CAIXA ECONÓMICA MONTEPIO GERAL

PUBLICLY LISTED COMPANY

HEAD OFFICE: RUA ÁUREA, 219-241, LISBON

INSTITUTIONAL CAPITAL: €1,500,000,000

REGISTERED WITH THE LISBON COMMERCIAL REGISTRY OFFICE

UNDER THE SOLE COMMERCIAL REGISTRATION AND TAX PAYER NUMBER 500 792 615

According to Article 10 of CMVM Regulation No. 5/2008

REPORT AND ACCOUNTS

AS AT 30 SEPTEMBER 2014

(Unaudited financial information under IFRS as implemented by the European Union)

CONTENTS

HIGHLIGHTS

- Considerable improvement of the Consolidated Net Income which reached EUR 22.7 million, compared to the net income of EUR -205.2 million recorded in the third quarter of 2013.

- Very positive evolution of Net Interest Income, which reached EUR 255.1 million, corresponding to a year-on-year increase of EUR 109.2 million (+74.9%). This improvement, which reinforces the trend observed since the last quarter of 2013, influenced Net Operating Income, which recorded a year-on-year increase of EUR 435.1 million, to stand at EUR 699.2 million. Net Operating Income also benefited from the performance of the fees of services rendered to customers which came to EUR 77.7 million, and net trading income (mainly obtained from fixed rate assets) which reached EUR 369.7 million.

- At the end of the third quarter of 2014, the Common Equity Tier 1 ratio stood at 10.6%, pursuant to the phasing-in criteria of the Basel III CRD IV / CRD (Directive 2013/36/EU, Regulation EU 575/2013 and Notice 6/2013 of Banco de Portugal). According to the fully implemented criteria, the Common Equity Tier 1 ratio is 9.3%. In both cases, above the regulatory minimum requirements.

- Reinforcement of the Liquidity position, through a year-on-year growth of 1.4% in on-balance sheet resources derived from retail customers to EUR 16,073.3 million. Customers' deposits recorded an even higher increase (+4.4%), reaching EUR 13,969.3 million. Total customers' resources, including off-balance sheet resources, reached EUR 17,072.2 million, representing a year-on-year increase of 1.1%.

- Gross Credit to Customers reached EUR 16,719.0 million, representing a year-on-year growth of 2.3%. As a result of the balance sheet diversification strategy, credit to companies (excluding Construction) registered a year-on-year increase of 15.4%, while mortgage loans continued their downward trend: Housing Loans -3.9% and Loans to Construction -18.8%.

- The positive evolution in funding sources at retail level, associated to the capacity to finance the new credit operations through the deleveraging of non-strategic credit, enabled a new reduction of the commercial gap (Customer Deposits - Customer Credit) and of the loan-to-deposit ratio (Credit/Deposits), which decreased from 113.2% at the end of the third quarter of 2013 to 110.2% as at 30 September 2014.

- Reduction of the exposure to the ECB by EUR 1,220 million, compared to 31 December 2013. The pool of assets available for funding operations with the ECB reached EUR 1,876.6 million, representing 46.3% of total eligible assets as at 30 September 2014.

- The maintenance of a prudent provisioning reinforcement policy enabled the coverage ratio of credit overdue by more than 90 days by provisions to increase to 128.9%, compared to 121.4% recorded in September 2013. Consequently, the Credit-at-Risk coverage ratio by impairments increased significantly, to 59.7% compared to 55.5% in the same period of the previous year. The coverage ratio, considering total credit impairments and the associated real estate collateral, stands at 135.4%.

- This economic performance enabled a significant improvement of the efficiency and profitability indicators, benefiting from the increased Net Operating Income and a prudent policy of containment of operating

expenses, notwithstanding the requirements for more resources associated to the growth of the operation in Angola. The Cost-to-Income ratio stood at 35.8%. Profitability reversed its trend of the same period of the previous year, having reached a Return on Equity (ROE) of 1.8% and Return on Assets (ROA) of 0.1%.

