash and deposits at central banks	238 220	21 049	533	395	1 289	46	43 354	304 886
Loans and advances to credit institutions repayable on demand	216 991	16 635	515	340	502	33	643	235 659
Loans and advances to credit institutions	184 737	104	-	-	-	-	39 483	224 324
Loans and advances to customers	15 612 884	26 815	-	2	171	-	63 675	15 703 547
Financial assets held for trading	134 972	3 757	326	-	-	-	-	139 055
Other financial assets at fair value trough profit or loss	12 300	-	-	-	-	-	-	12 300
Financial assets available for sale	2 457 197	23 344	32	48	637	-	187	2 481 445
Hedging derivatives	931	-	-	-	-	-	-	931
Held to maturity investments	17 141	-	-	-	-	-	10 354	27 495
Investments in associated companies and others	60 836	-	-	-	-	-	-	60 836
Non- current assets held for sale	491 046	106	-	-	-	-	643	491 795
Property and equipment	388 260	-	-	-	-	-	-	388 260
Intangible assets	86 336	-	-	-	-	-	10 239	96 575
Current tax assets	57 913	-	-	-	-	-	1 134	59 047
Deferred tax assets	100	-	-	-	-	-	2 602	2 702
Other assets	265 987	-	-	-	-	-	-	265 987
	69 933	253 065	18 114	73 988	2 953	-	59 834	477 887
Total Assets	20 295 784	344 875	19 520	74 773	5 552	79	232 148	20 972 731
Liabilities by currency								
Deposits from central banks	1 776 514	-	-	-	-	-	-	1 776 514
Deposits from other credit institutions	601 441	23 293	291	274	353	-	54	625 706
Deposits from customers	12 942 278	158 508	8 984	37 381	3 271	-	105 025	13 255 447
Debt securities issued	2 340 541	21 795	-	-	-	-	-	2 362 336
Financial liabilities associated to transferred assets	244 419	-	-	-	-	-	-	244 419
Financial liabilities held for trading	84 440	354	-	-	-	-	-	84 794
Hedging derivatives	3 177	-	-	-	-	-	-	3 177
Provisions	14 163	-	-	-	-	-	129	14 292
Current tax liabilities	2 044	-	-	-	-	-	-	2 044
Deferred tax liabilities	533	-	-	-	-	-	-	533
Other subordinated debt	467 120	-	-	-	-	-	-	467 120
Other liabilities	240 752	141 142	10 244	37 122	1 834	79	70 206	501 379
Total Liabilities	18 717 422	345 092	19 519	74 777	5 458	79	175 414	19 337 761
Net asset / liability by currency	1 578 362	(217)	1	(4)	94	-	56 734	1 634 970

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 2013, the total collateral value in the European Central Bank amounted to Euro 4,300,948 thousands with a use of Euro 1,888,715 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

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 fulfill.

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, non-controlling interests and preferential stocks, whose conditions are approved by Bank of Portugal. 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 limit of 10% of maximum between those responsibilities and assets of the pension fund, as well as stakes in reserves and deferred taxes profit not associated to negative elements in basic own funds. They are also deducted 50% of its value the shares above 10% in financial institutions, as well as stakes in insurers.

- 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.

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 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 of 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 9% until 31 December 2011 and 10% until 31 December 2012.

The capital adequacy of the Group as at 30 June 2013 and 31 December 2012 is presented as follows:

	(Thousands of Euro)	
	Jun 2013	**Dec 2012**
Core Tier 1		
Paid-up capital	1 295 000	1 295 000
Net profit, General reserves, Special reserves	295 905	317 883
Other regulatory adjustments	(193 579)	(163 155)
	1 397 326	1 449 728
Basic own funds		
Other equity instruments	15 000	15 000
Deduction to basic own funds	(17 033)	(19 140)
	1 395 293	1 445 588
Complementary own funds		
Upper Tier 2	10 702	10 229
Lower Tier 2	401 395	430 675
Deductions to complementary own funds	(17 033)	(19 140)
	395 064	421 764
Deductions to total own funds	(13 799)	(12 918)
Total owned funds	1 776 558	1 854 434
Own funds requirements		
Credit risk	1 006 568	1 021 871
Market risk	3 822	4 201
Operational risk	66 235	66 235
	1 076 625	1 092 307
Prudential Ratio		
Ratio core Tier 1	10.38%	10.62%
Ratio Tier 1	10.37%	10.59%
Solvency ratio	13.20%	13.58%
EBA Ratio	10.38%	10.62%

56 Sovereign debt of European Union countries subject to bailout

As at 30 June 2013, the exposure of the Group to sovereign debt of European Union countries subject to bailout is as follows:

(Thousands of Euro)

	Jun 2013						
Issuer/portfolio	**Book value**	**Fair value**	**Fair value reserves**	**Impairment**	**Average maturity rate**	**Average maturity years**	**Fair value measurement levels**
Portugal							
Financial assets held for trading	1 627 093	1 627 093	(21 896)	-	4.02	4.27	1
Held to maturity financial assets	6 316	6 328	-	-	3.38	2.26	n.a.
	1 633 409	1 633 421	(21 896)	-			
Greece (*)							
Financial assets held for trading	7 951	7 951	1 031	(11 257)	1.26	24.66	1
	1 641 360	1 641 372	(20 865)	(11 257)			

*) The item includes Euro 7,827 thousand relating to Greek sovereign debt resulting from exchange transactions, which remains in the portfolio.

The value of the securities includes the respective accrued interest.

As at 31 December 2012, the exposure of the Group to sovereign debt of European Union countries subject to bailout is as follows:

(Thousands of Euro)

	Dec 2012						
Issuer/portfolio	**Book value**	**Fair value**	**Fair value reserves**	**Impairment**	**Average maturity rate**	**Average maturity years**	**Fair value measurement levels**
Portugal							
Financial assets held for trading	1 115 857	1 115 857	9 036	-	3.40	2.05	1
Held to maturity financial assets	6 185	6 246	-	-	3.38	2.76	n.a.
	1 122 042	1 122 103	9 036	-			
Greece (*)							
Financial assets held for trading	7 174	(4 083)	71	(11 257)	1.26	25.16	1
	1 129 216	1 118 020	9 107	(11 257)			

*) The item includes 6,796 thousand euros relating to Greek sovereign debt resulting from exchange transactions, which remains in the portfolio.

For the public debt of Portugal, Greece and Ireland do not have occurred in the six period ended in 30 June 2013 and the year ended December 31 2012 no reclassifications between portfolios.

The evolution of the European Union sovereign debt crisis and specifically the economic and political environment in Greece, which contributed to the continuous deterioration of economic and financial situation of Greece and the incapacity to obtain funds from the international markets, which implied that the short term solvency of the country is dependent on the continuous support by EU and IMF.

Impairment was determined considering the terms of the agreement established between the Greek state and the private sector ('PSI'), related to the restructuring of the Greek sovereign debt (‘GGBs‘). For the purposes of determining impairment, the Group considered the terms and conditions of the PSI and also paragraph AG 84 of IAS 39 that considers reasonable that, for the portfolio of assets held to maturity when, for practical reasons, there are relevant uncertainties regarding the estimate of future cash-flows, impairment can be determined based on observable market prices.

Considering the available information regarding the bonds' characteristics, the fair value corresponded to approximately 23% of the book value of the portfolio. Following of the reestructuring of the Greek sovereign debt in the second quarter of 2012, the impairment was charged off. The exchange offer occurred in 12 March 2012.

57 Transfers of assets

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets. The financial assets sold under these transactions are derecognised from the balance sheet of the Group, since the transactions result in the transfer to the Funds of a substantial portion of the risks and benefits associated with the assets as well as the control on the assets.

The specialized funds in recovery loans that acquire the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its investment throughout the useful life of the Funds.

These investment fund units are held by several market 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 the majority of the transactions (in which the Group holds minority positions) establish companies under the Portuguese law in order to acquire the loans to the banks, which are financed through the issuance of senior and junior bonds. The value of the senior bonds fully subscribed by the Finds 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 transferred to Portuguese right societies.

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:

- Investment fund units of the Funds, for which the cash-flows that allow the recovery arise mainly from a set of assets transferred from the participant banks (where the Group has clearly a minority interest). These securities are booked in the available for sale portfolio and are accounted for at fair value based on the market value, as disclosed by the fund and audited at the end of each year end.

- Junior bonds (with higher subordination degree) issued by the companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, the Group performed the derecognition of the assets transferred under the scope of IAS 39.20 c (i) and the recognition of the assets received as follows:

(Thousands of Euro)

	Jun 2013			Dec 2012		
	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	20 399	21 346	947	15 318	19 018	3 700
Fundo de Reestruturação Empresarial, FCR	5 026	5 026	-	-	-	-
	25 425	26 372	947	15 318	19 018	3 700

(Thousands of Euro)

	Jun 2013				
	Senior Securities	Junior Securities	Total	Junior Impairment	Net Value
Vallis Construction Sector Fund	15 193	6 153	21 346	(6 153)	15 193
Fundo de Reestruturação Empresarial, FCR	5 026	-	5 026	-	5 026
	20 219	6 153	26 372	(6 153)	20 219

(Thousands of Euro)

	Dec 2012				
	Senior Securities	**Junior Securities**	**Total**	**Junior Impairment**	**Net Value**
Vallis Construction Sector Fund	14 144	4 874	19 018	(4 874)	14 144

The net assets transferred amounted Euro 25,425 thousands (31 December 2012: Euro 15,318 thousands), as described in note 21.

The junior securities correspond to investment fund units in the amount of Euro 6,153 thousands (31 December 2012: Euro 4,874 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 (junior securities), are fully provided for, in accordance with note 24.

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).

58 Subsidiary companies

As at 30 June 2013, 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, SA (IFI)	Praia	Euro 7 000 000	Banking	100.00%
Finibanco Holding, SGPS, S.A.	Porto	Euro 175 000 000	Holding company	100.00%
Finibanco S.A.	Porto	Euro 180 000 000	Banking	100.00%
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Porto	Euro 30 000 000	Finance lease	100.00%
Finivalor - Sociedade Gestora de Fundos de Investimento, S.A.	Porto	Euro 1 550 000	Investment fund management	100.00%
Montepio Recuperação de Crédito ACE	Lisboa	-	Services	93.00%
Finibanco Angola, S.A.	Luanda	AOA 1 332 000 000	Banking	87.67%

As at 30 June 2013, 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	Euro 10 000 000	Hotels with restaurants	20.00%
Iberpartners Cafés S.G.P.S., S.A.	Lisboa	Euro 3 400 000	Holding company	29.41%
Lusitania Vida, Companhia de Seguros, S.A.	Lisboa	Euro 20 000 000	Insurance	39.34%
Lusitania, Companhia de Seguros, S.A.	Lisboa	Euro 26 000 000	Insurance	25.65%
Nutre S.G.P.S., S.A.	Oliveira de Frades	Euro 5 000 000	Holding company	20.00%

The presented percentage reflects the economic interest of the Group.

In addition, and in accordance with SIC 12, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidiary Company	Establishment year	Acquisition year	Head of office	% of controlling interest	Consolidation method
Pelican Mortgages No. 1	2002	2002	Dublin	100%	Integral
Pelican Mortgages No. 2	2003	2003	Dublin	100%	Integral
Finipredial - Fundo de Investimento Imobiliário Aberto	1997	2012	Lisboa	58.682%	Integral
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2011	2011	Lisboa	100%	Integral
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisboa	100%	Integral

59 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.

11.2. Individual Financial Statements

INDIVIDUAL BALANCE SHEET AS AT 30 JUNE 2013 AND 31 DECEMBER 2012

(thousand euros)

	2013			2012
	Gross Assets	Impairment and Depreciation	Net Assets	Net Assets
ASSETS				
Cash and deposits at central banks	285,249		285,249	247,587
Deposits at other credit institutions	56,408		56,408	57,370
Financial assets held for trading	72,679		72,679	132,857
Other financial liabilities at fair value through profit or loss	6,809		6,809	12,300
Financial assets available for sale	7,050,802	77,892	6,972,910	6,730,502
Other loans and advances to credit institutions	241,948	683	241,265	250,758
Customer credit	15,643,303	998,811	14,644,492	15,031,977
Investments held to maturity	17,522		17,522	17,222
Hedging derivatives	915		915	931
Non-current liabilities held for sale	734,969	50,216	684,753	472,877
Other tangible assets	216,219	167,032	49,187	55,651
Intangible assets	156,857	43,241	113,616	108,872
Investments in subsidiaries, associates and joint ventures	390,547		390,547	390,547
Current tax assets	10		10	10
Deferred tax assets	281,248		281,248	243,313
Other assets	199,941	3,086	196,855	376,085
TOTAL ASSETS	**25,355,426**	**1,340,961**	**24,014,465**	**24,128,859**
LIABILITIES				
Resources from central banks			1,854,813	1,776,514
Financial liabilities held for trading			67,442	84,808
Resources from other credit institutions			1,152,306	1,125,074
Resources from customers and other loans			12,543,985	12,675,903
Liabilities represented by securities			2,524,718	2,188,099
Financial liabilities associated with transferred assets			3,581,777	3,743,731
Hedging derivatives			2,572	3,177
Provisions			107,251	110,199
Current tax liabilities				1,239
Other subordinated liabilities			478,745	479,667
Other liabilities			203,719	331,976
TOTAL LIABILITIES			**22,517,328**	**22,520,387**
EQUITY				
Share capital			1,295,000	1,295,000
Other equity instruments			15,000	15,000
Revaluation reserves			-3,140	3,621
Other reserves and retained earnings			269,139	292,595
Net income for the year			-78,862	2,256
TOTAL EQUITY			**1,497,137**	**1,608,472**
TOTAL LIABILITIES AND EQUITY			**24,014,465**	**24,128,859**

THE CHARTERED ACCOUNTANT

Rosa Maria Alves Mendes

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 2013 AND 2012

(thousand euros)

	2013	2012
Interest and similar income	413,909	621,409
Interest and similar costs	321,833	482,659
NET INTEREST INCOME	**92,076**	**138,750**
Dividends from equity instruments	1,783	1,999
Fees and commissions income	61,574	56,162
Fees and commissions expenses	8,815	9,917
Earnings from assets and liabilities at fair value through profit or loss	-5,977	-22,112
Earnings from financial assets available for sale	39,330	35,870
Earnings from currency revaluation	1,707	2,329
Earnings from sale of other assets	-3,576	27,087
Other net operating income	2,900	31,049
BANKING INCOME	**181,002**	**261,217**
Personnel costs	90,514	92,223
General administrative overheads	47,601	51,208
Amortisation for the year	13,295	14,201
Provisions net of adjustments	-2,948	-5,366
Adjustments for customer credit and receivables from other debtors (net of recovery of undue payments and write-offs)	102,174	83,416
Impairment of other financial assets net of reversals and recoveries	20,017	8,829
Impairment of other assets net of reversals and recoveries	24,207	9,139
PROFIT BEFORE TAX	**-113,858**	**7,567**
Taxes	**34,996**	**-2,632**
PROFIT AFTER TAX	**-78,862**	**4,935**

THE CHARTERED ACCOUNTANT

Rosa Maria Alves Mendes

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 2013

(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 2013
This report contains 122 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 individual financial information for the six months period ended at 30 June 2013, of **Caixa Económica Montepio Geral**, which includes the statement of financial position (with total equity of 1,497,137 thousands of Euro, including a negative net profit of 78,863 thousands of Euro) and the statement of income, cash flows, changes in equity and comprehensive income for the six months period then ended and the corresponding notes to the financial statements.

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

Responsabilities

3 The Executive Board of Director sis responsible for:

a) the preparation of financial information that present fairly the financial position of the Bank, the result of its operation, the cash flow, the changes in equity and the comprehensive income;

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 required by 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 its 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 financial information;
- the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
- the application 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 materials 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 2013, is not free of material misstatements that affect its compliance with IAS's and that is not complete, true, current, clear, objective and lawful.

Lisbon, 16 August 2013

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (no. 189)
Represented by
Jean-éric Gaign (Statutory Auditor no. 1081)

FINANCIAL STATEMENTS

- NOTES TO THE FINANCIAL STATEMENTS
(Pages 4 a 122)

Caixa Económica Montepio Geral

Income statement
for the six and three months periods ended at 30 June 2013, and 2012

(Amounts expressed in thousands of Euro)

		Six months period ended at		Three months period ended at	
	Notes	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Interest and similar income	3	413 909	621 409	203 701	304 583
Interest and similar expense	3	(321 833)	(482 659)	(158 773)	(232 225)
Net interest income		92 076	138 750	44 928	72 358
Dividends from equity instruments	4	1 783	1 999	1 759	1 983
Fee and comission income	5	61 574	56 162	31 692	30 053
Fee and comission expense	5	(8 815)	(9 917)	(4 717)	(5 137)
Net losses arising from assets and liabilities at fair value through profit or loss	6	(5 977)	(22 112)	(2 091)	(20 647)
Net gains/(losses) arising from financial assets available for sale	7	39 330	35 870	24 684	34 350
Net gains arising from foreign exchange differences	8	1 707	2 329	844	1 003
Net gains from sale of other financial assets	9	(3 576)	27 087	(2 041)	30 215
Other operating income	10	2 900	31 049	(1 840)	27 696
Total operating income		181 002	261 217	93 218	171 874
Staff costs	11	90 514	92 223	45 468	46 971
General and administrative expenses	12	47 601	51 208	26 389	27 636
Depreciation	13	13 295	14 201	6 748	7 299
Total operating costs		151 410	157 632	78 605	81 906
Loans impairment	14	(102 174)	(83 416)	(94 704)	(68 919)
Other assets impairment	15	(44 224)	(17 968)	(30 976)	(17 783)
Other provisions	16	2 948	5 366	493	3 188
Operating profit		(113 858)	7 567	(110 574)	6 454
Taxes					
Current	30	603	1 880	324	752
Deferred	30	(35 599)	752	(31 000)	1 879
Net loss for the period		(78 862)	4 935	(79 898)	3 823

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Statement of Comprehensive income
for the six and three months periods ended at 30 June 2013, and 2012

(Amounts expressed in thousands of Euro)

	Notes	Six months period ended at 30 June 2013	Six months period ended at 30 June 2012	Three months period ended at 30 June 2013	Three months period ended at 30 June 2012
Items that may be reclassified to the income statement					
Fair value reserves					
Financial assets available for sale	43	(9 523)	208 938	(21 662)	118 133
Taxes	30	2 762	(60 592)	6 282	(34 259)
		(6 761)	148 346	(15 380)	83 874
Items that will not be reclassified to the income statement					
Actuarial losses for the period	47	(21 461)	23 806	(10 709)	23 806
Amortization of the transition adjustment to pensions (Regulation no.12/01)	47	(1 744)	(5 012)	(872)	(5 012)
Deferred taxes	30	(426)	48 616	(1 079)	22 283
		(23 631)	67 410	(12 660)	41 077
Profit for the period		(78 862)	4 935	(79 898)	3 823
Total Comprehensive income for the period		(109 254)	220 691	(107 938)	128 774

Caixa Económica Montepio Geral

Balance Sheet as at 30 June 2013, and 31 December 2012

(Amounts expressed in thousands of Euro)

	Notes	30 June 2013	31 December 2012
Assets			
Cash and deposits at central banks	17	285 249	247 587
Loans and advances to credit institutions repayable on demand	18	56 408	57 370
Other loans and advances to credit institutions	19	241 265	250 758
Loans and advances to customers	20	14 644 492	15 031 977
Financial assets held for trading	21	72 679	132 857
Other financial assets at fair value through profit or loss	22	6 809	12 300
Financial assets available for sale	23	6 972 910	6 730 502
Hedging derivatives	24	915	931
Held to maturity investments	25	17 522	17 222
Investments in associated companies and other	26	390 547	390 547
Non-current assets held for sale	27	684 753	472 877
Property and equipment	28	49 187	55 651
Intangible assets	29	113 616	108 872
Current income tax assets		10	10
Deferred income tax assets	30	281 248	243 313
Other assets	31	196 855	376 085
Total Assets		24 014 465	24 128 859
Liabilities			
Deposits from central banks	32	1 854 813	1 776 514
Deposits from other credit institutions	33	1 152 306	1 125 074
Deposits from customers	34	12 543 985	12 675 903
Debt securities issued	35	2 524 718	2 188 099
Financial liabilities relating to transferred assets	36	3 581 777	3 743 731
Financial liabilities held for trading	21	67 442	84 808
Hedging derivates	24	2 572	3 177
Provisions	37	107 251	110 199
Current income tax liabilities		-	1 239
Other subordinated debt	38	478 745	479 667
Other liabilities	39	203 719	331 976
Total Liabilities		22 517 328	22 520 387
Equity			
Share capital	40	1 295 000	1 295 000
Other capital instruments	41	15 000	15 000
Revaluation reserves	43	(3 140)	3 621
Other reserves and retained earnings	42 e 43	269 139	292 595
Profit for the period		(78 862)	2 256
Total Equity		1 497 137	1 608 472
		24 014 465	24 128 859

CHIEF ACCOUNTANT — THE EXECUTIVE BOARD OF DIRECTORS

See accompanying notes to the interim individual financial statements

Caixa Económica Montepio Geral

Statement of Changes in Equity
for the six months periods ended at 30 June 2013, and 2012