1. KEY INDICATORS

(thousand euros)

INDICATORS	Sep-14	Dec-13	Sep-13	Variation
ACTIVITY AND RESULTS				
Net Assets	22,214,846	23,039,203	21,201,268	4.8%
Gross Credit to Customers	16,719,004	16,556,907	16,336,135	2.3%
On-Balance Sheet Customers' Resources	16,073,292	16,310,031	15,853,981	1.4%
Total Deposits	13,969,323	14,039,197	13,383,150	4.4%
Securities Placed with Customers	2,103,969	2,270,834	2,470,831	-14.8%
Net Income	22,650	-298,626	-205,207	> 100%
LEVERAGE AND LIQUIDITY				
Total Net Credit to Customers / Customer Deposits (a)	110.21%	110.18%	113.24%	
Total Net Credit to Customers / On-Balance Sheet Customers' Resources (b)	95.58%	94.70%	95.44%	
Eligible Assets for Refinancing with the ECB	4,051,574	5,783,695	4,783,006	
CREDIT RISK AND COVERAGE BY IMPAIRMENTS				
Ratio of Credit and Interest Overdue by more than 90 days	6.44%	5.30%	5.73%	
Non-Performing Loans Ratio (a)	8.67%	7.12%	7.66%	
Net Non-Performing Loans Ratio (a)	0.45%	0.84%	0.65%	
Coverage of Credit and Interest Overdue by more than 90 days	128.87%	119.85%	121.41%	
Credit-at-Risk Ratio (a)	13.84%	12.25%	12.71%	
Net Credit-at-Risk Ratio (a)	6.08%	6.32%	6.08%	
Credit-at-Risk Coverage Ratio	59.66%	51.70%	55.53%	
Restructured Credit as a % of Total Credit (c)	10.41%	9.68%	5.15%	
Restructured Credit not included in Credit-at-Risk as a % of Total Credit (c)	6.83%	7.30%	3.29%	
EFFICIENCY AND PROFITABILITY				
Net Operating Income / Average Net Assets (a)	4.15%	1.76%	1.67%	
Earnings before Tax and Minority Interests / Average Net Assets (a)	0.34%	-1.73%	-1.61%	
Earnings before Tax and Minority Interests / Average Equity (a)	4.45%	-18.99%	-21.75%	
Net Income / Average Net Assets (ROA)	0.13%	-1.39%	-1.30%	
Net Income / Average Equity (ROE)	1.76%	-15.23%	-17.60%	
Operating Expenses / Net Operating Income (cost-to-income) (a)	35.76%	90.05%	92.73%	
Personnel Expenses / Net Operating Income (a)	20.62%	52.12%	54.34%	
SOLVENCY				
Core Tier 1 Ratio (a)	10.71%	11.01%	10.17%	
Tier 1 Ratio (a)	10.68%	10.99%	10.11%	
Solvency Ratio (a)	10.72%	13.03%	12.24%	
Common Equity Tier 1 Ratio (CRD IV phasing-in)	10.57%	-	-	
Total Capital Ratio (CRD IV phasing-in)	10.59%	-	-	
DISTRIBUTION NETWORK AND EMPLOYEES (Units)				
Total Number of Employees (CEMG Group)	4,229	4,213	4,235	-6
CEMG				
Employees	3,903	3,903	3,929	-26
Branches	436	456	457	-21
Employees / Branches	9.0	8.6	8.6	4.1%
International Branch Network - Angola (d)	18	14	14	4
Representation Offices	6	6	6	0

(a) In accordance with Banco de Portugal Instruction No. 16/2004.
(b) On-Balance Sheet Customers' Resources = Customer Deposits and Securities Placed with Customers
(c) In accordance with Banco de Portugal Instruction No. 32/2013.
(d) Includes Business Centres.

2. OVERVIEW

The IMF, in its Autumn World Economic Outlook (WEO), published on 7 October, revised downwards its growth forecast for the worls economy to only 3.3% this year and 3.8% in 2015, instead of the 3.4% and 4.0% it had anticipated in July. Among the major economies, the **USA** are the main exception to the rule, expected to grow more than had been anticipated 3 months ago: 2.2% in 2014 rather than the previous 1.7%, and 3.1% in 2015. The **United Kingdom** should be the economy of the G7 with the highest growth this year (3.2%), with the IMF forecasting growth of 2.7% in 2015. After two years of recession, the **Euro Zone** is finally expected to grow in 2014, but less than the IMF had anticipated in July: 0.8% instead of 1.1%. The economy is expected to further accelerate next year to 1.3% (two-tenths less than what the Fund had forecast in July).

After 3 years of recession, the IMF sees **Portugal** converging with Europe in 2014 and 2015, growing more than the average for the Euro Zone over these two years. Even so, the growth forecast for 2014 fell from 1.2% (in this case, in April) to 1.0%, in line with the figures of the Portuguese Government. In spite of the slowdown of the global economy and, in particular, of the Euro Zone, the IMF maintains its expectations of an acceleration of the Portuguese economy in 2015 unchanged, restoring the forecast of growth of 1.5%, equal to that of the Portuguese Government and slightly above the 1.4% anticipated by the OECD and Banco de Portugal. With regards to unemployment, the IMF revised its figures downwards significantly, currently expecting an annual rate of 14.2% for this year and a further decrease to 13.5% in 2015, well below the 15.0% it had calculated 6 months ago.

The prospects for the **emerging economies** became less positive, and are expected to slowdown from 4.7% in 2013 to 4.4% in 2014 (-0.2 p.p. than previously anticipated), reaching 5% only in 2015 (+5.2% in July). Growth in the developed countries should increase from merely 1.4% in 2013 to 1.8% in 2014 and 2.3% in 2015. This acceleration marks a significant change compared to the period between the Great Recession of 2008/09 and 2013, when developing countries pulled the global economy forward, although they should, even so, be accountable for two thirds of the world growth in 2014/15.

With regards to **Angola**, the IMF estimated growth of only 6.8% in 2013, which should decelerate to 3.9% in 2014 and grow at an average rate of around 6.4% during 2014-2019, underpinned by the increase in oil production, but also by the stronger investment in infrastructures and diversification of the economy away from natural resources. In **Mozambique**, GDP recorded a growth of 7.4% in 2013, and is expected, according to the IMF, to accelerate to 8.3% and grow at an average rate of 8.0% during 2015-2019.

In terms of **monetary policy**, the Fed decided, in its mid-September meeting, to moderate, for the seventh consecutive meeting, the expansionary stance of its measures. In the opposite sense, in September the ECB also decided to launch a series of new stimuli, reducing the refi rate from 0.15% to 0.05%, as well as the deposit rate, setting it at an even lower negative value (from -0.10% to -0.20%), and announcing, at the same time, a number of non-conventional measures, namely the launch, in October, of its securitised debt securities purchase programme (involving Asset-Backed Securities - ABS), as well as a new covered bonds purchase programme (CBPP3).

Regarding the **financial markets**, and in spite of the high geopolitical risk associated to the drawn-out crisis between the Ukraine and Russia and the tensions in the Middle East, market sentiment improved during the third quarter, within a context of new stimuli launched by the ECB, in spite of the publication of mixed economic data in the main geographies – positive in the USA and in the United Kingdom, but more negative for the Euro Zone, Japan and the BRIC countries (with the exception of India). During the quarter, the main world stock market indices recorded mixed movements, with positive performances in the USA, Latin America and Asia (with the exception of Hong Kong), and a negative performance in Europe.

The **spreads of the public debt of the peripheral countries** relative to the bund decreased across the board (with the exception of Greece), benefiting mainly from the ECB's accommodative stance, the improving trend in the macroeconomic environment for these economies and, in general, from the continued increase in investor confidence in the resolve to fix the euro crisis. In Portugal, in spite of the developments surrounding the Espírito Santo Group and Novo Banco, the spread on 10-year public debt fell, ending the third quarter of 2014 at 222 b.p., close to the minimum levels observed in May 2010, in line with the decreases of the spreads on 10-year public debt recorded in Spain (to 119 b.p.), Italy (to 139 b.p.) and Ireland (to 96 b.p.). In the **money market**, Euribor rates registered minimums across all maturities, reflecting the decreases in interest rate expectations, but also the reduction in the risk premium. In the **foreign exchange market**, the effective Euro nominal exchange rate fell 4.0% relative to the second quarter of 2014. The depreciation of the currency essentially reflected the launch of new monetary stimuli by the ECB and the consequent fall in IMM rates.