(Amounts expressed in thousands of Euro)

	Total equity	Share capital	Other capital instruments	General and special reserves	Other reserves	Fair value reserves	Retained earnings
Balance on 31 December, 2011	1 241 573	1 245 000	15 000	245 504	8 404	(224 852)	(47 483)
Other movements recognised directly in Equity:							
Amortisation of the transition adjustment to pensions (Regulation no. 12/01) (note 47)	(5 012)	-	-	-	-	-	(5 012)
Actuarial losses for the period (note 47)	23 806	-	-	-	-	-	23 806
Deferred taxes related to balance sheet changes accounted for reserves (note 30)	(11 976)	-	-	-	-	(60 592)	48 616
Changes in fair value (note 43)	208 938	-	-	-	-	208 938	-
Profit for the period	4 935	-	-	-	-	-	4 935
Total gains and losses recognised in the period	220 691	-	-	-	-	148 346	72 345
Dividends paid (note 44)	(16 584)	-	-	-	-	-	(16 584)
Costs related to the issue of perpetual subordinated Instruments	(525)	-	-	-	-	-	(525)
Other	(5 158)	-	-	-	-	-	(5 158)
Transfers of reserves:							
General reserve	-	-	-	6 564	-	-	(6 564)
Special reserve	-	-	-	1 641	-	-	(1 641)
Balance on 30 June, 2012	1 439 997	1 245 000	15 000	253 709	8 404	(76 506)	(5 610)
Other movements recognised directly in Equity:							
Amortisation of the transition adjustment to pensions (Regulation no. 12/01) (note 47)	(5 012)	-	-	-	-	-	(5 012)
Actuarial losses for the period (note 47)	7 604	-	-	-	-	-	7 604
Deferred taxes related to balance sheet changes accounted for reserves (note 30)	17 918	-	-	-	-	(29 295)	47 213
Changes in fair value (note 43)	101 018	-	-	-	-	101 018	-
Profit for the period	(2 679)	-	-	-	-	-	(2 679)
Total gains and losses recognised in the period	118 849	-	-	-	-	71 723	47 126
Increase in share capital (note 40)	50 000	50 000	-	-	-	-	-
Costs related to the issue of perpetual subordinated Instruments	(374)	-	-	-	-	-	(374)
Balance on 31 December, 2012	1 608 472	1 295 000	15 000	253 709	8 404	(4 783)	41 142
Other movements recognised directly in Equity:							
Amortization of the transition adjustment to pensions (Regulation no.12/01) (note 47)	(1 744)	-	-	-	-	-	(1 744)
Actuarial losses for the period (note 47)	(21 461)	-	-	-	-	-	(21 461)
Deferred taxes related to balance sheet changes accounted for reserves (note 30)	2 336	-	-	-	-	2 762	(426)
Changes in fair value (note 43)	(9 523)	-	-	-	-	(9 523)	-
Profit for the period	(78 862)	-	-	-	-	-	(78 862)
Total gains and losses recognised in the period	(109 254)	-	-	-	-	(6 761)	(102 493)
Dividends paid (note 44)	(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)

Caixa Económica Montepio Geral

Statement of Cash Flows
for the six months period ended at 30 June 2013, and 2012

(Amounts expressed in thousands of Euro)

	30 June 2013	30 June 2012
Cash flows arising from operating activities		
Interest income received	435 131	718 219
Commissions income received	60 707	58 451
Interest expense paid	(357 660)	(369 753)
Commissions expense paid	(13 143)	(12 481)
Payments to employees and suppliers	(140 243)	(223 678)
Recoveries on loans previously written off	2 393	1 168
Other payments and receivables	(85 705)	104 523
	(98 520)	276 449
(Increase) / decrease in operating assets		
Loans and advances to credit institutions and customers	124 829	1 071 852
Other assets	(77 414)	(280 033)
	47 415	791 819
(Increase) / decrease in operating liabilities		
Deposits from clients	(84 057)	104 839
Deposits from credit institutions	(1 732 736)	(2 120 295)
Deposits from central banks	1 830 000	1 960 000
	13 207	(55 456)
	(37 898)	1 012 812
Cash flows arising from investing activities		
Dividends received	1 783	1 999
(Acquisition) / sale of financial assets held for trading	46 809	(41 210)
(Acquisition) / sale of financial assets at fair value through profit or loss	5 491	(61)
(Acquisition) / sale of financial assets available for sale	(263 133)	(815 845)
(Acquisition) / sale of hedging derivatives	(589)	484
(Acquisition) / sale of held to maturity investments	(42)	30 435
Deposits owned with the purpose of monetary control	(45 894)	200 460
Proceeds from sale of fixed assets	166	-
Acquisition of fixed assets	(12 177)	-
	(267 586)	(623 738)
Cash flows arising from financing activities		
Dividends paid	(1 692)	(16 584)
Capital increase	-	-
Proceeds from issuance of bonds and subordinated debt	1 156 488	161 442
Reimbursement of bonds and subordinated debt	(842 906)	(586 199)
Increase / (decrease) in other sundry liabilities	(15 601)	1 404
	296 289	(439 937)
Net changes in cash and equivalents	(9 195)	(50 863)
Cash and equivalents balance at the beginning of the period	196 376	235 764
Net changes in cash and equivalents	(9 195)	(50 863)
Cash and equivalents balance at the end of the period	187 181	184 901
Cash and equivalents balance at the end of the period includes:		
Cash (note 17)	130 773	132 808
Loans and advances to credit institutions repayable on demand (note 18)	56 408	52 093
Total	187 181	184 901

See accompanying notes to the interim individual financial statements

Notes to the Individual 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.

In 2010, Montepio Geral – Associação Mutualista, CEMG sole shareholder, has made an aquisition 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.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Counsel, of 19 July, 2002, and its adoption into Portuguese Law through Decree-Law no. 35/2005, of 17 February and Regulation no. 1/2005 from the Bank of Portugal, CEMG's financial statements are required to be prepared in accordance with Adjusted Accounting Standards ("NCA's"), as established by the Bank of Portugal. NCA's comprise accounting standards issued by the International Accounting Standards Board ('IASB') as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and their predecessor bodies, with the exception of the issues referred in Regulation no. 1/2005 and Regulation no. 4/2005 of Bank of Portugal: i) maintenance of the actual requirements related with measurement and provision of loans and advances to customers, ii) employee benefits through the definition of a deferral period for the transition impact to IAS 19 and iii) restriction to the application of some issues established in IAS/IFRS. The financial statements presented herein were approved by the Executive Board of CEMG on 7 August, 2013. The financial statements are presented in 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 at 30 June, 2013 have been prepared in terms of recognition and measurement in accordance with the NCA's, established by the Bank of Portugal and in use in the period.

These financial statements also present the income statement for the second quarter of 2013 and 2012, with comparative figures for the second quarter of the previous year. CEMG financial statements for the six months period ended at 30 June 2013 don't include all the information to be disclosed in the annual financial statements.

CEMG has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January, 2013.

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 accounting policies set out below have been applied consistently for all periods presented in these financial statements, except with regard to the adoption of IFRS 13 Fair Value Measurement, IAS 1 Presentation of Financial Statements and IAS 19 (Revised) Employee Benefits. The nature and the impact due to the adoption of these standards are as follows:

IFRS 13 Fair value measurement

IFRS 13 provides a single source of guidance on the fair value measurement and replaces the arrangements that were scattered in different IRFS. In particular, this standard defines fair value as the price at which an asset disposal transaction or a liability transference would be settled between market participants at the measurement date.

In accordance with the transitory arrangements of IRFS 13, CEMG applied the guidelines for fair value measurement prospectively. However, the changes resulting from the adoption of IFRS 13 had no material impact on the measurement of CEMG assets and liabilities.

IAS 1 Presentation of Financial Statements - Presentation of items of other comprehensive income

Following the amendments to IAS 1, CEMG modified the disclosure of Statement of Comprehensive Income in order to disclose separately items that may be reclassified to the income statement and items that will not be reclassified to the income statement in the future. The disclosure of comparative information was also modified.

The adoption of IAS 1 had no impact on the assets, liabilities, profit for the period and comprehensive income of CEMG.

IAS 19 (Revised) Employee Benefits (2011)

Following the requirements of IAS 19 (2011), CEMG now determines the interest gains/losses with the pensions plan by multiplying the net assets/liabilities with retirement pensions (liabilities net of the assets fund fair value) by the discount rate used for the retirement pension’s liability estimate. Therefore, the net interest gains/losses includes the interest cost related to the retirement pensions liability and the expected profit of fund assets, both measured in accordance with the discount rate used in the liabilities estimate.

Previously, CEMG calculated the expected return on plan based on the expected long-term profitability.

Changes arising from the adoption of IAS 19 (Revised) had no relevant effects on CEMG financial statements.

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 the accounting policy described 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), the CEMG has prepared its financial statements in accordance with NCA’s therefore, in accordance with no. 2 and 3 of Regulation no. 1/2005 from the Bank of Portugal, the Bank 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 the 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 the Bank of Portugal.

Provision for country risk

The provision for country risk is in accordance with Regulation no. 3/95, of 30 June from the Bank of Portugal, and is based on the Instruction no. 94/96, of 17 June, of the Bank of Portugal, including the adoption of changes made to paragraph 2.4 of the referred Instruction published in October 1998.

Write-off of loans

In accordance with "Carta-Circular" no. 15/2009 of the Bank from 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. This charge-off is carried out only for loans that are considered not to be recoverable and fully provided.

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 from assets and liabilities at fair value through profit or loss.

The interest from debt instruments are recognized as interest income.

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 trading and hedging activities".

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

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

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

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

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

2) Financial assets available for sale

Financial assets available for sale held with the purpose of being maintained by CEMG, namely bonds, treasury bills or shares, are classified as available for sale, except if they are classified in another category of financial assets. The financial assets available for sale are initially accounted at fair value, including all expenses or income associated with the transactions. The financial assets available for sale 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) 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) Transfers between categories

CEMG transfers financial assets not derivates with fixed or determinable payments and defined maturities, from financial assets available for sale to the category of financial assets held to maturity, as long as the intention and ability to hold these financial assets to maturity were considered.

These transfers are performed by based on the fair value of transferred assets, determined on the date of transfer. The difference between this fair value and nominal value is recognized in the income statement until maturity, based on the effective interest rate method. The fair value reserve existing on the date of transfer is also recognized in the results based on the effective interest rate method.

Transfers to (i) financial assets held to maturity category can only be perfomed provided as long as the the intention and ability to hold these financial assets to maturity were considered and to (ii) category of loans and advances to customers, where it is intention and ability to hold these financial assets in the foreseeable future and are not traded in an active market.

There were no transfers between portfolios in the first semester of 2013 and during 2012.

(iii) 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).

(iv) 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.

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.

During the first semester of 2013 and the year 2012, CEMG did not perform any reclassifications between financial instruments.

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.

The evaluation of the existence of control is determined based on the criteria established by SIC 12, which can be analised as follows:

- The activities of the SPE, in substance, are being conducted on behalf of CEMG, in accordance with the specific needs of the CEMG business, so as to obtain benefits from these activities;

- CEMG has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an "autopilot" mechanism, the Bank has delegated these decision-making powers;

- CEMG retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.; or

- CEMG has the rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks inherent to the activities of the SPE.

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 subidiaries 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 expenses. 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 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 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 writen-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) 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, financial assets available for sale and 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.

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 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 CEMG. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

CEMG performs impairment testing whenever events or circumstances indicate that the book value exceeds the highest between the value in use and the fair value less costs to sell, being the difference charged to the profit and loss.

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 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 47, 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.

CEMG determines the interest gains/losses with pensions plan by multiplying the net assets/liabilities with retirement pensions (liabilities net of the fund's assets fair value) by the discount rate used for the retirement pension's liability estimate. Therefore, the net interest gains/losses includes the interest cost related to the retirement pensions liability and the expected profit of fund assets, both measured in accordance with the discount rate used in the liabilities estimate.

O proveito/custo de juros com o plano de pensões é calculado pela CEMG multiplicando o activo/responsabilidade líquido com pensões de reforma (responsabilidades deduzidas do justo valor dos activos do fundo) pela taxa de desconto utilizada para efeitos da determinação das responsabilidades com pensões de reforma e atrás referida. Nessa base, o proveito/custo líquido de juros inclui o custo dos juros associado às responsabilidades com pensões de reforma e o rendimento esperado dos activos do fundo, ambos mensurados com base na taxa de desconto utilizada no cálculo das responsabilidades.

Actuarial gains and losses determined annually and resulting from (i) the differences between financial and actuarial assumptions used and real values obtained and (ii) the changes in actuarial assumptions, are recognised under share capital in the balance other comprehensive income.

At each period, CEMG recognises as a cost in the income statement a net total amount that comprises (i) the service cost, (ii) the interest cost, (iii) the expected return on plan assets, (iv) effect early retirement, and (v) effect of settlement or curtailment occurred during the period. Early retirement costs corresponds to an increase on the liabilities due to the fact the employee retires before reaching 65 years of age.

CEMG 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, 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.

As part of the preparation of financial statements in accordance with NCA, the recognition of the impact determined as at 31 December 2004, due to the transition to NCAs has been amortised on a straight line basis until 31 December 2010. Since then and in accordance with Regulation no. 7/2008 of 18 October of Bank of Portugal, the impact started being amortised for an additional period of 3 years until 31 December 2012, except the part related with healthcare post-employment liabilities and assumption changes on mortality tables, for which the amortising plan can last seven years.

Healthcare 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 the 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.

As part of the preparation of financial statements in accordance with NCA, the recognition of the impact determined as at 31 December 2004, due to the transition to NCAs has been amortised on a straight line basis until 31 December 2011. Since then and in accordance with Regulation no. 7/2008 of 18 October of Bank of Portugal, the impact started being amortised for an additional period of 3 years until 31 December 2014.

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 Board of Directors

In accordance with IAS 19 Employee benefits, the bonus payment to employees and to the 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 a 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 IRC. 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 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).

CEMG 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.

w) Segmental reporting

The Group adopted the IFRS 8 - Operating Segments for the purpose of disclosure financial information by operating segments. A business segment is a group of assets and operations that are subject to risks and returns different from other business segments. The results of the operating segments are periodically reviewed by the management with the aim of taking decisions. The Group prepares regular financial information concerning these segments, which is reported to Management. A geographical segment is a group of assets and operations located within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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.

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 “Commissions received - 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 Board of Directors and management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects CEMG reported results and related disclosure.

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

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

Impairment of financial assets available for sale

CEMG determines that financial assets available for sale 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 trough 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 1 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.

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 SME No. 1, Aqua Mortgages No. 1 and Pelican SME 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 year.

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

Pension and other employees benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, 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. An asset without useful life defined 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 assets and liabilities at fair value through profit or loss and financial assets available for sale

IFRS requires separate disclosure of net interest income and net gains from trading, hedging and available for sale 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 disclosure requirement demonstrates the contribution of the different business activities for the net interest margin and net gains from trading, hedging and financial assets available for sale.

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Nt interest income	92 076	138 750
Net gains arising from assets and liabilities at fair value through profit or loss and financial assets available for sale	33 353	13 758
	125 429	152 508

3 Net interest income

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013			Jun 2012		
	Assets/ Liabilities at amortised cost and available for sale	**Assets/ liabilities at fair value through profit or loss**	**Total**	**Assets/ Liabilities at amortised cost and available for sale**	**Assets/ liabilities at fair value through profit or loss**	**Total**
Interest and similar income						
Interest from loans and advances	225 505	-	225 505	297 278	-	297 278
Interest from other assets	436	-	436	1 594	-	1 594
Interest from deposits with banks	308	-	308	572	-	572
Interest from financial assets available for sale	105 297	-	105 297	155 880	-	155 880
Interest from financial assets held to maturity	337	-	337	658	-	658
Interest from hedging derivatives	421	-	421	799	-	799
Interest from financial assets held for trading	-	57 826	57 826	-	141 335	141 335
Other interest and similar income	23 779	-	23 779	23 293	-	23 293
	356 083	57 826	413 909	480 074	141 335	621 409
Interest and similar expense						
Interest from deposits	153 329	-	153 329	231 840	-	231 840
Interest from securities issued	54 796	-	54 796	34 311	-	34 311
Interest from loans	1 960	-	1 960	2 131	-	2 131
Interest from other funding	23 840	-	23 840	21 764	-	21 764
Interest from hedging derivatives	647	-	647	913	-	913
Interest from financial assets held for trading	-	54 163	54 163	-	130 981	130 981
Other interest and similar expense	33 098	-	33 098	60 719	-	60 719
	267 670	54 163	321 833	351 678	130 981	482 659
Net interest income	88 413	3 663	92 076	128 396	10 354	138 750

The balance Interest from loans and advances includes the amount of Euro 10,553 thousands (30 June 2012: Euro 11,830 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 includes the effect of accounting the interest on deposits with increasing interest rates in the amount of negative Euro 3,525 thousands (30 June 2012: positive Euro 3,685 thousands).

4 Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Dividends from financial assets available for sale	434	513
Dividends from associated companies	1 349	1 486
	1 783	1 999

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

5 Net fees and comissions income

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Fees and comissions income		
From banking service	43 174	42 954
From transactions order by third parties	11 114	6 119
From insurance activity	3 175	3 185
From commitments to third parties	3 810	3 678
Other fee and comission income	301	226
	61 574	56 162
Fees and comissions expense		
From banking services rendered by third parties	7 976	8 844
From transactions with securities	263	212
Other fee and comission expense	576	861
	8 815	9 917
Net fees and comissions income	52 759	46 245

As at June 30 2013 and 2012, commissions received on insurance brokerage services or reinsurance is made up as follows:

(Thousands of Euro)

	Jun 2013	Jun 2012
Life insurance		
Mortgage	589	609
Consumer	336	389
Other	695	693
	1 620	1 691
Non-life insurance		
Mortgage	1 042	1 008
Consumer	55	58
Other	458	428
	1 555	1 494
	3 175	3 185

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

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013			Jun 2012		
	Gains	Losses	Total	Gains	Losses	Total
Financial assets and liabilities held for trading						
Bonds and other fixed income securities						
Issued by public entities	1	-	1	-	-	-
Issued by other entities	48	69	(21)	-	-	-
Shares	2 917	2 249	668	881	1 694	(813)
Investment Fund Units	46	64	(18)	261	297	(36)
	3 012	2 382	630	1 142	1 991	(849)
Derivative financial instruments						
Exchange rate contracts	47 859	47 550	309	40 279	40 925	(646)
Interest rate contracts	199 771	230 570	(30 799)	928 785	930 377	(1 592)
Credit default contracts (CDS)	365	228	137	2 062	1 470	592
Other	45 963	16 818	29 145	38 724	32 210	6 514
	293 958	295 166	(1 208)	1 009 850	1 004 982	4 868
	296 970	297 548	(578)	1 010 992	1 006 973	4 019
Other financial assets at fair value through profit or loss						
Bonds and other fixed income securities Issued by Other Entities	1 059	-	1 059	153	-	153
	1 059	-	1 059	153	-	153
Financial liabilities						
Other loans and advances to credit institutions	204	-	204	75	34	41
Deposits from customers	275	219	56	174	100	74
Other subordinated debt	5 414	4 901	513	83 146	83 631	(485)
Other	1 606	8 837	(7 231)	487	26 401	(25 914)
	7 499	13 957	(6 458)	83 882	110 166	(26 284)
	305 528	311 505	(5 977)	1 095 027	1 117 139	(22 112)

The balance Financial liabilities – Other, includes fair value changes related with changes in own credit risk (spread) from financial liabilities at fair value through profit or loss.

In accordance with the accounting policies followed by CEMG, financial instruments are initially recognised at fair value. The best evidence of the fair value of the instrument at inception is deemed to be the transaction price. However, in particular circumstances, the fair value of a financial instrument at inception, determined based on a valuation 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 determined only based on observable market data and reflects CEMG access to the wholesale market.

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

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013			Jun 2012		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Bonds and other fixed income instruments						
Issued by public entities	32 508	653	31 855	773	351	422
Issued by other entities	5 494	446	5 048	34 650	168	34 482
Shares	184	621	(437)	19	21	(2)
Other variable income securities	2 866	2	2 864	975	7	968
	41 052	1 722	39 330	36 417	547	35 870

The balance Bonds and other fixed income securities - Issued by other entities includes the amount of Euro 4,342 thousands (30 June 2012: Euro 33,577 thousands), resulting from a set of repurchase transactions undertaken by CEMG in order to manage its capital funding structure, namely the repurchase of bonds Pelican Mortgage n. 3, as described in notes 36 and 49.

8 Net gains/(losses) from foreign exchange differences

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013			Jun 2012		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
Foreign exchange differences	21 881	20 174	1 707	17 267	14 938	2 329

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 presented in note 1 t).

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

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	**Jun 2012**
Sale of properties	(3 550)	(10 258)
Sale of loans and advances to customers	-	44 070
Other	(26)	(6 725)
	(3 576)	27 087

The balance Sale of properties includes the losses arising from the sale of non-current assets available for sale.

As at 30 June 2012, the balance Sale of loans and advances to customers refers to the disposal of loans to customers, namely Aurea 1 and 2, as referred in note 20.