3. RESULTS

In spite of the slow recovery of economic activity, both at a domestic level and in the Euro Zone, the credit portfolio risk diversification strategy, namely for the SME segment associated to tradable goods, as well as for sectors dependent on foreign demand, such as activities related to tourism, in addition to a prudent management of the interest rate risk of the balance sheet, through timely reinforcement of the fixed interest rate assets component, enabled CEMG to record positive profitability levels in the first 9 months of 2014 when compared to the same period of 2013.

INCOME STATEMENT

(thousand euros)

	Sep-14		Sep-13		Variation	
	Value	%	Value	%	Value	%
Net Interest Income	**255,094**	**36.5**	**145,874**	**55.2**	**109,220**	**74.9**
Net Fees of Services to Customers	77,749	11.1	82,660	31.3	-4,911	-5.9
Commercial Net Operating Income	**332,843**	**47.7**	**228,534**	**86.5**	**104,309**	**45.6**
Income from Equity Instruments	548	0.1	463	0.2	85	18.5
Net Trading Income	369,669	52.9	27,714	10.5	341,955	>100
Other Net Income	-3,904	-0.6	7,352	2.8	-11,256	<-100
Net Operating Income	**699,156**	**100.0**	**264,062**	**100.0**	**435,094**	**>100**
Personnel Expenses	144,142	20.6	143,490	54.3	652	0.5
General Administrative Overheads	82,675	11.8	77,630	29.4	5,045	6.5
Amortisation	23,188	3.3	23,741	9.0	-553	-2.3
Total Operating Expenses	**250,005**	**35.8**	**244,861**	**92.7**	**5,144**	**2.1**
Gross Profit	**449,151**	**64.2**	**19,201**	**7.3**	**429,950**	**>100**
Net Provisions and Impairments	**393,135**	**56.2**	**268,228**	**101.6**	**124,907**	**46.6**
Credit	350,548		219,954		130,594	59.4
Securities	33,912		21,636		12,276	56.7
Other	8,675		26,638		-17,963	-67.4
Earnings from Associates and Joint Ventures	**1,279**		**-4,616**		**5,895**	>100
Earnings before Tax and Minority Interests	**57,295**	**8.2**	**-253,643**	**-96.1**	**310,938**	**>100**
Taxes	**-32,704**	**-4.7**	**50,176**	**19.0**	**-82,880**	**<-100**
Minority Interests	**-1,941**		**-1,740**		**-201**	-11.5
Net Income for the Period	**22,650**	**3.2**	**-205,207**	**-77.7**	**227,857**	**>100**

At the end of the third quarter of 2014, the consolidated Net Income of CEMG reached EUR 22.7 million, compared to the negative figure of EUR 205.2 million for the same period of 2013. Net Interest Income, which increased by EUR 109.2 million year-on-year and Net Trading Income which stood at EUR 369.7 million, contributed to the inversion of this trend. This performance more than offset the increase in Provisions and Impairments that stood at EUR 124.9 million.

3.1 NET INTEREST INCOME

Net Interest Income reached EUR 255.1 million, corresponding to an increase of 74.9% compared to the EUR 145.9 million recorded in the third quarter of 2013. The performance of net interest income was primarily influenced by the combined effect of the increased income from Other Investments of EUR 54.6 million and the reduction of costs relative to Financial Liabilities (EUR -57.8 million), mainly due to the reduction of the average interest rate of Deposits and Other Liabilities, of 30 and 115 basis points, respectively. Consequently, the Net Interest Margin increased to stand at 1.62% in the third quarter of 2014 (compared to 0.99% in September 2013).