As at 30 June 2012, the balance Other includes the amount of Euro 6,695 thousands. related to the full recognition of software program as expense of the period, as described in note 29.

10 Other operating income

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Other operating income		
Income from services	3 076	3 417
Reimbursement of expenses	902	1 115
Profits arising from deposits on demand management	7 970	8 212
Repurchase of own securities	420	23 822
Other	7 246	3 431
	19 614	39 997
Other operating expenses		
Taxes	3 160	2 219
Donations and quotizations	159	130
Contributions to the Deposit Guarantee Fund	1 597	1 506
Resolution Fund	1 127	-
Other	10 671	5 093
	16 714	8 948
Other net operating income	2 900	31 049

As at 30 June 2012, the balance Repurchase of own securities is calculated in accordance with accounting policy described in note 1 c) and refer to the re-acquisition of covered bonds and Euro Medium Term Notes. Additionally, as at 30 June 2012, this balance includes the amount of Euro 1,857 thousands resulting from the cancellation of covered bonds.

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 is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and Supplementary (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) the off-balance notional amount of derivatives. As at 30 June 2013, CEMG recognizes as cost expense for the period the amount of Euro 2,555 thousands (30 June 2012: Euro 2,116 thousands), included in the balance Other operating expenses – Taxes.

11 Staff costs

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Remunerations	66 906	65 709
Mandatory social security charges	18 753	18 960
Charges with the pensions fund	2 448	5 394
Other staff costs	2 407	2 160
	90 514	92 223

As at 30 June 2012, the caption Charges with the pensions fund includes the amount of Euro 1,377 thousands related to the impact in the income statement of the responsibilities with retirees and pensioners transferred to the General Social Security Scheme ('GSSS'), as referred in note 47. The referred impact corresponds to the effect of the recalculation of the liabilities based on the actuarial assumptions set by the Portuguese State, in the scope of the transfer.

The referred balance also includes, as at 30 June 2012, the amount of Euro 878 thousands related to costs with early retirements.

12 General and administrative expenses

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Rents	14 138	16 015
Specialised services		
IT services	4 469	5 845
Independent work	1 902	1 955
Other specialised services	7 302	8 961
Advertising	2 003	2 160
Communications	4 382	5 278
Water, energy and fuel	2 512	2 897
Maintenance and related services	2 048	2 320
Transportation	1 652	1 651
Insurance	1 169	1 055
Travel, hotel and representation costs	676	750
Consumables	1 228	684
Training costs	141	81
Other supplies and services	3 979	1 556
	47 601	51 208

The balance Rents, includes the amount of Euro 12,465,000 (30 June 2012: Euro 12,613 thousands) related to rents paid regarding buildings used by CEMG as leaser.

13 Depreciation

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Intangible assets		
Software	6 013	5 949
	6 013	5 949
Other tangible assets		
Land and buildings	1 646	1 861
Equipment		
Furniture	499	553
Office equipment	755	720
Other equipment	51	64
Computer equipment	3 470	3 980
Interior installations	165	177
Motor vehicles	48	73
Security equipment	367	383
Operational lease	209	353
Other tangible assets	72	88
	7 282	8 252
	13 295	14 201

14 Loans impairment

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Other loans and advances to credit institutions		
Charge for the period	1 098	50
Write-back for the period	(440)	(316)
	658	(266)
Loans and advances to customers		
Charge for the period net of reversals	103 909	84 850
Recovery of loans and interest charged-off	(2 393)	(1 168)
	101 516	83 682
	102 174	83 416

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

15 Other assets impairment

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Impairment for non-current assets held for sale		
Charge for the period net of reversals	24 207	9 139
Impairment for securities		
Charge for the period	34 955	17 658
Write-back for the period	(14 938)	(8 829)
	20 017	8 829
	44 224	17 968

As at 30 June 2013, the balance Impairment for securities – Charge for the period includes the amount of Euro 1,279 thousands, related to the impairment recognised to the investment fund units in Funds specialized in the recovery of loans, acquired as part of the transfer of loans and advances to customers, as described in note 23.

16 Other provisions

The amount of this account is comprised of:

(Thousands of Euro)

	Jun 2013	Jun 2012
Provisions for credit risks		
Charge for the period	36 594	34 859
Write-back for the period	(40 233)	(40 043)
	(3 639)	(5 184)
Other provisions for liabilities and charges		
Charge for the period	691	758
Write-back for the period	-	(940)
	691	(182)
	(2 948)	(5 366)

17 Cash and deposits at central banks

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Cash	130 773	139 006
Bank of Portugal	154 476	108 581
	285 249	247 587

The balance Bank of Portugal includes mandatory deposits intended to satisfy legal minimum cash requirements. According to the European Central Bank Regulation (CE) no. 1745/2003, of 12 September 2003, minimum cash requirements kept as deposits with the Bank of Portugal earn interest, and correspond to 2% of deposits and debt certificates maturing in less than 2 years, excluding deposits and debt certificates of institutions subject to the European System of Central Banks' minimum reserves requirements.

As at 30 June 2013, these deposits have earned interest of Bank of Portugal at an average rate of 0.50% (31 December 2012: 0.75%).

18 Loans and advances to credit institutions repayable on demand

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Credit institutions in Portugal	650	572
Credit institutions abroad	15 430	12 632
Amounts due for collection	40 328	44 166
	56 408	57 370

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

19 Other loans and advances to credit institutions

Esta rubrica é apresentada como segue:

(Thousands of euro)

	Jun 2013	Dec 2012
Loans and advances to credit institutions in Portugal		
Deposits	1 135	1 135
Loans	52 504	82 722
Other loans and advances	6 002	6 003
	59 641	89 860
Loans and advances to credit institutions abroad		
Deposits	9 997	9 993
Short term deposits	53 710	33 000
Other loans and advances	118 600	117 930
	182 307	160 923
	241 948	250 783
Impairment for loans and advances to credit institutions	(683)	(25)
	241 265	250 758

The main loans and advances to credit institutions in Portugal, as at 30 June 2013, bear interest at an average annual interest rate of 1% (31 December 2012: 1.25%).

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

The changes in impairment for loans and advances to credit institutions as at 30 June 2013 are analyzed as follows:

(Thousands of Euro)

	Jun 2013	Jun 2012
Balance on 1 January	25	345
Charge for the period	1 098	50
Write-back for the period	(440)	(316)
Balance on 30 June	683	79

20 Loans and advances to customers

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Domestic loans		
Corporate		
Loans	2 091 596	1 936 956
Commercial lines of credits	1 489 477	1 688 452
Finance leases	246 129	230 204
Discounted bills	125 633	173 517
Factoring	93 121	105 231
Overdrafts	91 612	66 508
Other loans	1 323 566	1 430 053
Retail		
Mortgage loans	8 217 852	8 381 787
Finance leases	28 426	50 527
Consumer and other loans	965 683	987 634
	14 673 095	15 050 869
Foreign loans		
Corporate		
Overdrafts	-	982
	14 673 095	15 051 851
Correction value of assets subject to the hedge operations	1 901	2 475
Overdue loans and interest		
Less than 90 days	98 586	92 520
More than 90 days	869 721	787 834
	968 307	880 354
	15 643 303	15 934 680
Impairment for credit risks	(998 811)	(902 703)
	14 644 492	15 031 977

As at 30 June 2013, the balance Loans and advances to customers includes the amount of Euro 2,737,065 thousands (31 December 2012: Euro 2,816,016 thousands) related to the issue of covered bonds held by CEMG, as described in note 35.

As referred in note 52, CEMG 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 25,425 thousands (31 December 2012: Euro 15,318 thousands).

During 2012, CEMG sold two loans and advances to customers portfolios to a securitisation company named “Hefesto Sociedade de Titularização de Créditos, S.A.”. These operations were denominated as Aurea 1 and Aurea 2. These loans presented a book value of Euro 26,470 thousands and the sale amounted to Euro 70,540 thousands, generating a net profit of Euro 44,070 thousands, according to note 9.

CEMG realized operations conducted under the Programme for the Issuance of CEMG Mortgage Bonds:

- May 2013: Issue of Euro 500,000 thousands; term: 4 years; an 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 accordance 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 2013, the balance Loans and advances to customers includes the amount of Euro 3,604,291 thousands (31 December 2012: Euro 3,758,165 thousands) related with loans object of securitization and, in accordance with note 1 f), were not subject of derecognition. Additionally, is recorded as a liability the securities linked to these transactions as described in note 36.

In the balance Correction of asset values subject to hedge operations is accounted the fair value of portfolio that is hedge. The valuation is accounted for in the income statement, in accordance with note 1 d). CEMG evaluates on an ongoing basis the effectiveness of the existing hedge operations.

The fair value of the portfolio of loans to customers is presented in note 46.

Loans and advances to customers include mostly variable interest rate contracts.

The analysis of Loans and advances to customers, by maturity date and type of credit, as at 30 June 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	549 113	1 514 074	9 656 039	429 564	12 148 790
Other guarantee loans	904 240	242 991	465 833	248 708	1 861 772
Unsecured loans	625 902	121 810	271 171	269 630	1 288 513
Public sector loans	10 894	4 395	33 979	2 409	51 677
Financial leases	112	75 045	199 398	17 996	292 551
	2 090 261	1 958 315	10 626 420	968 307	15 643 303

The analysis of Loans and advances to customers, by maturity date and type of credit, as at 31 December 2012, 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	595 431	1 595 835	9 732 769	402 931	12 326 966
Other guarantee loans	943 720	298 607	366 354	207 605	1 816 286
Unsecured loans	743 849	144 511	297 995	255 625	1 441 980
Public sector loans	87	7 788	46 648	311	54 834
Foreign loans	1	-	-	-	1
Financial leases	2 156	81 004	197 571	13 882	294 613
	2 285 244	2 127 745	10 641 337	880 354	15 934 680

The balance Financial leases, by the period to maturity, as at 30 June 2013, is analyzed as follows:

(Thousands of Euro)

	Financial Leases			
	Due within 1 year	**1 year to 5 year**	**Over 5 years**	**Total**
Outstanding rents	58 378	126 209	120 984	305 571
Outstanding interest	(12 213)	(29 029)	(23 305)	(64 547)
Residual values	2 731	11 238	19 562	33 531
	48 896	108 418	117 241	274 555

The balance Financial leases, by the period to maturity as at 31 December 2012, is analyzed as follows:

(Thousands of Euro)

	Financial Leases			
	Due within 1 year	**1 year to 5 years**	**Over 5 years**	**Total**
Outstanding rents	57 361	126 032	125 033	308 426
Outstanding interest	(11 514)	(27 523)	(23 688)	(62 725)
Residual values	6 076	10 187	18 767	35 030
	51 923	108 696	120 112	280 731

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

(Thousands of Euro)

	Jun 2013	**Dec 2012**
Asset-backed loans	429 564	402 931
Other guaranteed loans	248 708	207 605
Unsecured loans	269 630	255 625
Public sector loans	2 409	311
Financial leases	17 996	13 882
	968 307	880 354

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

(Thousands of Euro)

	Jun 2013	**Dec 2012**
Corporate		
Construction/Production	201 855	178 342
Investment	157 675	212 070
Treasury	337 189	229 909
Other loans	10 301	9 108
Retail		
Mortgage loans	119 499	124 304
Consumer credit	34 549	29 636
Other loans	67 111	59 828
Public sector	2 409	311
Other segments	37 719	36 846
	968 307	880 354

The impairment for credit risks is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Jun 2012
Balance on 1 January	902 703	694 225
Charge for the period net of reversals	103 909	84 850
Loans charged-off	(15 623)	(182 859)
Adjustments	7 822	92 472
Transfers	-	-
Balance on 30 June	998 811	688 688

Additionally, as at 30 June 2013, CEMG has a provision for general banking risks in the amount of Euro 103,024 thousands (31 December 2012: Euro 106,663 thousands, which in accordance to NCA's is presented as a liability, as described in note 37.

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 2013	Dec 2012
Asset-backed loans	478 080	447 840
Other guaranteed loans	253 693	201 523
Unsecured loans	267 038	253 340
	998 811	902 703

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-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 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 2013	Dec 2012
Assed-backed loans	1 812	160 991
Other guaranteed loans	12 477	29 465
Unsecured loans	1 334	14 297
	15 623	204 753

The recovered loans and overdue interest, performed during the period of 1 January to 30 June 2013 and during 2012 includes the amount of Euro 2,393 thousands and Euro 1,168 thousands respectively, related with the recovery of asset-backed loans, 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 are revalued based on market values of their assets, when available, and certain coefficients applied depreciation to reflect its volatility.

21 Financial assets and liabilities held for trading

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

(Thousands of Euro)

	Jun 2013	Dec 2012
Financial assets held for trading		
Securities		
Shares	12 932	12 337
Bonds	1 532	1 949
	14 464	14 286
Derivatives		
Derivative financial instruments with positive fair value	58 215	118 571
	72 679	132 857
Financial liabilities held for trading		
Securities		
Short sales	1 246	984
Derivatives		
Derivative financial instruments with negative fair value	66 196	83 824
	67 442	84 808

As at 30 June 2013, the balance Derivative instruments with positive fair value includes the amount of Euro 16,362 thousands (31 December 2012: Euro 54,523 thousands) related to instruments associated to assets or liabilities at fair value through profit or loss.

As at 30 June 2013, the balance Derivative instruments with negative fair value includes the amount of Euro 7,958 thousands (31 December 2012: Euro 10,385 thousands) related to instruments associated to assets or liabilities ar fair value through profit or loss.

As at 31 December 2012, the fair value of derivative financial instruments includes the valuation of the embedded derivatives separated from the host contracts in accordance with the accounting policy presented in note 1 c) in the amount of Euro 8,450 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 7, financial assets held for trading and available for sale are valued in accordance with the following fair value measurement levels:

- Level 1: financial instruments measured in accordance with quoted market prices or providers.

- Level 2: financial instruments measured in accordance with internal valuation techniques based on observable market inputs;

- Level 3: financial instruments measured in accordance with valuation techniques based on inputs not based on observable data that have significant impact in the instruments valuation.

The financial assets and liabilities held for trading are valued in accordance with market prices or providers and with internal valuation techniques based on observable market inputs. Therefore, accordingly with the hierarchy of the valuation sources, as referred in IFRS 7 these instruments are classified in the levels 1 and 2, as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Financial assets held for trading		
Level 1	14 464	14 286
Level 2	58 215	118 571
	72 679	132 857
Financial liabilities held for trading		
Level 1	1 246	984
Level 2	66 196	83 824
	67 442	84 808

During 2013, no significant reclassifications were made between valuation levels.

The book value of the assets and liabilities at fair value through profit or loss as at 30 June 2013, is as follows:

(Thousands of Euro)

		Jun 2013						
		Derivative			Related Asset/ Liability			
Derivative	Related financial asset/ liability	Notional	Fair value	Changes in the fair value in the period	Fair value	Changes in the fair value in the period	Book value	Reimbursement amount at maturity date
Interest rate swap	Securities issued	715 636	6 082	(5 973)	29 806	(6 521)	359 908	357 296
Interest rate swap	Deposits	41 000	(765)	(26 820)	(9 846)	5 685	409 692	403 553
Interest rate swap	Deposits from customers	152 040	7 442	(9 884)	5 689	(501)	75 989	86 508
Interest rate swap	Titularization	8 910 620	(14 424)	(1 168)	-	-	-	-
Interest rate swap	Covered bonds	10 943 490	(4 883)	636	-	-	-	-
Interest rate swap	Loans and advances to customers	50 000	(2 080)	632	1 901	(574)	25 346	25 000
Interest rate swap	Other	931 224	7	45	-	-	-	-
Exchange rate swap	-	372 330	102	(113)	-	7	-	-
Future options		41 014	23	13	-	-	-	-
Options	-	366 834	603	(182)	-	-	-	-
Credit Default Swaps	-	25 000	(88)	86	-	-	-	-
		22 549 188	(7 981)	(42 728)	27 550	(1 904)	870 935	872 357

The book value of the assets and liabilities at fair value through profit or loss as at 31 December 2012, is as follows:

(Thousand s of Euro)

		Dec 2012						
		Derivative			Related Asset/ Liability			
Derivative	Related financial asset/ liability	Notional	Fair value	Changes in fair value in the period	Fair value	Changes in fair value in the period	Book value	Reimbursement amount at maturity date
Interest rate swap	Securities issued	875 236	12 055	324	36 327	(67 202)	365 213	359 531
Interest rate swap	Deposits	1 360 400	26 055	3 805	(15 531)	375	443 782	437 599
Interest rate swap	Deposits from customers	330 424	17 326	3 655	6 190	(13 437)	102 196	99 061
Interest rate swap	Titularization	9 276 333	(13 256)	(2 522)	-	-	-	-
Interest rate swap	Covered bonds	11 275 036	(5 519)	(11 394)	-	6 509	-	-
Interest rate swap	Loans and advances to customers	50 000	(2 712)	(1 153)	2 475	960	25 350	25 000
Interest rate swap	Other	953 644	(38)	266	-	-	-	-
Exchange rate swap	-	280 482	215	(264)	(7)	28	1 554	1 516
Future options	-	38 766	10	32	-	-	-	-
Options	-	332 394	785	787	-	-	-	-
Credit Default Swaps	-	32 500	(174)	2 897	-	-	-	-
		24 805 215	34 747	(3 567)	29 454	(72 767)	938 095	922 707

The analysis of financial instruments held for trading, by maturity date as at 30 June 2013, is as follows:

(Thousands of Euro)

	Jun 2013					
	Notional with remaining term				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Interest rate contracts						
Interest rate swaps	7 000	142 900	21 594 110	21 744 010	50 831	59 452
Options	3 437	51 589	311 808	366 834	6 835	6 232
Exchange rate contracts						
Currency swaps	366 253	6 077	-	372 330	494	392
Index contracts						
Index futures	41 014	-	-	41 014	25	2
Credit default contracts						
Credit default swaps	-	3 000	22 000	25 000	30	118
	417 704	203 566	21 927 918	22 549 188	58 215	66 196

The analysis of financial instruments held for trading, by maturity date as at 31 December 2012, is as follows:

(Thousands of Euro)

	Dec 2012					
	Nocionais com prazo remanescente				Fair value	
	Due within 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Interest rate contracts						
Interest rate swaps	234 000	371 383	23 515 691	24 121 074	111 020	77 107
Options	433	19 200	312 760	332 393	6 857	6 072
Exchange rate contracts						
Currency swaps	279 706	776	-	280 482	626	412
Index contracts						
Index futures	38 766	-	-	38 766	10	-
Credit default contracts						
Credit default swaps	-	7 500	25 000	32 500	58	233
	552 905	398 859	23 853 451	24 805 215	118 571	83 824

22 Other financial assets at fair value through profit or loss

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Bonds issued by other entities		
Foreign	6 809	12 300
	6 809	12 300

CEMG'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 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.

Other financial assets and liabilities held for trading at fair value through profit or loss are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 7, these instruments are classified in level 1.

23 Financial assets available for sale

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013				
		Fair value reserve			
	Cost [1]	Positive	Negative	Impairment Losses	Book Value
Fixed income securities					
Issued by public entities					
Portuguese	1 648 990	6 765	(28 662)	-	1 627 093
Foreign	55 892	2 345	(1 277)	(11 257)	45 703
Issued by other entities					
Portuguese	4 034 659	1 381	(4 854)	(30 093)	4 001 093
Foreign	279 429	17 139	(6 486)	(12 739)	277 343
Commercial paper	365 197	-	-	(10 160)	355 037
Variable income securities					
Shares					
Portuguese	15 056	112	(73)	(3 556)	11 539
Foreign	12 519	1 356	(820)	(3 211)	9 844
Investment fund units	655 319	8 885	(12 070)	(6 876)	645 258
	7 067 061	37 983	(54 242)	(77 892)	6 972 910

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

(Thousands of Euro)

	Dec 2012				
		Fair value reserve			
	Cost [1]	Positive	Negative	Impairment Losses	Book Value
Fixed income securities					
Issued by public entities					
Portuguese	1 106 821	14 085	(5 049)	-	1 115 857
Foreign	95 444	1 322	(1 209)	(11 257)	84 300
Issued by other entities					
Portuguese	4 237 542	655	(17 606)	(27 280)	4 193 311
Foreign	341 790	18 243	(16 865)	(7 289)	335 879
Commercial papel	392 499	-	-	(1 224)	391 275
Variable income securities					
Shares					
Portuguese	9 664	108	(42)	(3 556)	6 174
Foreign	8 584	1 087	(81)	(2 597)	6 993
Investment fund units	603 180	6 246	(7 630)	(5 083)	596 713
	6 795 524	41 746	(48 482)	(58 286)	6 730 502

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

As referred in note 1 c), the portfolio of assets available for sale are presented at market value with fair value changes accounted for against fair value reserves, as referred in note 43. CEMG assesses periodically whether there is objective evidence of impairment losses on the financial assets available for sale, following the judgment criteria’s described in note 1 z).

As referred in note 52, the balance Variable income securities – Investment fund units includes the amount of Euro 26,372 thousands (31 December 2012: Euro 19,018 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 Euro 6,153 thousands (31 December 2012: Euro 4,874 thousands) engaged to junior securities (investment fund units with a more subordinated character), which are fully provisioned, according to note 15. Additionally, as at 30 June 2013, these securities present Euro 5 thousands relating to negative fair value reserves.

The financial assets available for sale are valued in accordance with market prices or providers and with internal valuation techniques based on observable market inputs. Therefore, accordingly with the hierarchy of the valuation sources, as referred in IFRS 7 these instruments are classified, as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Level 1	2 587 736	2 079 039
Level 2	504 094	177 565
Level 3	3 804 621	4 060 699
At acquisition cost	76 459	413 199
	6 972 910	6 730 502

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

(Thousands of Euro)

	Jun 2013	Jun 2012
Balance on 1 January	58 286	49 647
Charge for the period	34 955	17 658
Write-back for the period	(14 938)	(8 829)
Charged-off	(411)	(16 170)
Balance on 30 June	77 892	42 306

As described in note 1 c), the portfolio of financial assets available for sale are presented net of the total fair value reserve and impairment, as at 30 June 2013. The total fair value reserve for financial assets available for sale is negative and amounts to Euro 16,259 thousands (30 June 2012: Euro 107,574 thousands) and impairment amounts to Euro 77,892 thousands (30 June 2012: Euro 42,306 thousands).

The evolution of the debt crisis of the Euro zone countries associated with the 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 the EU and the IMF.

In order to face this background, the balance Impairment losses in financial assets available for sale includes the impairment recognised over the Greece's sovereign debt during 2012, as described in note 51.

The analysis of the available-for-sale financial assets by maturity date, as at 30 June 2013, is as follows:

(Thousands of Euro)

	Jun 2013				
	Due within 3 months	**3 months to 1 year**	**Over 1 year**	**Undetermined**	**Total**
Fixed income securities					
Issued by public entities					
Portuguese	-	38 531	1 588 562	-	1 627 093
Foreign	-	26 897	18 806	-	45 703
Issued by other entities					
Portuguese	37 539	54 450	3 906 565	2 539	4 001 093
Foreign	2 114	7 111	264 986	3 132	277 343
Commercial paper	134 898	132 543	87 596	-	355 037
	174 551	259 532	5 866 515	5 671	6 306 269
Variable income securities					
Shares					
Portuguese	-	-	-	11 539	11 539
Foreign	-	-	-	9 844	9 844
Investment fund units	-	-	165	645 093	645 258
	-	-	165	666 476	666 641
	174 551	259 532	5 866 680	672 147	6 972 910

The analysis of the available for sale financial assets by maturity date, as at 31 December 2012, is as follows:

(Thousands of Euro)

	Dec 2012				
	Due within 3 months	**3 months to 1 year**	**Over 1 year**	**Undetermined**	**Total**
Fixed income securities					
Issued by public entities					
Portuguese	51 886	248 353	815 618	-	1 115 857
Foreign	2 521	63 627	18 152	-	84 300
Issued by other entities					
Portuguese	64 976	80 502	4 047 833	-	4 193 311
Foreign	24 674	14 420	293 666	3 119	335 879
Commercial papel	122 393	111 144	157 738	-	391 275
	266 450	518 046	5 333 007	3 119	6 120 622
Variable income securities					
Shares					
Portuguese	-	-	-	6 174	6 174
Foreign	-	-	-	6 993	6 993
Investment fund units	-	-	7 375	589 338	596 713
	-	-	7 375	602 505	609 880
	266 450	518 046	5 340 382	605 624	6 730 502

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

(Thousands of Euro)

	Jun 2013			Dec 2012		
	Quoted	**Unquoted**	**Total**	**Quoted**	**Unquoted**	**Total**
Fixed income securities						
Issued by public entities						
Portuguese	1 627 093	-	1 627 093	1 115 857	-	1 115 857
Foreign	45 703	-	45 703	84 300	-	84 300
Issued by other entities						
Portuguese	424 244	3 576 849	4 001 093	578 946	3 614 365	4 193 311
Foreign	205 304	72 039	277 343	259 769	76 110	335 879
Commercial paper	-	355 037	355 037	1 766	389 509	391 275
	2 302 344	4 003 925	6 306 269	2 040 638	4 079 984	6 120 622
Variable income securities						
Shares						
Portuguese	1 186	10 353	11 539	1 171	5 003	6 174
Foreign	9 678	166	9 844	6 827	166	6 993
Investment fund units	630 064	15 194	645 258	582 569	14 144	596 713
	640 928	25 713	666 641	590 567	19 313	609 880
	2 943 272	4 029 638	6 972 910	2 631 205	4 099 297	6 730 502

24 Hedging derivatives

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	**Dec 2012**
Asset		
Interest rate swaps	915	931
Liability		
Interest rate swaps	2 572	3 177

Hedging derivatives are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 7 these derivatives are classified in level 2.

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

CEMG performs periodical effectiveness tests of the hedging relationships.

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

(Thousands of Euro)

	Jun 2013	Dec 2012
Deposits from other credit institutions	205	(600)
Financial assets available for sale	(1 771)	1 987
	(1 566)	1 387

The analysis of the hedging derivatives portfolio by maturity date, as at 30 June 2013 is as follows:

(Thousands of Euro)

	Jun 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	-	20 000	72 000	92 000	-	828	(2 485)	(1 657)
	-	20 000	72 000	92 000	-	828	(2 485)	(1 657)

The analysis of the hedging derivatives portfolio by maturity date, as at 31 December 2012 is as follows:

(Thousands of Euro)

	Dec 2012							
	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	-	23 000	92 000	115 000	-	(366)	(1 880)	(2 246)
	-	23 000	92 000	115 000	-	(366)	(1 880)	(2 246)

25 Held to maturity investments

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Fixed income securities		
Bonds issued by Portuguese public entities	6 316	6 185
Bond issued by foreign public entities	11 206	11 037
	17 522	17 222

The fair value of held to maturity investments portfolio is presented in note 46.

CEMG assessed, with reference to 30 June 2013, 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 2013 are analyzed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OT - Setembro_98/23-09-2013	May, 1998	September, 2013	Fixed rate of 5.450%	99
OT - Outubro_05/15-10-2015	July, 2005	October, 2015	Fixed rate of 3.350%	6 218
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3.250%	5 110
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3.500%	2 057
Belgium Kingdom 05/28-09-2015	March, 2005	September, 2015	Fixed rate of 3.750%	2 034
Buoni Poliennali Del Tes. 05/2015	May, 2005	August, 2015	Fixed rate of 3.750%	2 004
				17 522

The held to maturity investments are stated in accordance with the established in note 1 c).

During the six months ended at 30 June 2013 and the year 2012, CEMG did not transfer to or from this assets category.

26 Investments in associated companies and others

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Investments in associated companies and others		
Finibanco Holding, S.G.P.S., S.A.	341 250	341 250
Lusitania, Companhia de Seguros, S.A.	29 566	29 566
Lusitania Vida, Companhia de Seguros, S.A.	9 530	9 530
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI)	7 001	7 001
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 200	3 200
Unquoted	390 547	390 547

The financial information concerning associated companies, as at 30 June 2013 and 31 December 2012, is presented in the following table:

(Thousands of Euro)

	Number of shares	Percentage of direct shares	Unit value Euros	Acquisition cost
30 June 2013				
Finibanco Holding, S.P.G.S., S.A.	175 000 000	100,00%	1,00	341 250
Lusitania, Companhia de Seguros, S.A.	1 333 929	25,65%	5,00	29 566
Lusitania Vida, Companhia de Seguros, S.A.	314 736	39,34%	25,00	9 530
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI)	77 200	100,00%	90,69	7 001
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20,00%	5,00	3 200
				390 547
31 December of 2012				
Finibanco Holding, S.P.G.S., S.A.	175 000 000	100,00%	1,00	341 250
Lusitania, Companhia de Seguros, S.A.	1 333 929	25,65%	5,00	29 566
Lusitania Vida, Companhia de Seguros, S.A.	314 736	39,34%	25,00	9 530
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI)	77 200	100,00%	90,69	7 001
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	400 001	20,00%	5,00	3 200
				390 547

During 2012, CEMG proceed to supplementary capital contribution in the amount of Euro 6,000 thousands in Lusitania, Companhia de Seguros, S.A.

27 Non-current assets held for sale

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Investments arising from recovered loans	734 969	498 886
Impairment from non-current assets held for sale	(50 216)	(26 009)
	684 753	472 877

The assets included in this balance are accounted for in accordance with the note 1 j).

The balance Investments arising from recovered loans includes buildings and other assets resulting from the foreclosure of contracts of loans to customers, originated by (i) delivery of the assets, with option to repurchase or leasing, accounted with the celebration of the contract or the promise to deliver the asset and the respective irrevocable power of attorney issued by the customer in the name of CEMG; or (ii) the adjudication of the assets as a result of a judicial process of guarantees execution, accounted with the title of adjudication or following the adjudication request after the record of the first pledge.

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. This balance, as at 30 June 2013, includes buildings and other assets for which CEMG has already established contracts for the sale in the amount of Euro 11,592 thousands (31 December 2012: Euro 13,875 thousands).

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

(Thousands of Euro)

	Jun 2013	Jun 2012
Balance on 1 January	26 009	20 406
Charge for the period net of reversals	24 207	9 139
Balance on 30 June	50 216	29 545

28 Property and equipment

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Costs		
Land and buildings		
For own use	8 346	8 346
Leasehold improvements in rented buildings	58 820	58 801
Construction in progress	19	35
Equipment		
Furniture	19 679	19 667
Office equipment	2 974	2 975
Computer equipment	81 148	89 919
Interior installations	24 306	24 251
Motor vehicles	3 504	3 730
Security equipment	9 067	9 023
Other equipment	1	1
Works of art	2 869	2 869
Assets in operational lease	2 454	3 344
Other tangible assets	1 954	1 954
Work in progress	1 078	952
	216 219	225 867
Accumulated depreciation		
Charge for the period	(7 282)	(18 683)
Accumulated charge for the previous periods	(159 750)	(151 533)
	(167 032)	(170 216)
	49 187	55 651

29 Intangible assets

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Costs		
Software	68 524	57 767
Other intangible assets	88 333	88 333
	156 857	146 100
Accumulated depreciation		
Charge for the period	(6 013)	(18 201)
Accumulated charge for the previous periods	(37 228)	(19 027)
	(43 241)	(37 228)
	113 616	108 872

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 referred in accounting policy 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 recognised in income statement.

During 2012, CEMG proceeded to the full recognition of software programs as expense of the period, with a book value of Euro 6,695 thousands, as described in note 9.

As at 30 June 2013, was not determined the requirement of impairment losses recognition for these assets.

30 Taxes

With effect from 1 January 2012, CEMG is subject to the regime established by the Income Tax Code ("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 1v) are eligible for the recognition of deferred taxes.

Deferred income tax assets and liabilities as at 30 June 2013 and 31 December 2012 are analyzed as follows:

(Thousands of Euro)

	Assets		Liabilities		Net	
	Jun 2013	**Dec 2012**	**Jun 2013**	**Dec 2012**	**Jun 2013**	**Dec 2012**
Financial instruments	4 714	1 953	-	-	4 714	1 953
Other tangible assets	(53)	(53)	-	-	(53)	(53)
Provisions	155 581	147 882	-	-	155 581	147 882
Pension fund	40 825	41 428	-	-	40 825	41 428
Tax losses carried forward	80 181	52 103	-	-	80 181	52 103
Net deferred tax assets / (liabilities)	281 248	243 313	-	-	281 248	243 313

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.

CEMG evaluated the recoverability of its deferred tax assets on the balance sheet based on the expectations of future taxable profits.

Deferred tax assets and liabilities related to tax losses carried forward are recognised to the extent it is probable that future taxable profits will be available. The uncertainty about the recovery of the tax losses carried forward and credit tax it is considered in qualifying for deferred tax assets.

The expire date of recognised tax losses carried forward is presented as follows:

(Thousands of Euro)

Tax losses generating year	**Expire date**	**Jun 2013**	**Dec 2012**
2012	2017	51 814	52 103
2013	2018	28 367	-
		80 181	52 103

Deferred tax balance movements were recognised as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Initial balance	243 313	59 221
Charged to profit	35 599	178 149
Charged to fair value reserves	2 762	(16 375)
Charged to reserves and retained earnings	(426)	22 318
Final balance (Asset/ (Liability))	281 248	243 313

Tax recognised in the income statement and in reserves and retained earnings for the periods ended 30 June 2013 and 31 December 2012 is analyzed as follows:

(Thousands of Euro)

	Jun 2013		Dec 2012	
	Charged to net income (loss)	Charged to reserves and retained earnings	Charged to net income (loss)	Charged to reserves and retained earnings
Financial instruments	-	2 762	-	(16 375)
Other tangible assets	-	-	(42)	-
Provisions	7 698	-	115 811	-
Pensions fund	(177)	(426)	10 277	-
Death subsidy	-	-	-	22 318
Tax losses carried forward	28 078	-	52 103	-
Deferred taxes/ recognised (gain)/ losses	35 599	2 336	178 149	5 943
Current taxes / recognised (gain)/losses	(603)	-	(1 309)	-
	34 996	2 336	176 840	5 943

The change in net deferred tax assets includes the deferred tax expenses for the year recognized in the income statement, as well as the changes recognized in equity, namely the impact resulting from the changes, in accordance with the accounting policy for the recognition of actuarial gains and losses related with pension plans and defined 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, in which concerns to the amount recognized in the income statement, can be analyzed as follows:

(Thousands of Euro)

	Jun 2013		Dec 2012	
	%	**Amount**	**%**	**Amount**
Profit before taxes		(113 858)		(174 584)
Extraordinary contribution for the banking sector		2 555		4 233
Profit before tax for tax reconciliation		(111 303)		(170 351)
Tax rate	25,0		25,0	
Income tax calculated based on the tax rate		(28 465)		(43 646)
Non deductible costs	4,3	(7 270)	53,8	(91 728)
Tax-exempt profits	(0,1)	136	25,1	(42 775)
Others	-	-	(0,8)	1 309
Autonomous taxation and other assets	(0,4)	603		-
Tax for the period	(31,4)	(34 996)	103,8	(176 840)

CEMG evaluated the recoverability of its deferred tax assets on the balance sheet based on the expectations of future taxable profits. As at 30 June 2013, there are no unrecognised deferred taxes.

With effect from 1 January 2012, CEMG is subject to the regime established by the Income Tax Code («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 probability that such taxes will be paid or recovered in the future are eligible for the recognition of deferred taxes.

Considering this change, during 2011, the CEMG already recorded temporary differences calculated on December 31, 2011 in the amount of Euro 59,221 thousands. During 2012, the Executive Board of Directors analyzed the additional information received from the competent Tax Authorities about the clarifications requested by CEMG and concluded the analysis about the future recoverability of not recognised temporary differences and depending on the evaluation of these aspects, conclude about the eventual recording of deferred taxes not yet recognised in the amount of Euro 184,092 thousands.

31 Other assets

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Recoverable subsidies from Portuguese Government	9 094	9 736
Other debtors	120 903	117 062
Other accrued income	4 874	3 954
Deferred costs	10 788	6 130
Sundry debtors	54 282	242 289
	199 941	379 171
Impairment for other assets	(3 086)	(3 086)
	196 855	376 085

The balance Recoverable subsidies from Portuguese Government corresponds to mortgage credit interest subsidies, in accordance with the regulations applicable to mortgage loans benefits and small and medium companies. The referred amounts do not bear interest and are claimed monthly.

As at 30 June 2013 and 31 December 2012, the balance Recoverable subsidies from Portuguese Government is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Recoverable subsidies from Portuguese Governments unliquidated	4 051	4 275
Subsidies unclaimed	1 018	1 543
Overdue subsidies unclaimed	4 025	3 918
	9 094	9 736

As at 30 June 2013, the balance Prepayments and deferred costs includes an amount of Euro 3,644 thousands (31 December 2012: Euro 5,388 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 charged 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 47.

As at 30 June 2013, the balance Sundry debtors includes the amount of Euro 913 thousands (31 December 2012: Euro 157,010 thousands) refer to transactions with securities recorded on trade date and pending settlement. This caption also includes the amount of Euro 31,100 thousands (31 December 2012: Euro 55,009 thousands) related to net assets recognised in the balance sheet in order to account the excess coverage of pension liabilities, healthcare benefits and death grants, according to note 47.

32 Deposits from central banks

As at 30 June 2013 and 31 December 2012, this balance is related to deposits obtained in the European System of Central Banks and are covered by securities from the available for sale portfolio.

33 Deposits from other financial institutions

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013			Dec 2012		
	Non-interest bearing	**Interest bearing**	**Total**	**Non-interest bearing**	**Interest bearing**	**Total**
Deposits from credit institutions in Portugal	269	67 555	67 824	850	59 368	60 218
Deposits from credit institutions abroad	77 664	1 006 818	1 084 482	549 054	515 802	1 064 856
	77 933	1 074 373	1 152 306	549 904	575 170	1 125 074

34 Deposits from customers

This balance is analyzed as follows:

	Jun 2013			Dec 2012		
	Non-interest bearing	**Interest bearing**	**Total**	**Non-interest bearing**	**Interest bearing**	**Total**
Deposits repayable on demand	80 342	2 181 094	2 261 436	76 546	2 069 553	2 146 099
Time deposits (*)	-	10 104 926	10 104 926	-	10 339 325	10 339 325
Saving accounts (*)	-	147 925	147 925	-	170 577	170 577
Other deposits	19 852	-	19 852	4 371	-	4 371
Adjustments arising from hedging operations	9 846	-	9 846	15 531	-	15 531
	110 040	12 433 945	12 543 985	96 448	12 579 455	12 675 903

(*) Structured deposits for which the embedded derivate was separate from the host contract as at 31 December 2012, as referred in note 21 and according to the accounting policy 1 c).

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 annually by instruction of the Bank of Portugal.

As at 30 June 2013, the balance Time deposits includes the amount of Euro 403,553 thousands (31 December 2012: Euro 437,599 thousands) related to deposits recognised on the balance sheet at fair value through profit or loss.

35 Debt securities issued

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Euro Medium Term Notes (EMTN)	215 384	545 862
Bonds	1 546 322	1 010 874
Covered bond	76	63
Commercial paper	762 936	631 300
	2 524 718	2 188 099

The fair value of the debts securities issued is presented in note 46.

As at 30 June 2013, this balance includes the amount of Euro 49,939 thousands (31 December 2012: Euro 307,844 thousands) related to debt securities issued recognised at the balance sheet at fair value through profit or loss.

During the first semester of 2013, CEMG issued Euro 990,088 thousands (31 December 2012: Euro 1,222,147 thousands) of debt securities and performed the reimbursement of Euro 842,906 thousands (31 December 2012: Euro 1,240,377 thousands).

Under the Issuance of covered bonds program, which maximum amount is 5,000,000 thousands Euro, CEMG proceed to the emissions which totalized Euro 1,500,000 thousands. 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	Interest rate Rating (Moody´s/Fitch/Dbrs)
Covered bonds - 2S	1 000 000	1 000 373	December, 2009	December, 2016	Quartely	Euribor 3M + 0.75%	Baa3/BBB-/AL
Covered bonds - 3S	500 000	502 105	November, 2010	November, 2015	Quartely	Euribor 3M + 2.5%	Baa3/BBB-/AL
Covered bonds - 4S	500 000	500 121	May, 2013	May, 2017	Monthly	Euribor 1M + 0.75%	Baa3/BBB-/AL
	2 000 000	2 002 599					

The covered bonds are guaranteed by a cover assets pool, comprised of mortgage credit assets and limited classes of other assets, that the issuer of mortgage covered bonds shall maintain segregated and over which the holders of the relevant covered bonds have a statutory special creditor privilege. These conditions are set up in Decree-Law no. 59/2006, Regulations no. 5/2006 of 20 March, no. 6/2006 of 11 October, no. 7/2006 of 11 October, and no. 8/2006 of 11 October the Bank of Portugal and Instruction no.13/2006 of 15 November of the Bank of Portugal.

As at 30 June 2013, the amount of credits that collateralize these emissions amount to Euro 2,737,065 thousands (31 December 2012: Euro 2,816,016 thousands), according with note 20.

The change occurred in debt securities issued during the period ended at 30 June 2013 is analyzed as follows:

	Balance on 1 January	Issues	Reimbursement	Net purchase	Other movements (a)	Balance on 30 June
Euro Medium Term Notes (EMTN)	545 862	-	(500 000)	166 400	3 122	215 384
Bonds	1 010 874	553 308	(26 931)	-	9 071	1 546 322
Covered bonds	63	-	-	-	13	76
Commercial paper	631 300	436 780	(315 975)		10 831	762 936
	2 188 099	990 088	(842 906)	166 400	23 037	2 524 718

(a) Other movements include accrued interest, corrections by hedgings operations, fair value adjustments and foreign translation exchanges adjustments.

The change occurred in debt securities issued during the year ended 31 December 2012 is analyzed as follows:

	Balance on 1 January	Issued	Repayments	Net purchase	Other movements (a)	Balance on 31 December
Euro Medium Term Notes (EMTN)	1 081 778	-	(500 000)	(70 169)	34 253	545 862
Bonds	452 553	596 522	(32 077)	(18 437)	12 313	1 010 874
Covered bonds	706 357	-	(708 300)	-	2 006	63
Commercial paper	-	625 625	-	-	5 675	631 300
	2 240 688	1 222 147	(1 240 377)	(88 606)	54 247	2 188 099

(a) Other movements include accrued interest, corrections by hedgings operations, fair value adjustments and foreign translation exchanges adjustments.