NET INTEREST INCOME AND AVERAGE RATES

(million euros)

	Sep-14			Sep-13		
	Average Capital	Average Rate	Income / Costs	Average Capital	Average Rate	Income / Costs
Financial Assets	**21,027.3**	**4.39%**	**690.7**	**19,639.3**	**4.35%**	**639.3**
Credit to Customers	16,680.4	3.62%	451.5	16,338.2	3.71%	453.3
Other Investments	4,347.0	4.93%	160.1	3,301.1	4.27%	105.5
Swaps			79.1			80.6
Financial Liabilities	**20,341.0**	**2.86%**	**435.6**	**19,017.6**	**3.47%**	**493.4**
Deposits	13,977.7	2.31%	241.4	12,947.4	2.61%	252.5
Other Liabilities	6,363.4	2.37%	112.9	6,070.2	3.52%	159.7
Swaps			81.4			81.2
Net Interest Income			**255.1**			**145.9**
Net Interest Margin		**1.62%**			**0.99%**	
Euribor 3M - average for the period		**0.25%**			**0.21%**	

3.2 OTHER OPERATING INCOME

Net commissions reached EUR 77.7 million euros, a decrease of EUR 4.9 million (-5.9%) compared to the same period of 2013.

Net trading income reached EUR 369.7 million, having benefited, mainly in the first quarter, from market gains in the fixed income securities portfolio, as a result of the balance sheet interest rate risk management strategy defined by the ALCO.

NET TRADING INCOME

(thousand euros)

	Sep-14	Sep-13	Variation	
	Amount	Amount	Amount	%
Gains arising from Assets and Liabilities at Fair Value through Profit or Loss	440	-87	527	>100
Gains arising from Financial Assets Available for Sale	373,927	41,986	331,941	>100
Gains arising from Currency Revaluation	17,054	14,217	2,837	20.0
Other Net Income	-21,752	-28,402	6,650	23.4
TOTAL	**369,669**	**27,714**	**341,955**	**>100**

The combined increase of Net Interest Income and Other Operating Income impacted Net Operating Income, which grew EUR 435.1 million.

3.3 OPERATING EXPENSES

The economic performance of the first nine months of 2014 enabled the improving trend in the bank's operational efficiency to be maintained, compared to the same period of the previous year, benefiting from the increased Net Operating Income and a prudent policy of containment of operating expenses, notwithstanding the requirement for additional resources stemming from the growth of the operation in Angola.

Total Operating Expenses amounted to EUR 250.0 million, corresponding to a year-on-year growth of 2.1%, mainly due to the 6.5% increase in General Administrative Overheads, arising from the dynamics in support of the activity.

EVOLUTION OF OPERATING EXPENSES

(thousand euros)

	Sep-14		Sep-13		Variation	
	Amount	%	Amount	%	Amount	%
Personnel Expenses	144,142	57.7	143,490	58.6	652	0.5
General Administrative Overheads	82,675	33.1	77,630	31.7	5,045	6.5
Operating Expenses	**226,817**	**90.7**	**221,120**	**90.3**	**5,697**	**2.6**
Amortisation	23,188	9.3	23,741	9.7	-553	-2.3
Total Operating Expenses	**250,005**	**100.0**	**244,861**	**100.0**	**5,144**	**2.1**
Net Operating Income	**699,156**		**264,062**		**435,094**	**>100**
RATIOS						
Cost-to-Income (Total Operating Expenses / Net Operating Income) (a)	35.76%		92.73%			
Cost-to-Income without Depreciation (Total Operating Costs / Net Operating Income)	32.44%		83.74%			

(a) In accordance with Banco de Portugal Instruction No. 16/2004.

3.4 PROVISIONS AND IMPAIRMENTS

As a result of a prudent and conservative policy in the interpretation of risk factors associated to the performance of banking activity, in a still weak macroeconomic environment, provisions and impairments reached EUR 393.1 million, representing an increase of EUR 124.9 million compared to the third quarter of 2013. It is important to note that this figure includes the impairment resulting from the exposure of CEMG to GES companies, which had already been reflected in the accounts of the first semester.