In accordance with the note 1 c), debt issued repurchased by CEMG is derecognised from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement.

The change occurred in debt securities during the six months period ended at 30 June 2013 is analyzed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-03012015	2013-01-03	2015-01-03	Fixed annual rate of 5%	11 800
OBRIGS CAIXA-MG CAPITAL CERTO 2012/2017-12.SERIE	2013-01-15	2017-12-29	1st year: 5%, 2nd year: 5.125%, 3rd year: 5.25%, 4th year: 5.4% and 5th year: 5.75%	28 350
OBRIGS CAIXA-MG POUPANÇA FAMILIAR 2.SERIE	2013-01-15	2017-12-29	1st year: 5%; 2nd year: 5.25%; 3rd year: 5.4%; 4th year: 5.6% and 5th year: 6.25%)	2 300
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-22012015	2013-01-22	2015-01-22	Fixed semi annual rate of 4.6%	1 050
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-23012016	2013-01-23	2016-01-23	1st year: 4.5%; 2nd year: 5.25%; 3rd year: 5.25%	550
OBRIGS CAIXA-MONTEPIO TAXA FIXA-23JAN-2013-2015	2013-01-23	2015-01-23	Fixed annual rate of 4.25%	6 153
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-23JAN 2013/15	2013-01-23	2015-01-23	Fixed annual rate of 4.75%	19 017
OBRIGS CAIXA-MONTEPIO PARTIC JANEIRO 2013-29012016	2013-01-29	2016-01-29	1st year: 4.5%; 2nd year: 4.75%; 3rd year: 5%	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-1.SERIE	2013-01-31	2018-01-31	1st year: 5%; 2nd year: 5.1%; 3rd year: 5.15%; 4th year: 5.25%; and 5th year: 5.50%	58 700
OBRIGS CAIXA-MONTEPIO PARTIC FEVEREIRO 2013-01022015	2013-02-01	2015-02-01	Fixed annual rate of 4%	500
OBRIGS CAIXA-MONTEPIO PARTIC FEVEREIRO 2013-04022015 3,95%	2013-02-04	2015-02-04	Fixed semi annual rate of 3.95%	500
OBRIGS CAIXA-MONTEPIO PARTIC FEV2013-04022015-4PC	2013-02-04	2015-02-04	Fixed annual rate of 4%	446
OBRIGS CAIXA-MONTEPIO PARTIC FEV2013-04022015-4,625PC	2013-02-04	2015-02-04	1st year: 4.5%; 2nd year: 4.5%; 3rd and 4th years: 4.75%	1 000
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-6FEV-2013-2015	2013-02-06	2015-02-06	Fixed annual rate of 4.5%	14 736
OBRIGS CAIXA-MONTEPIO TAXA FIXA-6 FEVEREIRO 2013-2015	2013-02-06	2015-02-06	Fixed annual rate of 4.15%	5 961
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-13022016	2013-02-13	2016-02-13	1st year: 4.25%; 2nd year: 4.40% and 3rd year: 4.5%	250
OBRIGACOES CAIXA-MONTEPIO PARTIC-USD-FEV/13-13022016	2013-02-13	2018-02-13	Fixed annual rate of 3.90%	206
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-19022015	2013-02-19	2016-02-19	1st year: 4.25%; 2nd year: 4.40%	529
OBRIGS CAIXA-MONTEPIO TAXA FIXA-20 FEVEREIRO 2013-2015	2013-02-20	2015-02-20	Fixed annual rate of 4%	4 500
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-20FEV-2013-2015	2013-02-20	2015-02-20	Fixed annual rate of 4.25%	9 077
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-22022015	2013-02-22	2015-02-22	1st year: 4.25%; 2nd year: 4.4%	640
OBRIGACOES CAIXA-MONTEPIO PARTICULAR FEV/13-26022015	2013-02-26	2015-02-26	1st year: 4.25%; 2nd year: 4.4%	1 528
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-2.SERIE	2013-02-28	2018-03-01	1st year: 3.9%; 2nd year: 4.85%; 3rd and 4th years: 5% and 5th year: 5.4%	44 450
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2021-1.SERIE	2013-02-28	2018-03-01	1st year: 5.15%; 2nd year: 5.2%; 3rd and 4th years: 5.3% and 5th year: 5.9%	2 865
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-04032015	2013-03-04	2015-03-04	1st year: 4.25%; 2nd year: 4.4%	250
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-05032015	2013-03-05	2018-03-05	1st year: 4.25%; 2nd year: 4.4%; 3rd year: 4.5%; 4th year: 4.7% and 5th year: 4.9%	250
OBRIGS CAIXA-MONTEPIO TAXA FIXA-06 MARCO 2013-2015	2013-03-06	2015-03-06	Fixed annual rate of 4%	3 681
OBRIGS CAIXA-MONTEPIO TAXA FIXA PLUS-06 MAR-2013-2015	2013-03-06	2015-03-06	Fixed annual rate of 4.25%	11 479
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-15032015	2013-03-15	2015-03-15	Fixed annual rate of 4.2%	15 000
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-18032015	2013-03-18	2015-03-18	1st year: 4.15%; 2nd year: 4.25%	265
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-19032015	2013-03-19	2015-03-19	1st year: 4.15%; 2nd year: 4.25%	700
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-27032015	2013-03-27	2015-03-27	1st year: 4.05%; 2nd year: 4.125%	250
OBRIGS CAIXA-MONTEPIO TAXA FIXA-20 MARCO 2013-2015	2013-03-20	2015-03-20	Fixed annual rate of 4.1%	30 770
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-3.SERIE	2013-03-28	2018-03-29	1st year: 4.4%; 2nd year: 4.55%; 3rd year: 4.75%; 4th year: 4.9% and 5th year: 5.65%	31 425
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAR/13-28032016	2013-03-28	2016-03-28	1st year: 4.075%; 2nd year: 4.175% and 3rd year: 4.275%	425
OBRIGS CAIXA-MONTEPIO TAXA FIXA-03 ABRIL 2013-2015	2013-04-03	2015-04-03	Fixed annual rate of 4%	18 203
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 05042015	2013-04-05	2015-04-05	Fixed annual rate of 4.125%	500
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 17042015	2013-04-17	2015-04-17	1st year: 4.075%; 2nd year: 4.175%	500
OBRIGACOES CAIXA-MONTEPIO PARTICULAR ABR/13 22042015	2013-04-22	2015-04-22	1st year: 4.075%; 2nd year: 4.175%	300
OBRIGS CAIXA-MONTEPIO TAXA FIXA-17 ABRIL 2013-2015	2013-04-24	2015-04-24	Fixed annual rate of 4%	30 599
OBRIGS CAIXA-MONTEPIO POUPANÇA FAMILIAR 2013-2018-1.SERIE	2013-04-30	2018-05-01	1st year: 4.4%; 2nd year: 4.55%; 3rd and: 4.75%; 4th year: 4.9% and 5th year: 6.70%	3 150
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-4.SERIE	2013-04-30	2018-05-01	1st year: 4.4%; 2nd year: 4.55%; 3rd year: 4.75%; 4th and: 4.9% and 5th year: 5.65%	41 600
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 06052015	2013-05-06	2015-05-06	1st year: 4.075%; 2nd year: 4.175%	1 100
OBRIGS CAIXA-MONTEPIO TAXA FIXA-15 MAIO 2013-2015	2013-05-15	2015-05-15	Fixed annual rate of 4%	22 406
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 17052015	2013-05-20	2015-05-17	1st and 2nd year: 4%; 3rd and 4th year: 4.10%	400
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 22052015	2013-05-22	2015-05-22	Fixed annual rate of 3.5%	7 500
OBRIGS CAIXA-MONTEPIO TAXA FIXA-29 MAIO 2013-2015	2013-05-29	2015-05-29	Fixed annual rate of 4%	9 450

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OBRIGACOES CAIXA-MONTEPIO PARTICULAR MAI/13 29052015	2013-05-29	2015-05-29	1st year: 4.075%; 2nd year: 4.175%	250
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-5.SERIE	2013-05-31	2018-06-01	1st year: 4.4%; 2nd year: 4.55%; 3rd year: 4.75%; 4th year: 4.9% and 5th year: 5.65%	50 000
OBRIGS CAIXA-MONTEPIO TAXA FIXA-12 JUNHO 2013-2015	2013-06-12	2015-06-12	Fixed annual rate of 3.75%	7 867
OBRIGS CAIXA-MONTEPIO TAXA FIXA-26 JUNHO 2013-2015	2013-06-26	2015-06-26	Fixed annual rate of 3.75%	6 835
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2018-6.SERIE	2013-06-28	2018-06-28	1st year: 4.4%; 2nd year: 4.4%; 3rd year: 4.6%; 4th year: 4.75% and 5th year: 4.9%	41 150
OBRIGS CAIXA-MG CAPITAL CERTO 2013/2021-2.SERIE	2013-06-28	2021-06-28	1st and 2nd years: 4.9%; 3rd year: 5.1%; 4th year: 5.1%; 5th year: 5.65% and from 6th to 8th year: rate Max(5.95%;Min(IPC+2%;8.15%))	1 645
PAPEL COMERCIAL 180 DIAS-4P/C-18012013	2013-01-18	2013-07-17	Fixed rate of 4%	45 886
PAPEL COMERC-364 DIAS-4,5 PC-18012013	2013-01-18	2014-01-17	Fixed rate of 4.5%	42 164
PAPEL COMERCIAL 180 DIAS-4P/C-30012013	2013-01-30	2014-01-29	Fixed rate of 4.5%	30 897
PAPEL COMERCIAL-364 DIAS-4,5 -30012013	2013-01-30	2013-07-29	Fixed rate of 4%	34 514
PAPEL COMERCIAL 180DIAS-3,5PC-06022013	2013-02-06	2013-08-05	Fixed rate of 3.5%	12 172
PAPEL COMERCIAL 180DIAS-3,5PC-06022013	2013-02-06	2014-02-05	Fixed rate of 4%	22 015
PAPEL COMERCIAL 180DIAS-3,5PC-13022013	2013-02-13	2013-08-12	Fixed rate of 3.5%	11 145
PAPEL COMERCIAL-364 DIAS-4PC-13022013	2013-02-13	2014-02-12	Fixed rate of 4%	15 537
PAPEL COMERCIAL 180DIAS-3,5PC-20022013	2013-02-20	2013-08-19	Fixed rate of 3.5%	8 750
PAPEL COMERCIAL-364 DIAS-4PC-20022013	2013-02-20	2014-02-19	Fixed rate of 4%	14 943
PAPEL COMERCIAL 180DIAS-3,5PC-27022013	2013-02-27	2013-08-26	Fixed rate of 3.5%	17 331
PAPEL COMERCIAL-364 DIAS-4PC-27022013	2013-02-27	2014-02-27	Fixed rate of 4%	21 967
PAPEL COMERCIAL 180DIAS-3,5PC-06032013	2013-03-06	2013-09-02	Fixed rate of 3.5%	18 363
PAPEL COMERCIAL-364 DIAS-4PC-06032013	2013-03-06	2014-03-05	Fixed rate of 4%	17 724
PAPEL COMERC 180 DIAS-3,5P/C-13032013	2013-03-13	2013-09-13	Fixed rate of 3.5%	12 655
PAPEL COMERCIAL-364 DIAS-4PC-13032013	2013-03-13	2014-03-13	Fixed rate of 4%	14 466
PAPEL COMERCIAL 180 DIAS-3P/C-27032013	2013-03-27	2013-09-23	Fixed rate of 3%	8 011
PAPEL COMERCIAL 180 DIAS-3P/C-27032013	2013-03-27	2014-03-26	Fixed rate of 3.5%	3 916
PAPEL COMERC 180 DIAS-3,25PC-20032013	2013-03-20	2013-09-16	Fixed rate of 3.25%	8 529
PAPEL COMERC-364 DIAS-3,75PC-20032013	2013-03-20	2014-03-19	Fixed rate of 3.75%	6 089
PAPEL COMERCIAL 180 DIAS-3P/C-03042013	2013-04-03	2013-09-30	Fixed rate of 3%	5 269
PAPEL COMERC-364 DIAS-3,5 PC-03042013	2013-04-03	2014-04-02	Fixed rate of 3.5%	2 786
PAPEL COMERCIAL-180 DIAS-3PC-100413	2013-04-10	2013-10-04	Fixed rate of 3%	4 949
PAPEL COMERC-364 DIAS-3,5PC-10042013	2013-04-10	2014-04-09	Fixed rate of 3.5%	3 297
PAPEL COMERCIAL-180 DIAS-3PC-23042013	2013-04-23	2013-10-21	Fixed rate of 3%	11 540
PAPEL COMERCIAL-364DIAS-3,5PC-23042013	2013-04-23	2014-04-22	Fixed rate of 3.5%	9 370
PAPEL COMERCIAL-180 DIAS-3PC-30042013	2013-04-30	2013-10-28	Fixed rate of 3%	5 259
PAPEL COMERCIAL-364DIAS-3,5PC-30042013	2013-04-30	2014-04-29	Fixed rate of 3.5%	2 119
PAPEL COMERCIAL-180 DIAS-3PC-08052013	2013-05-08	2013-11-04	Fixed rate of 3%	3 771
PCOMERC-364D-3,5PC080513	2013-05-08	2014-05-07	Fixed rate of 3.5%	3 981
PCOMERC-180D-3PC-15052013	2013-05-15	2013-11-11	Fixed rate of 3%	3 723
PCOMERC-364D-3,5PC150513	2013-05-15	2014-05-14	Fixed rate of 3.5%	2 624
PCOMERC-180D-3PC-22052013	2013-05-22	2013-11-18	Fixed rate of 3%	3 620
PCOMERC-364D-3,5PC 220513	2013-05-22	2014-05-21	Fixed rate of 3.5%	2 908
PCOMERC-180D-3PC-29052013	2013-05-29	2013-11-25	Fixed rate of 3%	2 760
PCOMERC-364D-3,5PC 290513	2013-05-29	2014-05-28	Fixed rate of 3.5%	1 230
PAPEL COMERCIAL-PARTICUL-4PC-21022013	2013-02-21	2014-02-20	Fixed rate of 4%	500
				990 088

As at 30 June 2013, for the bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 0.43% and 16.76% (31 December 2012: 0.44% and 10.94%).

36 Financial liabilities relating to transferred assets

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Pelican Mortgages No. 3	332 982	345 445
Pelican Mortgages No. 4	793 707	809 543
Aqua Mortage No. 1	180 234	192 089
Pelican Mortgages No. 5	814 245	831 385
Pelican SME	454 240	545 009
Pelican Mortgages No. 6	1 006 369	1 020 260
	3 581 777	3 743 731

The detail of these operations is presented in note 49.

37 Provisions

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Provisions for general provision for loan losses	103 024	106 663
Other provisions for liabilities and charges	4 227	3 536
	107 251	110 199

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

(Thousands of Euro)

	Jun 2013	Jun 2012
Balance on 1 January	106 663	117 066
Charge for the period	36 594	34 859
Write-back for the period	(40 233)	(40 043)
Balance on 30 June	103 024	111 882

The General provision for loan losses, was calculated in accordance with Regulation no. 3/95 of 30 June, no. 2/99 of 15 January and no. 8/03 of 30 January of the Bank of Portugal, as referred in accounting policy 1 b).

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

(Thousands of Euro)

	Jun 2013	Jun 2012
Balance on 1 January	3 536	2 948
Charge for the period	691	758
Write-back for the period	-	(940)
Balance on 30 June	4 227	2 766

The provisions are accounted in accordance with the probability of occurrence of certain contingencies related with the CEMG's inherent risks, which are revised in each reporting date in order to reflect the best estimate of the amount and probability of payment.

38 Other subordinated debt

As at 30 June 2013 and 31 December 2012, this balance refers to Bonds with fixed maturity and with a residual reimbursement over 5 years.

As at 30 June 2013, the mainly characteristics of the Other subordinated debt, are analyzed 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%	50 086
CEMG/08	Feb, 2008	Feb, 2018	150 000	Euribor 6 months+0.13%	150 896
CEMG/08	Jun, 2008	Jun, 2018	28 000	Euribor 12 months+0.10%	28 030
CEMG/08	Jul, 2008	Jul, 2018	150 000	Euribor 6 months+0.13%	150 942
FNB 08/18 1ª/2ª Série	Dec, 2008	Dec, 2018	10 363	Euribor 6 months+0.15% (iv)	10 372
FNB Rendimento Seguro 05/15	Jun, 2005	Jun, 2015	238	6.25%*VN Min.(quotation) (iii)	238
FNB Grandes empresas 07/16_ 1ª série	May, 2007	May, 2016	6 450	Max.(0;6.0%*(1-n/5)) (i)	6 458
FNB Grandes empresas 07/16_ 2ª/3ª série	Jun, 2007	Jun, 2016	30 250	Max.(0;6.0%*(1-n/5)) (i)	30 250
FNB Indices estratégicos 07/17 1ª série	May, 2007	Jun, 2017	14 947	6.25%*NVMin.(quotation) (ii)	14 947
FNB Indices estratégicos 07/17 2ª/3ª série	Jun, 2007	Jun, 2017	39 000	Euribor 6 months+0.5% (ii)	39 000
					481 219
				Corr. Liability value	(2 474)
					478 745

Other subordinated debt portfolio is recorded at fair value, in accordance with note 46.

As at 30 June 2013, the effective interest rate range of the subordinated debt bears postponed interest every three and six months is set between 0.86% and 2.00% (31 December 2012: 1.00% and 5.00%).

References:

(i) - The following cupons will be paid, on the year end of each year (May 9, to the 1st serie and June 20, to the 2nd and 3rd series):

Coupon	Interest rate/range
1st Coupon	5.5%
2nd Coupon	5.5%
3rd Coupon	Max [0; 6.0% * (1-n/3)]
4th Coupon	Max [0; 6.0% * (1-n/4)]
5th Coupon	Max [0; 6.0% * (1-n/5)]
6th Coupon	Max [0; 6.0% * (1-n/6)]
7th Coupon	Max [0; 6.0% * (1-n/7)]
8th Coupon	Max [0; 6.0% * (1-n/8)]
9th 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:

Barrier3 = Barrier to be applied on 3rd coupon = 0%;
Barrier4 = Barrier to be applied on 4th coupon = 1%;
Barrier5 = Barrier to be applied on 5th coupon = 2%;
Barrier6 =Barrier to be applied on 6th coupon = 3%;
Barrier7 =Barrier to be applied on 7th coupon = 4%;
Barrier8 =Barrier to be applied on 8th coupon = 5%.
Barrier = Barrier to be applied on kth coupon
SDk – Closing of Eurostoxx Select Dividend Index (Bloomberg: SD3E) on the observation date K (K=1 to 6)
SD0 – Cotação de fecho do índice Eurostoxx Select Dividend (Bloomberg: SD3E) na data de início
SXk – Closing of Eurostoxx50 Total Return Index (Bloomberg: SX5T) on the observation date K (K=1 to 6)
SX0 – Closing of Eurostoxx50 Total Return Index (Bloomberg: SX5T) on the starting date
HSk – Closing of HS60 Europe Index (Bloomberg: HS60EU) on the observation date K (K=1 to 6)
HS0 – Closing of HS60 Europe Index (Bloomberg: HS60EU) on the starting 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)

39 Other liabilities

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Creditors		
Suppliers	3 634	11 079
Other creditors	39 257	57 400
Administrative public sector	18 696	15 319
Holiday pay and subsidies	26 307	30 479
Other administrative cost payable	1 943	820
Deferred income	716	687
Other sundry liabilities	113 166	216 192
	203 719	331 976

The balance Other sundry liabilities includes the amount of Euro 29,612 thousands (31 December 2012: Euro 145,898 thousands) engaged to balances of banking and financial transactions pending settlement.

40 Share capital

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.

After the referred operation, the share capital of CEMG, amounts Euro 1,295,000 thousands (31 December 2012: Euro 1,295 thousands) totally subscribed by “Montepio Geral – Associação Mutualista”, and is fully paid.

41 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 Finibanco, SA, and in connection with the acquisition of Finibanco Holding, SGPS, S.A. and its subsidiaries spent to integrate the responsibilities CEMG, as referred in the accounting policy described in note 1 a).

Payment

Subject to the payment of interest limitations described below, the payment will be paid semiannually 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 not in compliance with the Regulatory capital requirements regulation or the extent and up to competition in its payment implies that is in default with that regulation.

The Issuer is also prevented from proceeding to the interest payment if, in the Board of Directors or the 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.

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.

42 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 analyzed in note 43.

43 Revaluation reserves, other reserves and retained earnings

This balance is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Revaluation reserves		
Available-for-sale financial assets		
Gross Value	(16 259)	(6 736)
Tax	4 715	1 953
Other	8 404	8 404
	(3 140)	3 621
Other reserves and retained earnings		
General reserve	186 001	185 549
Special reserve	68 272	68 160
Deferred tax reserves	51 417	51 843
Retained earnings	(36 551)	(12 957)
	269 139	292 595

The fair value reserves represents the potential gains and losses on financial assets available for sale net of impairment losses recognised in the income statement and/or in prior years in accordance with accounting policy 1 c).

As described in note 1 u), the caption Retained earnings, as at 30 June 2013, includes the effect of correction of Euro 3,644 thousands (31 December 2012: Euro 5,388 thousands) arising from the Board decision to change the accounting policy relating the recognition of actuarial deviations in accordance with IAS 19.

The movements of this balance during the six months period ended at 30 June 2013 are analyzed as follows:

(Thousands of Euro)

	Balance on 1 January	Reavaluation	Acquisition	Disposals	Impairment recognised in the period	Balance on 30 June
Fixed income securities						
Bond issued by public entities						
Portuguese	9 036	(2 790)	(22 531)	(5 612)	-	(21 897)
Foreign	113	1 074	(71)	(48)	-	1 068
Bonds issued by other entities						
Portuguese	(16 951)	17 797	(1 379)	(127)	(2 813)	(3 473)
Foreign	1 378	13 809	(237)	1 153	(5 450)	10 653
Commercial paper	-	8 936	-	-	(8 936)	-
	(6 424)	38 826	(24 218)	(4 634)	(17 199)	(13 649)
Variable income securities						
Shares						
Portuguese	66	(9)	(19)	1	-	39
Foreign	1 006	819	(666)	(9)	(614)	536
Investment fund units	(1 384)	(160)	(104)	256	(1 793)	(3 185)
	(312)	650	(789)	248	(2 407)	(2 610)
	(6 736)	39 476	(25 007)	(4 386)	(19 606)	(16 259)

The movements of this balance during 2012 are analyzed as follows:

(Thousands of Euro)

	Balance on 1 January	Reavaluation	Acquisition	Disposals	Impairment recognised in the period	Balance on 31 December
Fixed income securities						
Bonds issued by Portuguese public entities	(241 563)	151 213	4 622	94 764		9 036
Bons issued by foreign public entities	(684)	(6 051)	73	(1 277)	8 052	113
Bons issued by other entities						
Portuguese	(20 634)	16 111	(7 265)	6 137	(11 300)	(16 951)
Foreign	(52 671)	19 997	14 899	18 153	1 000	1 378
Commercial paper	-	226	-	-	(226)	-
	(315 552)	181 496	12 329	117 777	(2 474)	(6 424)
Variable income securities						
Shares						
Portuguese	(4)	115	4	-	(49)	66
Foreign	(69)	2 184	46	26	(1 181)	1 006
Investment fund units	(1 067)	1 499	2 939	180	(4 935)	(1 384)
	(1 140)	3 798	2 989	206	(6 165)	(312)
	(316 692)	185 294	15 318	117 983	(8 639)	(6 736)

The fair value reserve can be analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Amortised cost of financial assets available for sale	7 067 061	6 795 524
Accumulated impairment recognised	(77 892)	(58 286)
Amortised cost of financial assets available for sale net of impairment	6 989 169	6 737 238
Market value of financial assets available for sale	6 972 910	6 730 502
Net unrealised gains/ (losses) recognised in the fair value reserve	(16 259)	(6 736)

44 Dividends paid

On 23 April 2013, following the General Assembly, CEMG distributed to Montepio Geral – Associação Mutualista the amount of Euro 1,692 thousands (31 December 2012: Euro 16,584 thousands).

45 Obligations and future commitments

Obligations and future commitments are analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Guarantees granted	459 211	462 989
Guarantees received	31 528 393	31 740 740
Commitments to third parties	1 398 628	1 486 342
Commitments from third parties	48 804	42 279
Assets transferred in securitized operations	226 313	238 856
Securities and other items held for safekeeping on behalf of costumers	7 436 602	6 601 424
	41 097 951	40 572 630

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

(Thousands of Euro)

	Jun 2013	Dec 2012
Guarantees granted		
Guaranteed	447 209	450 196
Open documentary credits	12 002	12 793
	459 211	462 989
Commitments to third parties		
Irrevocable commitments		
Irrevocable credit lines	139 196	148 659
Securities subscription	348 495	359 200
Annual contribution to the Guarantee Deposits Fund	25 314	25 314
Potencial obligation with the Investors Indemnity System	2 859	2 399
Revocable commitments		
Revocable credit lines	882 764	950 770
	1 398 628	1 486 342

Guarantees granted are banking operations that do not imply any outflow by CEMG.

Documentary credits are irrevocable commitments by the Group, in the name of its clients, to pay or order to pay a certain amount to a supplier of goods or services, within a determined term, against the exhibition of the expedition documentation of the goods or service provided. The condition of irrevocable consists of the fact that the terms initially agreed can only be changed or cancelled with the agreement of all parties

Revocable and irrevocable commitments represent contractual agreements to extend credit to CEMG'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.

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 2013 and 31 December 2012, 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 unrealized amounts of annual contributions required by the Fund.

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 unrealized amounts of annual contributions required by the Fund.

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.

46 Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as it happens regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques.

Cash flows for the different instruments sold are calculated according with its financial characteristics and the discount rates used include both the interest rate curve and the current conditions of the pricing policy in CEMG.

Therefore, the fair value obtained is influenced by the parameters used in the evaluation model that, necessarily have some degree of judgment 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 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 installments 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. 05% as at 30 June 2013 (31 December 2012: 0.75%).

  For all other loans and advances and deposits, it was considered that the book value is a reasonable estimate of their fair value. As at 30 June 2013, the average discount rate was 3.80% for loans and advances (31 December 2012: 4.33%) and 2.39% for deposits (31 December 2012: 2.85%).

- *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 valuation models and considering options including changing market interest rates applicable to the instruments concerned, and where necessary, their volatility.

  Interest rates are determined based on information disseminated by the suppliers of content financial - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods.

- *Loans and advances to customers with defined maturity date*

  The fair value of these instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the installments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by CEMG in similar instruments for each of the homogeneous classes of this type of instrument and with similar maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year) and the spread used at the date of the report, which was calculated from the average production of the last three months of the year.

  As at 30 June 2013, the average discount rate was 5.72% (31 December 2012: 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 year) and the spread of CEMG at the date of the report, which was calculated from the average production of the last three months of the year.

  As at 30 June 2013, the average discount rate was of 2.39% (31 December 2012: 2.69%).

- *Debt securities issued and Subordinated debt*

  For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate instruments for which CEMG adopts hedge-accounting, the fair value related to 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 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	0.208%	0.125%	0.425%	0.050%	0.094%
7 days	0.094%	0.161%	0.425%	-0.250%	0.100%
1 month	0.123%	0.210%	0.460%	0.060%	0.075%
2 months	0.176%	0.240%	0.470%	-0.040%	0.075%
3 months	0.218%	0.280%	0.480%	0.090%	0.085%
6 months	0.335%	0.430%	0.550%	0.150%	0.150%
9 months	0.435%	0.560%	0.690%	0.195%	0.260%
1 year	0.527%	0.700%	0.840%	0.175%	0.320%
2 years	0.606%	0.518%	0.792%	0.204%	0.274%
3 years	0.793%	0.830%	0.989%	0.379%	0.327%
5 years	1.234%	1.586%	1.525%	0.764%	0.500%
7 years	1.601%	2.164%	1.997%	1.116%	0.712%
10 years	2.016%	2.713%	2.515%	1.513%	1.000%
15 years	2.380%	3.187%	2.954%	1.778%	1.435%
20 years	2.503%	3.312%	2.954%	1.778%	1.435%
30 years	2.516%	3.423%	2.954%	1.778%	1.435%

As at 31 December 2012, 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	0.170%	0.180%	0.505%	-0.045%	0.010%
7 days	0.005%	0.193%	0.505%	-0.045%	0.010%
1 month	0.030%	0.230%	0.590%	-0.175%	0.070%
2 months	0.060%	0.270%	0.545%	0.080%	0.080%
3 months	0.080%	0.415%	0.480%	-0.050%	0.100%
6 months	0.245%	0.505%	0.620%	-0.050%	0.160%
9 months	0.365%	0.590%	0.795%	0.075%	0.270%
1 year	0.460%	0.875%	0.960%	0.245%	0.350%
2 years	0.374%	0.384%	0.703%	0.065%	0.218%
3 years	0.465%	0.493%	0.768%	0.108%	0.223%
5 years	0.765%	0.845%	1.015%	0.318%	0.315%
7 years	1.125%	1.271%	1.359%	0.578%	0.506%
10 years	1.565%	1.775%	1.863%	0.923%	0.846%
15 years	2.018%	2.308%	2.426%	1.283%	1.373%
20 years	2.172%	2.521%	2.426%	1.283%	1.373%
30 years	2.241%	2.692%	2.426%	1.283%	1.373%

Exchange rates and volatilities

We present below the exchange rates (European Central bank) at the balance sheet date and the implied volatilities (at the money) for the main currencies used on the derivatives valuation:

			Volatility (%)				
Exchange rates	**Jun 2013**	**Dec 2012**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1.3080	1.3194	8.90	9.00	9.11	9.35	9.46
EUR/GBP	0.8572	0.8161	7.40	7.50	7.65	7.75	7.83
EUR/CHF	1.2338	1.2072	6.48	6.25	5.90	5.93	5.90
EUR/JPY	129.39	113.61	14.93	14.78	15.13	15.13	15.13

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

Next table shows the decomposition of main adjustments to the financial assets and liabilities of CEMG, which are recognised at book value and fair value at 30 June 2013 and 31 December 2012:

(Thousands of Euro)

	Jun 2013					
	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	-	285 249	-	-	285 249	285 249
Loans and advances to credit institutions repayable on demand	-	56 408	-	-	56 408	56 408
Loans and advances to credit institutions	-	241 265	-	-	241 265	241 265
Loans and advances to customers	25 346	14 619 146	-	-	14 644 492	13 563 585
Financial assets held for trading	72 679	-	-	-	72 679	72 679
Other financial assets at fair value through profit or loss	6 809	-	-	-	6 809	6 809
Ffinancial assets available for sale	-	-	6 972 910	-	6 972 910	6 972 910
Hedging derivatives	915	-	-	-	915	915
Held to maturity investments	-	17 522	-	-	17 522	18 263
Investments in associated companies and others	-	-	-	390 547	390 547	390 547
	105 749	15 219 590	6 972 910	390 547	22 688 796	21 608 630
Financial liabilities						
Deposits from central banks	-	1 854 813	-	-	1 854 813	1 854 813
Deposits from credit institutions	79 817	1 072 489	-	-	1 152 306	1 152 306
Deposits from customers	409 692	12 134 293	-	-	12 543 985	12 560 144
Debt securities issued	275 876	2 248 842	-	-	2 524 718	2 524 720
Financial liabilities relating to transferred assets	-	-	-	3 581 777	3 581 777	3 581 777
Financial liabilities held for trading	67 442	-	-	-	67 442	67 442
Hedging derivatives	2 572	-	-	-	2 572	2 572
Other subordinated debt	90 647	388 098	-	-	478 745	329 561
	926 046	17 698 535	-	3 581 777	22 206 358	22 073 335

(Thousands of Euro)

	Dec 2012					
	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	-	247 587	-	-	247 587	247 587
Loans and advances to credit institutions repayable on demand	-	57 370	-	-	57 370	57 370
Loans and advances to credit institutions	-	250 758	-	-	250 758	250 758
Loans and advances to customers	27 475	15 004 502	-	-	15 031 977	13 903 350
Financial assets held for trading	132 857	-	-	-	132 857	132 857
Other financial assets at fair value through profit or loss	12 300	-	-	-	12 300	12 300
Financial assets available for sale	-	-	6 730 502	-	6 730 502	6 730 502
Hedging derivatives	931	-	-	-	931	931
Held to maturity investments	-	17 222	-	-	17 222	18 217
Investments in associated companies and others	-	-	-	390 547	390 547	390 547
	173 563	15 577 439	6 730 502	390 547	22 872 051	21 744 419
Financial liabilities						
Deposits from central banks	-	1 776 514	-	-	1 776 514	1 776 514
Deposits from other credit institutions	65 280	1 059 794	-	-	1 125 074	1 125 074
Deposits from customers	459 313	12 216 590	-	-	12 675 903	12 704 144
Debt securities issued	283 667	1 904 432	-	-	2 188 099	2 137 924
Financial liabilities relating to transferred assets	-	-	-	3 743 731	3 743 731	3 743 731
Financial liabilities held for trading	84 808	-	-	-	84 808	84 808
Hedging derivatives	3 177	-	-	-	3 177	3 177
Other subordinated debt	88 212	391 455	-	-	479 667	356 225
	984 457	17 348 785	-	3 743 731	22 076 973	21 931 597

47 Employee benefits

Retirement pensions and healthcare benefits

In compliance with the collective labor 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 the banks the protection in sickness, disability, survivor and death.

Retirement pensions of banking employees integrated into the General Social Security Regime, in accordance with the second tripartite agreement, 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 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 irreversible 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 fulfill 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:

	Assumptions		**Checked**	
	Jun 2013	**Dec 2012**	**Jun 2013**	**Dec 2012**
Financial assumptions				
Salaries increase rate	1.50%	1.50%	1.32%	1.60%
Pensions increase rate	0.50%	0.50%	0.11%	0.14%
Projected rate of return of Fund assets	4.50%	4.50%	1.38%	16.30%
Discount rate	4.50%	4.50%	1.38%	16.30%
Demographic assumptions and valuation methods				
Mortality table				
Men	TV 88/90	TV 88/90		
Women	TV 88/90	TV 88/90		
Actuarial valuation method	PUC	PUC		

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

	Jun 2013	Dec 2012
Employees	3 811	3 843
Retireers ans survivors	990	976
	4 801	4 819

Based on the changes performed to the accounting policy described in note 1 u) during the six months period ended at 30 June 2013, the application of IAS 19 n responsibilities and coverage levels reportable to 30 June 2013 and 31 December 2012 is presented as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Assets/(Liabilities) recognised in the balance sheet		
Responsabilities with retirement benefits		
Pensioners	(105 913)	(96 504)
Employees	(338 231)	(321 232)
	(444 144)	(417 736)
Responsabilities with healthcare benefits		
Pensioners	(17 147)	(16 752)
Employees	(23 314)	(22 749)
	(40 461)	(39 501)
Responsabilities with death subsidy		
Pensioners	(1 102)	(1 073)
Employees	(979)	(956)
	(2 081)	(2 029)
Total responsabilities	(486 686)	(459 266)
Coverages		
Value of the funds	517 786	514 275
Assets/ (Liabilities) recognised in the balance sheet (see note 31)	31 100	55 009
Acumulated actuarial differences recognised in other comprehensive income	17 364	(4 097)

In accordance with the accounting policy presented in note 1 u), CEMG liabilities with retirement benefits, healthcare benefits (post-employment), death grant and actuarial gains and 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 recognised 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 healthcare benefits can be analyzed as follows:

(Thousands of Euro)

	Jun 2013				Dec 2012			
	Retirement pensions	**Healthcare benefits**	**Death subsidy**	**Total**	**Retirement pensions**	**Healthcare benefits**	**Death subsidy**	**Total**
Responsibilities at the beginning of the period	417 736	39 501	2 029	459 266	383 171	31 312	8 133	422 616
Current service cost	4 333	562	25	4 920	8 586	778	484	9 848
Interest cost	9 399	889	45	10 333	21 074	1 722	447	23 243
Actuarial gains and losses								
Arising from changes in actuarial assumption	12 550	-	-	12 550	20 385	3 199	(6 822)	16 762
Not arising from changes in actuarial assumptions	4 364	(491)	(18)	3 855	(10 656)	2 490	(213)	(8 379)
Pensions paid by the fund	(4 238)	-	-	(4 238)	(7 872)	-	-	(7 872)
Early retirement	-	-	-	-	3 048	-	-	3 048
Responsibilities at the end of the period	444 144	40 461	2 081	486 686	417 736	39 501	2 029	459 266

Under the third tripartite agreement mentioned above and the subsequent transfer to the Social Security sphere of the banks liabilities with pensions in payment as at 31 December 2011, there was a reduction of liabilities, measured based on the actuarial assumptions used in preparing the financial statements and consistent with IAS 19, in the amount of Euro 169,815 thousands.

However, under the agreement, the value of assets to be transferred to the Social Security in return for the transfer of the liabilities with pensions in payment was determined on a settlement perspective, as it is a definitive and irreversible transfer of these responsibilities and corresponded to the value thereof, and it was estimated based on a discount rate of 4% (instead of the 5.5% rate used for the purpose of preparing the financial statements).

Thus, the amount payable by CEMG to the Portuguese Government amounted to Euro 183,910 thousands, which led to the recognition in 2011 of a loss in the income statement in the amount of Euro 14,096 thousands, corresponding to the differential of the discount rates mentioned above.

During 2012 and against the background of this process, CEMG paid to Portuguese State the amounted of Euro 1,256 thousands, against the income statement of a cost.

The pension funds are managed by “Futuro – Sociedade Gestora de Fundos de Pensões, S.A.”.

The change in the value of plan's assets is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Balance of the funds at the beginning of the period	514 275	440 498
Actual return on plan assets	6 515	71 042
Contributions of CEMG	-	9 659
Contributions of the participants	1 234	2 204
Pensions paid by the fund	(4 238)	(7 872)
Transfer to the general social healthcare system ("RGSS")	-	(1 256)
Balance of the funds at the end of the period	517 786	514 275

The change in the value of plan's assets is analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Bonds	320 297	233 876
Loans and advances to credit institutions and others	121 222	214 172
Other variable income securities	41 424	52 668
Direct real state	8 412	9 622
Shares	26 431	3 937
	517 786	514 275

The elements of the Pension Fund's assets are analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Investments in banks and others	96 616	207 921
Direct real state	8 411	9 622
Bonds	2 885	2 760
	107 912	220 303

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

(Thousands of Euro)

	Jun 2013	Dec 2012
Actuarial changes at the beginning of the period	(4 097)	27 313
Actuarial (gains)/losses		
- Changes in actuarial assumptions	12 550	23 782
- Experience adjustments	8 911	(55 192)
Actuarial changes recognised in other comprehensive income	17 364	(4 097)

The changes in the amount of transitional regime are analyzed as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Balance on 1 January	5 388	15 412
Amortisation by reserves	(1 744)	(10 024)
Actuarial gains / (losses) recognised in other comprehensive income at the end of the period	3 644	5 388

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

(Thousands of Euro)

	Jun 2013	Jun 2012
Service cost	4 920	4 924
Interest cost	10 333	11 621
Expected return on plan assets	(11 571)	(12 114)
Early retirements costs	-	878
Resulting from the transfer to the general social healthcare system ("RGSS")	-	1 377
Participant contributions	(1 234)	(1 092)
Other	-	(200)
Staff costs	2 448	5 394

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

(Thousands of Euro)

	Jun 2013	Dec 2012
At the beginning of the period	55 009	17 882
Expected return on plan assets	6 515	71 042
Contrubutions to the Fund of CEMG	-	9 659
Contributions to the Fund of the employers	1 234	2 204
Service cost	(4 920)	(9 848)
Interest cost	(10 333)	(23 243)
Actuarial and financial (gains) / losses	(16 405)	(8 383)
Transfer to the general social healthcare system ("RGSS")	-	(1 256)
Early retirements	-	(3 048)
At the end of the period	31 100	55 009

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 2013	Dec 2012	Dec 2011	Dec 2010	Dec 2009
Liabilities	(486 686)	(459 266)	(422 616)	(597 142)	(569 822)
Balance of funds	517 786	514 275	440 498	545 097	504 883
Responsabilities (sub)/over funded	31 100	55 009	17 882	(52 045)	(64 939)
(Gains) and losses arising from experience liabilities	3 855	(8 379)	(5 315)	(4 243)	(2 197)
(Gains) and losses arising from experience adjustments arising on assets	5 056	(46 814)	57 208	17 957	(14 893)

48 Related parties transactions

The entities considered to be CEMG related parties together with the subsidiaries referred in note 26, as defined by IAS 24, are as follows:

CEMG's subsidiaries:
Banco Montepio Geral - Cabo Verde, Soc. Unipessoal, S.A. (IFI)
Finibanco Angola, S.A.
Finibanco Holding, S.G.P.S., S.A.
Montepio Investimento, S.A.
Montepio Crédito - Instituição Financeira de Crédito, S.A.
Finivalor - Sociedade Gestora de Fundos de Investimento, S.A.
Montepio Recuperação de Crédito, ACE

CEMG's associates:
HTA – Hotéis, Turismo e Animação dos Açores, S.A.
Iberpartners Cafés - S.G.P.S., S.A.
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Nova Câmbios, S.A.
Nutre S.G.P.S., S.A.
Silvip, S.A.

Executive Board of Directors

Other related parties:
Bem Comum, Sociedade Capital Risco, S.A.
Bolsimo – Gestão de Activos, S.A.
Finibanco Vida - Companhia de Seguros Vida, S.A.
Finimóveis - Sociedade Imobiliária de Serviços Auxilares, S.A.
Finipredial - Fundo de Investimento Imobiliário Aberto
Fundação Montepio Geral
Fundo de Pensões CEMG - Gerido pela Futuro
Fundo de Pensões Finibanco - 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 Geral - Associação Mutualista
Montepio Gestão de Activos – S.G.F.I., S.A.
Montepio Mediação - Sociedade Mediadora de Seguros, S.A.
N Seguros, S.A.
NEBRA, Energias Renovables, SL
Polaris - Fundo de Investimento Imobiliário Fechado
Prio Energy, S.G.P.S., S.A.
Residências Montepio, Serviços de Saúde, S.A.
Sagies, S.A.
SIBS - Sociedade Interbancária de Serviços, S.A.
Sociedade Portuguesa de Administrações

As at 30 June 2013, CEMG's liabilities with subsidiaries, represented or not by securities, included in the balances Deposits from customers, Other subordinated debt and Loans and advances to customers, are analyzed as follows:

(Thousands of Euro)

	Jun 2013		
Companies	**Deposits from customers**	**Other subordinated debt**	**Loans and advances to customers**
Banco Montepio Geral - Cabo Verde, Soc. Unipessoal, S.A. (IFI)	8 895	53	-
Bolsimo – Gestão de Activos, S.A.	2 108	-	1
Finibanco Angola, S.A.	31 926	-	-
Finibanco Holding, S.G.P.S., S.A.	1 092	26 286	44
Finibanco Vida Companhia de Seguros Vida, S.A.	9 925	-	-
Finimóveis - Sociedade Imobiliária de Serviços Auxilares, S.A.	2 384	-	15 924
Finipredial - Fundo de Investimento Imobiliário Aberto	1 634	-	34 555
Finivalor - Sociedade Gestora de Fundos de Investimento, S.A.	3 913	-	-
Fundação Montepio Geral	1 893	-	-
Fundo de Pensões CEMG - Gerido pela Futuro	104 275	2 400	-
Fundo de Pensões Finibanco - Gerido pela Futuro	19 160	-	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	1 325	-	1
Germont – Empreendimentos Imobiliários, S.A.	226	-	19 494
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	37	-	-
Iberpartners Cafés S.G.P.S., S.A.	-	-	1 500
Lestinvest, S.G.P.S., S.A.	83		36 427
Lusitania Vida, Companhia de Seguros, S.A.	28 860	3 250	5 609
Lusitania, Companhia de Seguros, S.A.	20 604	13 000	1
MG Investimentos Imobiliários, S.A.	9	-	-
Montepio Arrendamento – FIIAH	13 233	-	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	2 331	-	48 836
Montepio Geral – Associação Mutualista	549 551	639 601	1
Montepio Gestão de Activos – S.G.F.I., S.A.	105	-	-
Montepio Investimento, S.A.	3 791	-	-
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	893	-	-
Montepio Recuperação de Crédito, ACE	1 773	-	-
N Seguros, S.A.	875	-	-
NEBRA, Energias Renovables, S.L.	21	-	1 730
Nova Câmbios, S.A.	-	-	1 069
Nutre, S.G.P.S., S.A.	1	-	-
Polaris - Fundo de Investimento Imobiliário Aberto	5	-	-
Prio Energy S.G.P.S., S.A.	740	-	8 130
Residências Montepio, Serviços de Saúde, S.A.	94	-	2 009
SIBS - Sociedade Interbancária de Serviços, S.A.	1 013	-	-
Silvip, S.A.	1 878	-	-
	814 653	684 590	175 331

As at 30 June 2013, the value of loans and advances to customers granted by CEMG to the members of the Executive Board of Directors amounts Euro 564 thousands.

As at 31 December 2012, CEMG's liabilities with subsidiaries, represented or not by securities, included in the balances Deposits from customers, Other subordinated debt and Loans and advances to customers, are analyzed as follows:

(Thousands of Euro)

	Dec 2012		
Companies	**Deposits from customers**	**Other subordinated debt**	**Loans and advances to customers**
Banco Montepio Geral – Cabo Verde, Soc. Unipessoal, S.A. (IFI)	476 817	53	982
Bolsimo – Gestão de Activos, S.A.	3 839	-	-
Finibanco Angola, S.A.	26 928	-	-
Finibanco Holding, S.G.P.S., S.A.	185	-	206 286
Finibanco Vida – Companhia de Seguros de Vida, S.A.	3 735	-	-
Finimóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.	16	-	6 100
Finipredial – Fundo de investimento Imobiliário Aberto	599	-	-
Finivalor – Sociedade Gestora de Fundos de Investimento, S.A.	4 249	-	-
Fundação Montepio Geral	965	-	-
Fundo de Pensões CEMG	188 848	2 350	-
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	3 460	-	-
Germont – Empreendimentos Imobiliários, S.A.	9	-	21 769
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	147	-	-
Iberpartners Cafés S.G.P.S., S.A.	24	-	-
Lestinvest, S.G.P.S., S.A.	653	-	47 640
Lusitania Vida, Companhia de Seguros, S.A.	22 551	3 250	-
Lusitania, Companhia de Seguros, S.A.	16 318	13 000	15 000
MG Investimentos Imobiliários, S.A.	2	-	25
Montepio Arrendamento – FIIAH	14 000	-	-
Montepio Crédito – Instituição Financeira de Crédito, S.A.	6 611	-	32 818
Montepio Geral – Associação Mutualista	572 848	574 257	-
Montepio Gestão de Activos – S.G.F.I., S.A.	891	-	-
Montepio Investimento, S.A.	11 749	-	25
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.	836	-	-
N Seguros, S.A.	4 808	-	-
Nova Câmbios, S.A.	181	-	230
Nutre S.G.P.S., S.A.	-	-	15 000
Prio Energy S.G.P.S., S.A.	11 643	-	-
Residências Montepio, Serviços de Saúde, S.A.	50	-	-
Silvip, S.A.	1 640	-	-
	1 374 602	592 910	345 875

As at 30 June 2013, CEMG's income with subsidiaries, included in the balances Interest and similar expense, Interest and similar income and Commissions and other income, are analyzed as follows:

(Thousands of Euro)

	Jun 2013		
Companies	**Interest and similar expense**	**Interest and similar income**	**Commissions and other income**
Banco Montepio Geral – Cabo Verde, Soc. Unipessoal, S.A. (IFI)	-	-	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 Auxilares, 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 - 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	-	-
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

As at 30 June 2012, CEMG's income with subsidiaries, included in the balances Interest and similar expense, Interest and similar income and Commissions and other income, are analyzed as follows:

(Thousands of Euro)

	Jun 2012		
Companies	**Interest and similar income**	**Interest and similar income**	**Commissions and other income**
Banco Montepio Geral - Cabo Verde, Soc. Unip. S.A.	120	-	-
Finibanco Angola, S.A.	218	13	-
Finibanco Holding, S.G.P.S., S.A.	-	-	1
Finibanco Vida - Companhia de Seguros Vida, S.A.	-	-	1
Finimóveis Soc. Imob. Serviços Auxiliares, S.A.	-	69	-
Fundo de Pensões CEMG - Gerido pela Futuro	1 860	12	22
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.	24	-	-
Germont – Empreendimentos Imobiliários, S.A.	-	88	-
Iberpartners Cafés - S.G.P.S., S.A.	-	12	-
Lusitania Vida, Companhia de Seguros, S.A.	185	1	10
Lusitania, Companhia de Seguros, S.A.	116	151	21
Montepio Crédito - Instituição Financeira de Crédito, S.A.	-	1 400	5
Montepio Geral - Associação Mutualista	2 987	37	15
Montepio Gestão de Activos – S.G.F.I., S.A.	6	-	-
Montepio Investimento, S.A.	-	-	2
Montepio Recuperação Crédito - ACE	-	39	-
N Seguros, S.A.	263	15	-
NEBRA, Energias Renovables, SL	869	-	-
Nova Câmbios, S.A.	-	5	1
Polaris - Fundo de Investimento Imobiliário Fechado	286	-	-
Prio Energy S.G.P.S., S.A.	-	62	41
Residências Montepio, Serviços de Saúde, S.A.	-	17	8
SIBS - Sociedade Interbancária de Serviços, S.A.	-	10	-
Silvip, S.A.	13	-	-
	6 827	1 931	127

According to the principle of fair value, every transaction concerning related parties is at market prices.

During the six months period ended at 30 June 2013 and the year 2012, there were no transactions with pension's fund of CEMG.

49 Securitisation transactions

As at 30 June 2013, there are eight securitization transactions, seven of which originated in CEMG and one in Finibanco, S.A., currently integrated into CEMG following the success of General and Voluntary Initial Public Offering on the equity representative shares of Finibanco – Holding, SGPS, 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 («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 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 22 June 2010, Caixa Económica Montepio Geral had settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage SME. The referred agreement consists in a mortgage credit transfer for a period of 26 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,167,000 thousands. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.15% of the Asset Backed Notes.

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 1,107,000 thousands. The transfer price by which the loans were transferred was their nominal value.

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 Credit-purchase financing companies (Pelican Mortgages No. 1 PLC, Pelican Mortgages No. 2 PLC) and to Securitization companies (Pelican Mortgages No. 3, Pelican Mortgages No. 4, Pelican Mortgages No. 5, Pelican Mortgages No. 6, Aqua Mortgages No. 1 and Pelican SME).

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 derecognised. 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, CEMG follows derecognised 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 2013, 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 SME	June 2010	Euro	Small companies	1 205 794
Pelican Mortgages No. 6	February 2012	Euro	Mortgage credit	1 107 000
				6 726 619

The impact of loans transferred under the securitization programs in the Loans and advances to customers, is analyzed as follows:

	(Thousands of Euro)	
	Jun 2013	**Dec 2012**
Pelican Mortgages No.1	76 719	81 282
Pelican Mortgages No.2	149 594	157 573
	226 313	238 855

As at 30 June 2013, the notes issued by the special purpose vehicles, are analyzed as follows:

Issue	Bond issued	Issue amount Euros	Current amount Euros	CEMG's retention (Nominal value) Euros	Maturity date	Rating (Initial) Fitch	Rating (Initial) Moody's	Rating (Initial) S&P	Rating (Initial) DBRS	Rating (Current) Fitch	Rating (Current) Moody's	Rating (Current) S&P	Rating (Current) DBRS
Pelican Mortgages No. 1	*Class A*	611 000 000	32 633 218	6 884 487	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.	Ba1	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	107 792 236	44 059 617	2036	AAA	Aaa	AAA	n.a.	A	Baa3	A-	n.a.
	Class B	17 500 000	17 500 000	-	2036	AA+	A1	AA-	n.a.	A	Baa3	A-	n.a.
	Class C	22 750 000	22 750 000	-	2036	A-	Baa2	BBB	n.a.	BBB	Ba2	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	315 811 217	121 372 761	2054	AAA	Aaa	AAA	n.a.	A	Ba1	A-	n.a.
	Class B	14 250 000	8 153 798	7 839 090	2054	AA-	Aa2	AA-	n.a.	BBB	B1	BBB	n.a.
	Class C	12 000 000	6 866 357	5 474 775	2054	A	A3	A	n.a.	BB	B3	BBB-	n.a.
	Class D	6 375 000	3 647 752	3 647 752	2054	BBB	Baa3	BBB	n.a.	B	Caa2	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	626 950 430	626 950 430	2056	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	A
	Class B	55 500 000	55 500 000	55 500 000	2056	AA	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	60 000 000	60 000 000	60 000 000	2056	A-	n.a.	n.a.	n.a.	BBB-	n.a.	n.a.	n.a.
	Class D	25 000 000	25 000 000	25 000 000	2056	BBB	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class E	27 500 000	27 500 000	27 500 000	2056	BB	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Class F	28 600 000	28 600 000	28 600 000	2056	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aqua Mortgage No. 1	*Class A*	203 176 000	161 997 635	161 997 635	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.
Pelican Mortgages No. 5	*Class A*	750 000 000	566 515 561	566 515 561	2061	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	AAH
	Class B	195 000 000	195 000 000	195 000 000	2061	BBB-	n.a.	n.a.	n.a.	BBB-	n.a.	n.a.	n.a.
	Class C	27 500 000	27 500 000	27 500 000	2061	B	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Class D	27 500 000	27 500 000	27 500 000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4 500 000	1 504 685	1 504 685	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 SME	*Class A*	577 500 000	125 232 372	125 232 372	2036	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	AL
	Class B	472 500 000	310 639 517	310 639 517	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Vertical	117 000 000	44 762 322	44 762 322	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	7 294 000	-	-	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Residual	31 500 000	31 500 000	31 500 000	2036	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	720 225 806	720 225 806	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 E	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.

As at 31 December 2012, the notes issued by the special purpose vehicles, are analyzed as follows:

Issue	Bond issued	Issue amount	Current amount	CEMG's retention (Nominal value)	Maturity	Rating (Initial)				Rating (Current)			
		Euro	Euro	Euro	date	Fitch	Moody's	S&P	DBRS	Fitch	Moody's	S&P	DBRS
Pelican Mortgages No. 1	*Class A*	611 000 000	36 888 222	7 782 276	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.	Ba1	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	115 549 576	47 230 398	2036	AAA	Aaa	AAA	n.a.	A	Baa3	A-	n.a.
	Class B	17 500 000	17 500 000	-	2036	AA+	A1	AA-	n.a.	A	Baa3	A-	n.a.
	Class C	22 750 000	22 750 000	-	2036	A-	Baa2	BBB	n.a.	BBB	Ba2	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	328 136 946	106 897 632	2054	AAA	Aaa	AAA	n.a.	A	Ba1	A-	n.a.
	Class B	14 250 000	8 472 031	-	2054	AA-	Aa2	AA-	n.a.	BBB	B1	BBB	n.a.
	Class C	12 000 000	7 134 342	-	2054	A	A3	A	n.a.	BB	B3	BBB-	n.a.
	Class D	6 375 000	3 790 119	-	2054	BBB	Baa3	BBB	n.a.	B	Caa2	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	642 669 435	642 669 435	2056	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	A
	Class B	55 500 000	55 500 000	55 500 000	2056	AA	n.a.	n.a.	n.a.	A-	n.a.	n.a.	n.a.
	Class C	60 000 000	60 000 000	60 000 000	2056	A-	n.a.	n.a.	n.a.	BBB-	n.a.	n.a.	n.a.
	Class D	25 000 000	25 000 000	25 000 000	2056	BBB	n.a.	n.a.	n.a.	BB	n.a.	n.a.	n.a.
	Class E	27 500 000	27 500 000	27 500 000	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	584 642 673	584 642 673	2061	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	AAH
	Class B	195 000 000	195 000 000	195 000 000	2061	BBB-	n.a.	n.a.	n.a.	BBB-	n.a.	n.a.	n.a.
	Class C	27 500 000	27 500 000	27 500 000	2061	B	n.a.	n.a.	n.a.	B	n.a.	n.a.	n.a.
	Class D	27 500 000	27 500 000	27 500 000	2061	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class E	4 500 000	1 678 875	1 678 875	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.
Aqua Finance No. 3	*Class A*	110 020 000	78 803 402	78 803 402	2023	n.a.	n.a.	AAA	AAA	n.a.	n.a.	AA-	AA
	Class B	96 980 000	90 569 533	90 569 533	2023	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	6 210 000	6 210 000	6 210 000	2023	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	734 436 087	734 436 087	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 E	40 200 000	40 200 000	40 200 000	2063	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pelican SME	*Class A*	577 500 000	208 303 453	208 303 453	2036	AAA	n.a.	n.a.	n.a.	A	n.a.	n.a.	AL
	Class B	472 500 000	310 639 517	310 639 517	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Vertical	117 000 000	73 331 850	73 331 850	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Class C	7 294 000	-	-	2036	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Residual	31 500 000	31 500 000	31 500 000	2036	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	161 997 635	161 997 635	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.

50 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 the CEMG's business is subject are of particular importance.

The analysis and risk control are carried out in an integrated mode, through the «Direcção de Risco» («DRI»), which includes three departments:

- Credit Risk Department: responsible for development and integration in decision-making of internal models of credit risk analysis, and reporting on Prudential Equity and internal reports on credit risk;
- Market Risk Department: ensure the examination and supervisory reporting and internal market risk, interest rate, foreign exchange and liquidity, as well as their integration into decision-making processes of the dealing room; and
- Operational Risk Department: operational risk management responsible.

«DRI» also ensures coordination with the Bank of Portugal, in the field of prudential reports, including the level of capital requirements, liquidity risk and interest rate risk.

Under the credit risk management and control have been developed several activities, including most importantly the regular realization of Committee of the Risk and Internal Control and policy delegation review of credit decision, in order to make it sensitive to the level expected risk of the client / transaction.

Additionally, 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.

It also ensured the participation in the work of «Programa Especial de Inspeções», under the Memorandum signed between the Portuguese State and European Central Bank, European Commission and International Monetary Fund.

This program focused on three areas of work –credit impairment calculation, capital requirements for credit risk calculation and stress testing procedures. The results were very satisfactory, confirming the adequacy of procedures adopted by CEMG.

CEMG has also been following the recommendations of the Basel Committee and follows closely the developments in the Basel III framework of liquidity management and capital assessment, having been carried out analyzes of their impact. The CEMG has also regularly participated in Quantitative Impact Studies (QIS) Basel III, developed by the Bank of Portugal in accordance with the guidelines of the European Bank Association (EBA). The documents published by the Basel Committee in late 2009, are now published in their final versions and are expected to be transposed into European directives by the end of 2013, in order to hold the first official report according to the new rules on March 2014.

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 fulfill 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 Committee on Information Technology.

The Internal Auditing Management, as support to the 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 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 Dealing 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 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' behavior. 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 analyzed as follows:

(Thousands of Euro)

	Jun 2013	**Dec 2012**
Loans and advances to credit institutions	56 408	57 370
Other loans and advances to credit institutions	241 265	250 758
Loans and advances to customers	14 644 492	15 031 977
Financial assets held for trading	59 747	120 520
Financial assets at fair value through profit or loss	6 809	12 300
Financial assets available for sale	6 950 447	6 120 622
Hedging derivatives	915	931
Held to maturity investments	17 522	17 222
Investments in associated companies and other	390 547	390 547
Other assets	151 261	314 129
Guarantees granted	447 209	450 196
Documentary credits	12 002	12 793
Irrevocable commitments	139 196	148 659
Credit default swaps (notionals)	25 000	32 500
	23 142 820	22 960 524

The analysis of the risk exposure by sector of activity, as at 30 June 2013, can be analyzed as follows:

Sector of activity	**Jun 2013**							
	Loans and advances to costumers		**Financial assets held for trading**	**Other financial assets at fair value trough profit or loss**	**Financial assets available for sale**		**Held to maturity investments**	**Guarantees granted**
	Gross Amount	**Impairment** [a]	**Book Value**	**Book Value**	**Gross Amount**	**Impairment**	**Book Value**	**Book Value**
Agriculture	52 854	(4 804)	-	-	-	-	-	1 599
Mining	26 349	(916)	-	-	-	-	-	2 236
Food, beverage and tobacco	170 172	(14 230)	-	-	34 020	-	-	4 407
Textiles	73 738	(27 336)	-	-	-	-	-	439
Shoes	23 246	(6 419)	-	-	-	-	-	125
Wood and cork	44 295	(8 810)	-	-	4 813	-	-	1 726
Printing and publishing	46 501	(2 965)	-	-	4 942	-	-	358
Petroleum refining	312	(218)	-	-	497	-	-	-
Chemicals and rubber	86 555	(7 962)	-	-	518	-	-	2 005
Non-metallic minerals	51 646	(3 442)	-	-	-	-	-	2 825
Basis metallurgic industries and me	140 278	(13 463)	-	-	68 382	-	-	10 262
Production of machinery	43 900	(3 164)	-	-	-	-	-	1 597
Production of transport material	26 927	(4 794)	-	-	-	-	-	155
Other transforming material	33 801	(6 231)	-	-	64 962	-	-	1 581
Electricity, gas and water	116 161	(1 263)	-	-	1 264		-	5 323
Construction	1 927 851	(324 823)	97	-	998	(998)	-	180 498
Wholesale and retail	919 925	(156 229)	-	-	5 534	-	-	71 487
Tourism	283 637	(21 897)	-	-	-	-	-	8 596
Transports	268 844	(16 085)	-	-	41 730	-	-	10 553
Communications and information a	50 496	(6 858)	963	-	106 581	(9 163)	-	766
Financial activities	560 891	(25 812)	58 215	6 809	1 291 914	(28 811)	-	75 995
Real estates activities	879 412	(96 108)	-	-	4 022	-	-	26 955
Services provided to companies	299 908	(27 741)	472	-	14 177	-	-	13 519
Public services	129 420	(8 037)	-	-	1 690 097	(11 257)	17 522	572
Other activities of collective servic	357 708	(13 530)	-	-	-	-	-	8 290
Mortgage loans	8 535 682	(215 650)	-	-	2 934 864	(14 020)	-	-
Others	492 794	(83 048)	-	-	101 203	-	-	15 342
Total	15 643 303	(1 101 835)	59 747	6 809	6 370 518	(64 249)	17 522	447 211

[a] includes provision for impairment in value of 998,811 thousand euros (see note 20) and the provision for general banking risks amounting to 103,024 thousand euros (see note 37).

The analysis of the risk exposure by sector of activity, as at 31 December 2012, can be analyzed as follows:

(Thousands of Euro)

Sector of activity	Dec 2012							
	Loans and advances to costumers		Financial assets held for trading	Other financial assets at fair value trough profit or loss	Financial assets available for sale		Held to maturity investments	Guarantees granted
	Gross Amount	Impairment (a)	Book Value	Book Value	Gross Amount	Impairment	Book Value	Book Value
Agriculture	69 472	(5 294)	-	-	-	-	-	1 079
Mining	40 658	(1 067)	-	-	-	-	-	1 546
Food, beverage and tobacco	154 106	(12 214)	-	-	2 948	-	-	5 196
Textiles	78 520	(28 463)	-	-	-	-	-	434
Shoes	22 240	(6 059)	-	-	-	-	-	154
Wood and cork	51 396	(9 117)	-	-	87 275	-	-	1 996
Printing and publishing	50 767	(2 686)	-	-	-	-	-	374
Petroleum refining	504	(220)	-	-	54 638	-	-	-
Chemicals and rubber	97 092	(7 802)	-	-	1 034	-	-	2 079
Non-metallic minerals	56 132	(3 766)	-	-	-	-	-	2 878
Basis metallurgic industries and me	143 599	(11 124)	-	-	-	-	-	9 151
Production of machinery	46 482	(3 127)	-	-	260	-	-	1 691
Production of transport material	19 438	(3 693)	-	-	-	-	-	305
Other transforming material	41 327	(6 334)	-	-	129 001	(79)	-	1 709
Electricity, gas and water	110 478	(1 183)	-	3 165	5 481	-	-	5 261
Construction	2 133 164	(273 529)	-	-	2 245	(998)	-	196 509
Wholesale and retail	1 075 241	(146 854)	250	-	6 926	(148)	-	61 028
Tourism	339 454	(23 676)	-	-	7 314	-	-	10 039
Transports	219 074	(14 677)	-	-	22 831	-	-	11 362
Communications and information a	54 420	(5 445)	-	-	30 721	-	-	1 169
Financial activities	629 214	(18 039)	120 270	9 135	1 453 003	(21 413)	-	68 814
Real estates activities	835 039	(89 668)	-	-	7 008	-	-	34 800
Services provided to companies	522 951	(28 096)	-	-	18 777	-	-	13 501
Public services	149 299	(2 181)	-	-	1 217 965	(11 257)	17 222	595
Other activities of collective servic	416 388	(17 853)	-	-	998	-	-	7 989
Mortgage loans	8 391 089	(148 719)	-	-	2 979 250	(13 155)	-	-
Others	187 139	(138 482)	-	-	139 997	-	-	10 537
Total	15 934 681	(1 009 367)	120 520	12 300	6 167 672	(47 050)	17 222	450 196

(a) includes provision for impairment in value of 902,703 thousand euros (see note 20) and the provision for general banking risks amounting to 106,663 thousand euros (see note 37).

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

During the six months period ended at 30 June 2013, CEMG did not open new positions in credit default swaps, having reached maturity at a significant part thereof. This process reduced the buying and selling positions to Euro 9,000 thousands and Euro 16,000 thousands, respectively (31 December 2012: Euro 21,000 thousands and Euro 11,500 thousands).

Regarding the credit quality, the average level of counterparties has increased, due to the maturity of the higher risk positions (BB-) and to the reduction in the rating of a foreign financial counterparty, from BBB to BBB-. The credit protection from Portuguese counterparties followed the downgrade of the Portuguese Republic and fell below the investment grade, which led to the engagement of buying and selling protection positions of Euro 13,000 thousands and Euro 3,000 thousands, 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.

Normally the static interest rate and liquidity gaps are positive and moderate in size, with exception of those months when payments are made relating to bond issue debt service. As for exchange rate risk, the resources obtained in different currencies are hedged as assets in the respective monetary market and for periods not exceeding those of the resources, which 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 six months period ended at 30 June 2013 represented 86.8% 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.

Regarding the nature of the retail activity, the institution normally presents interest rate positive gaps, which by the end of the six months period ended at 30 June 2013, would reach, in static terms, about Euro 519,855 thousands (31 December 2012: Euro 181,142 thousands) (considering the total of the refixing terms of the interest rate).

The following table presents the mainly indicators of these measures, as at 30 June 2013 and 31 December 2012:

(Thousands of Euro)

	Jun 2013				Dec 2012			
	June	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Interest rate GAP	(519 855)	(519 855)	(519 855)	(519 855)	(181 142)	(171 210)	(161 278)	(181 142)

Following the recommendations of Basel II (Pillar II) and Instruction no. 19/2005, of the Bank of Portugal, CEMG 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)

	Due within 3 months	3 to 6 months	5 months to 1 year	1to 5 years	Over 5 years
30 June 2013					
Assets	10 417 220	4 095 971	654 439	1 581 416	1 024 542
Off - balance sheet	9 157 423	86 773	334 497	1 364 041	-
Total	19 574 643	4 182 744	988 936	2 945 457	1 024 542
Liabilities	6 183 262	1 474 174	2 810 391	7 678 571	147 045
Off - balance sheet	9 411 968	191 225	-	1 339 541	-
Total	15 595 230	1 665 399	2 810 391	9 018 112	147 045
GAP (Assets - Liabilities)	3 979 413	2 517 345	(1 821 455)	(6 072 655)	877 497
31 December 2012					
Assets	10 969 211	4 545 111	418 226	1 670 910	757 794
Off - balance sheet	10 125 897	241 898	254 121	1 812 610	-
Total	21 095 108	4 787 009	672 347	3 483 520	757 794
Liabilities	6 938 473	1 970 806	2 059 101	7 364 850	209 155
Off - balance sheet	10 590 374	496 402	2 400	1 345 360	-
Total	17 528 847	2 467 208	2 061 501	8 710 210	209 155
GAP (Assets - Liabilities)	3 566 261	2 319 801	(1 389 154)	(5 226 690)	548 639

Sensibility analysis

As at 30 June 2013, 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 42,665 thousands (31 December 2012: Euro 39,647 thousands).

The following table presents the average interests, in relation to the CEMG major assets and liabilities categories for the years ended 30 June 2013 and 31 December 2012, as well as the average balances and the income and expense for the year:

(Thousands of Euro)

	Jun 2013			Dec 2012		
Products	**Average balance for the year**	**Average interest rate (%)**	**Income/ Expense**	**Average balance for the year**	**Average interest rate (%)**	**Income/ Expense**
Assets						
Loans and advances to customers	15 732 644	3,80	280 851	16 321 809	4,33	707 339
Deposits	113 687	0,54	305	102 233	0,91	929
Securities portfolio	7 079 535	2,09	73 446	7 888 323	2,61	205 722
Inter-bank loans and advances	253 964	0,35	439	354 649	0,77	2 721
Swaps	-	-	58 102	-	-	236 561
Total Assets	23 179 830		413 143	24 667 014		1 153 272
Liabilities						
Deposits from customers	12 518 946	2,65	164 733	13 160 896	3,38	444 251
Securitization liabilities	7 024 643	2,56	89 088	8 118 810	2,59	210 293
Interbank deposits	2 735 575	0,92	12 437	2 695 262	1,05	28 169
Other liabilities	158	0,31	-	273	0,47	1
Swaps	-	-	54 810	-	-	213 100
Total Liabilities	22 279 322		321 068	23 975 241		895 814

In relation to foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 30 June 2013 is analyzed as follows:

(Thousands of Euro)

	Jun 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	274 033	8 216	908	505	851	102	634	285 249
Loans and advances to credit institutions repayable on demand	46 442	8 354	424	280	495	42	371	56 408
Loans and advances to credit institutions	241 160	105	-	-	-	-	-	241 265
Loans and advances to customers	14 634 866	9 490	-	-	138	-	(2)	14 644 492
Financial assets held for trading	66 848	5 515	316	-	-	-	-	72 679
Other financial assets at fair value trough profit or loss	6 809	-	-	-	-	-	-	6 809
Financial assets available for sale	6 946 990	25 207	30	37	646	-	-	6 972 910
Hedging derivatives	915	-	-	-	-	-	-	915
Held to maturity investments	17 522	-	-	-	-	-	-	17 522
Investments in associated companies and others	390 547	-	-	-	-	-	-	390 547
Non- current assets held for sale	684 753	-	-	-	-	-	-	684 753
Property and equipment	49 187	-	-	-	-	-	-	49 187
Intangible assets	113 616	-	-	-	-	-	-	113 616
Current tax assets	10	-	-	-	-	-	-	10
Deferred tax assets	281 248	-	-	-	-	-	-	281 248
Other assets	25 364	120 164	9 783	36 767	1 618	(878)	4 037	196 855
Total Assets	23 780 310	177 051	11 461	37 589	3 748	(734)	5 040	24 014 465
Liabilities by currency								
Deposits from central banks	1 854 813	-	-	-	-	-	-	1 854 813
Deposits from other credit institutions	1 001 327	113 357	5 812	31 280	513	-	17	1 152 306
Deposits from customers	12 462 098	63 339	5 124	6 017	3 094	32	4 281	12 543 985
Debt securities issued	2 524 512	206	-	-	-	-	-	2 524 718
Financial liabilities associated to transferred assets	3 581 777	-	-	-	-	-	-	3 581 777
Financial liabilities held for trading	66 765	675	2	-	-	-	-	67 442
Hedging derivatives	2 572	-	-	-	-	-	-	2 572
Provisions	107 251	-	-	-	-	-	-	107 251
Other subordinated debt	478 745	-	-	-	-	-	-	478 745
Other liabilities	203 530	(636)	523	301	25	(766)	742	203 719
Total Liabilities	22 283 390	176 941	11 461	37 598	3 632	(734)	5 040	22 517 328
Net asset / liability by currency	1 496 920	110	-	(9)	116	-	-	1 497 137

In relation to foreign exchange risk, the breakdown of assets and liabilities, by currency, as at 31 December 2012 is analyzed as follows:

(Thousands of Euro)

	Dec 2012							
	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	237 833	7 182	531	395	1 289	46	311	247 587
Loans and advances to credit institutions repayable on demand	53 004	2 599	514	340	501	32	380	57 370
Loans and advances to credit institutions	250 654	104	-	-	-	-	-	250 758
Loans and advances to customers	15 020 454	11 352	-	2	171	-	(2)	15 031 977
Financial assets held for trading	128 774	3 757	326	-	-	-	-	132 857
Other financial assets at fair value trough profit or loss	12 300	-	-	-	-	-	-	12 300
Financial assets available for sale	6 706 441	23 344	32	48	637	-	-	6 730 502
Hedging derivatives	931	-	-	-	-	-	-	931
Held to maturity investments	17 222	-	-	-	-	-	-	17 222
Investments in associated companies and others	390 547	-	-	-	-	-	-	390 547
Non- current assets held for sale	472 877	-	-	-	-	-	-	472 877
Property and equipment	55 651	-	-	-	-	-	-	55 651
Intangible assets	108 872	-	-	-	-	-	-	108 872
Current tax assets	10	-	-	-	-	-	-	10
Deferred tax assets	243 313	-	-	-	-	-	-	243 313
Other assets	245 734	81 134	8 083	36 690	958	-	3 486	376 085
Total Assets	23 944 617	129 472	9 486	37 475	3 556	78	4 175	24 128 859
Liabilities by currency								
Deposits from central banks	1 776 514	-	-	-	-	-	-	1 776 514
Deposits from other credit institutions	1 011 307	75 871	5 006	31 964	871	-	55	1 125 074
Deposits from customers	12 605 004	54 290	4 293	5 802	2 757	-	3 757	12 675 903
Debt securities issued	2 188 099	-	-	-	-	-	-	2 188 099
Financial liabilities associated to transferred assets	3 743 731	-	-	-	-	-	-	3 743 731
Financial liabilities held for trading	84 454	354	-	-	-	-	-	84 808
Hedging derivatives	3 177	-	-	-	-	-	-	3 177
Provisions	110 199	-	-	-	-	-	-	110 199
Current tax liabilities	1 239	-	-	-	-	-	-	1 239
Other subordinated debt	479 667	-	-	-	-	-	-	479 667
Other liabilities	332 633	(827)	185	(288)	(166)	78	361	331 976
Total Liabilities	22 336 024	129 688	9 484	37 478	3 462	78	4 173	22 520 387
Net asset / liability by currency	1 608 593	(216)	2	(3)	94	-	2	1 608 472

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. No. 13/2009).

As at 30 June 2013, the total collateral value in the European Central amounted to Euro 4,300,948 thousands with a use of Euro 1,888,715 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

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 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 fulfill.

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, which terms are approved by the Bank of Portugal. 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, unrealized gains on financial liabilities at fair value through profit or loss regarding 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, as well as the share of deferred tax income and deferred tax reserves not related to negative elements of Basic Own Fund. It can be deducted from capital half of the value converted into equity, above 10%, in financial institutions and insurance companies. And also a negative element that corresponds to the value of deposits with excessive remuneration defined according to 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.

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, the Bank of Portugal issued Regulation no. 6/2008, which changed the rules to determine capital requirements. This notice 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 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 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 9% until 31 December 2011 and 10% until 31 December 2012.

The capital adequacy of CEMG as at 30 June 2013 and 31 December 2012 is presented as follows:

(Thousands of Euro)

	Jun 2013	Dec 2012
Core Tier 1		
Paid-up capital	1 295 000	1 295 000
Net profit, General reserves, Special reserves and Retained earnings	273 855	294 548
Other regulatory adjustments	(275 547)	(235 473)
	1 293 308	1 354 075
Basic own funds		
Other equity instruments	15 000	15 000
Deduction to basic own funds	(195 595)	(195 245)
	1 112 713	1 173 830
Complementary own funds		
Upper Tier 2	116 087	92 990
Lower Tier 2	412 057	440 316
Deductions to complementary own funds	(195 595)	(195 245)
	332 549	338 061
Deductions to total own funds	(10 040)	(9 262)
Total owned funds	1 435 222	1 502 629
Own funds requirements		
Credit risk	910 507	924 399
Market risk	4 189	4 591
Operational risk	59 463	59 463
	974 159	988 453
Prudential Ratio		
Ratio core Tier 1	10.62%	10.96%
Ratio Tier 1	9.14%	9.50%
Solvency ratio	11.79%	12.16%

51 Sovereign debt of European Union countries subject to bailout

As at 30 June 2013, the exposure of CEMG to sovereign debt of European Union countries subject to bailout is as follows:

	Jun 2013						
Issuer/ portfolio	**Book Value**	**Fair value**	**Fair value reserves**	**Impairment**	**Average maturity rate**	**Average maturity years**	**Fair values measurement levels**
Portugal							
Financial assets available for sale	1 627 093	1 627 093	(21 896)	-	4.02	4.27	1
Held to maturity investments	6 316	6 328	-	-	3.38	2.26	n.a.
	1 633 409	1 633 421	(21 896)	-			
Greece (*)							
Financial assets available for sale	7 951	7 951	1 031	(11 257)	1,26	24,66	1
	1 641 360	1 641 372	(20 865)	(11 257)			

*) The item includes 7,827 thousand euros relating to Greek sovereign debt resulting from exchange transactions, which remains in the portfolio.

The value of the securities includes the respective accrued interest.

As at 31 December 2012, the exposure of CEMG to sovereign debt of European Union countries subject to bailout is as follows:

(Thousands of Euro)

	Dec 2012						
Issuer/ portfolio	**Book value**	**Fair value**	**Fair value reserves**	**Impairment**	**Average maturity rate**	**Average maturity years**	**Fair value measurement levels**
Portugal							
Financial assets available for sale	1 115 857	1 115 857	9 036	-	3,40	2,05	1
Held to maturity investments	6 185	6 246	-	-	3,38	2,76	n.a.
	1 122 042	1 122 103	9 036	-			
Greece (*)							
Financial assets available for sale	7 174	(4 083)	71	(11 257)	1,26	25,16	1
	1 129 216	1 118 020	9 107	(11 257)			

*) The item includes 6,796 thousand euros relating to Greek sovereign debt resulting from exchange transactions, which remains in the portfolio.

For the public debt of Portugal, Greece and Ireland do not have occurred in the six months period ended at 30 June 2013 and the year ended at 31 December 2012 no reclassifications between portfolios.

The evolution of the European Union sovereign debt crisis and specifically the economic and political environment in Greece, which contributed to the continuous deterioration of economic and financial situation of Greece and the incapacity to obtain funds from the international markets, which implied that the short term solvency of the country is dependent on the continuous support by EU and IMF.

Impairment was determined considering the terms of the agreement established between the Greek state and the private sector ('PSI'), related to the restructuring of the Greek sovereign debt (‘GGBs‘). For the purposes of determining impairment, CEMG considered the terms and conditions of the PSI and also paragraph AG 84 of IAS 39 that considers reasonable that, for the portfolio of assets held to maturity when, for practical reasons, there are relevant uncertainties regarding the estimate of future cash-flows, impairment can be determined based on observable market prices.

Considering the available information regarding the bonds' characteristics, the fair value corresponded to approximately 23% of the book value of the portfolio. Following of the restructuring of the Greek sovereign debt in the second quarter of 2012, the impairment was charged off. The exchange offer occurred in 12 March 2012.

52 Transfers of assets

CEMG performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets. The financial assets sold under these transactions are derecognised from the balance sheet of CEMG, since the transactions result in the transfer to the Funds of a substantial portion of the risks and benefits associated with the assets as well as the control on the assets.

The specialized funds that acquire the financial assets are closed funds, in which the holders of the investment fund units have no possibility to request the reimbursement of its investment throughout the useful life of the Fund.

These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks holds more than 50% of the capital of the Fund.

The Funds have a specific management structure (General Partner), fully independent from the banks and that is selected on the date of establishment of the Fund.

The management structure of the Fund has as main responsibilities:

- determine the objective of the Fund;

- manage exclusively the Fund, determining the objectives and investment policy and the conduct in management and business of the Fund.

The management structure is remunerated through management commissions charged to the Funds.

These funds, in the majority of the transactions (in which CEMG 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 Finds 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, transferred to Portuguese right societies

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:

- Investment fun units of the Funds, for which the cash-flows that allow the recovery arise mainly from a set of assets transferred from the participant banks (where CEMG has clearly a minority interest). These securities are booked in the available for sale portfolio and are accounted for at fair value based on the market value, as disclosed by the Funds and audited at year end.

- Junior bonds (with higher subordination degree) issued by the companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, CEMG, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it does not hold substantially all the risks and rewards.

Considering that it does not hold control and does not exercise significant influence on the funds or companies management, CEMG performed the derecognition of the assets transferred under the scope of IAS 39.20 c (i) and the recognition of the assets received as follows:

(Thousands of Euro)

	Jun 2013			Dec 2012		
	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	20 399	21 346	947	15 318	19 018	3 700
Fundo Reestruturação Empresarial, FCR	5 026	5 026	-	-	-	-
	25 425	26 372	947	15 318	19 018	3 700

(Thousands of Euro)

	Jun 2013				
	Senior securities	Junior securities	Total	Junior impairment	Net value
Vallis Construction Sector Fund	15 193	6 153	21 346	(6 153)	15 193
Fundo Reestruturação Empresaria, FCR	5 026	-	5 026	-	5 026
	20 219	6 153	26 372	(6 153)	20 219

(Thousands of Euro)

	Dez 2012				
	Senior securities	**Junior securities**	**Total**	**Junior impairment**	**Net value**
Vallis Construction Sector Fund	14 144	4 874	19 018	(4 874)	14 144

The net assets transferred amounted Euro 25,425 thousands (31 December 2012: Euro 15,318 thousands), as described in note 20.

The junior securities correspond to supplementary capital in the amount of Euro 6,153 thousands (31 December 2012: Euro 4,874 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 23.

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).

53 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.

11.3 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 2013 was prepared in accordance with the applicable accounting standards, and gives a true and appropriate image of the assets and liabilities, financial situation and net income of the Institution and companies included in the consolidation perimeter;
- the management report provides an accurate indication of the evolution of the business, performance and position of the Institution and companies included in the consolidation perimeter, in conformity with the legal requirements.

THE CHARTERED ACCOUNTANT

Rosa Maria Alves Mendes

THE EXECUTIVE 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

11.4. 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/DSB)

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 2 and 5.2 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 2 of the Interim Report presents the strategic guidelines and measures of the CEMG Group defined for 2013 in line with the objectives of the Funding and Capital Plan.

3., 4. and 5. Activities developed and contribution to the business

Points 5.2 and 7 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 the 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 NET INCOME

8., 9., 10. and 11 Qualitative and quantitative description of net income, emphasising losses and impact of write-downs, and breakdown of write-downs

Points 6 and 7 of the Interim Report address the issue of impairments related to the evolution of the financial markets.

Point 7 and, in the context of the analysis of Net Income, Provisions and Impairments, also notes the value of impairment of the portfolio of securities.

The Notes to the Financial Statements also refer to 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 own liabilities had on net income.

The Notes to the Financial Statements present sufficient information in view of the intended scope.

IV. EXPOSURE LEVELS AND TYPES DUE TO THE PERIOD OF TURBULENCE

16. Nominal amount (or amortised cost) and fair values of outstanding exposures.

The Notes to the Financial Statements present the values broken down by notional, carrying value and fair value.

17. Information on mitigation of credit risk (e.g. through credit default swaps) and the respective effect on existing exposure.

The Notes to the Financial Statements present information on credit risk mitigators relative to assets and liabilities at fair value through profit and loss.

18. Detailed disclosure on exposures.

It is considered that the information presented in points 6 and 7 of the Interim Report 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 7 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.