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

EVOLUTION OF PROVISIONS AND IMPAIRMENTS

(thousand euros)

	Sep-14		Sep-13		Variation	
	Amount	%	Amount	%	Amount	%
Net Credit Provisions and Impairment Charges	350,548	89.2	219,954	82.0	130,594	59.4
Net Securities Impairment Charges	33,912	8.6	21,636	8.1	12,276	56.7
Net Other Assets Provisions and Impairment Charges	8,675	2.2	26,638	9.9	-17,963	-67.4
Total Net Provisions and Impairment Charges	**393,135**	**100.0**	**268,228**	**100.0**	**124,907**	**46.6**

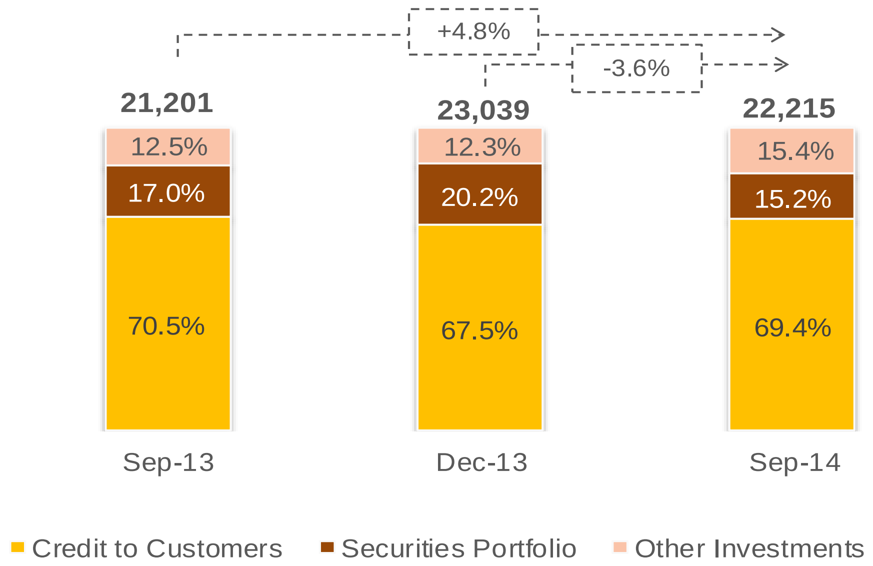
4. ACTIVITY

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

4.1 ASSETS

Net assets reached a total of EUR 22,214.8 million euros, an increase of 4.8% in relation to the same period of the previous year and a decrease of 3.6% relative to the end of 2013. This decrease was mainly influenced by the 27.1% reduction of the securities portfolio, which now represents 15.2% of total assets (20.2% in December 2013).

EVOLUTION OF THE ASSET STRUCTURE (EUR Million)



4.2 CREDIT TO CUSTOMERS

The gradual recovery of the Portuguese economy, although still conditioned by the effects of the implementation of austerity measures, resulted in a slight year-on-year increase in credit to customers at the end of the third quarter of 2014.

Total credit to customers reached EUR 16,719.0 million, representing a growth of 2.3% relative to September 2013. This evolution resulted mainly from an increase in credit granted to companies (excluding Construction) of EUR 823.7 million (+15.4%), which now represents 37.0% of the total credit portfolio, and a 5.6% reduction of Mortgage Loans (Housing and Construction), as a result of the credit portfolio diversification strategy and of the support to the sustainable growth of the economy, which has been pursued.

EVOLUTION OF CREDIT TO CUSTOMERS

(thousand euros)

	Sep-14	Dec-13	Sep-13	YoY Variation	
	Amount	Amount	Amount	Amount	%
Households and Small Business	**9,607,608**	**9,872,879**	**9,931,265**	**-323,657**	**-3.3**
Households, of which:	**9,076,393**	**9,349,584**	**9,411,759**	**-335,366**	**-3.6**
Housing	7,463,096	7,688,667	7,762,967	-299,871	-3.9
Other Purposes	630,381	639,818	601,600	28,781	4.8
Small Businesses	**531,215**	**523,295**	**519,506**	**11,709**	**2.3**
Companies	**6,990,172**	**6,643,013**	**6,354,624**	**635,548**	**10.0**
Construction	811,614	956,942	999,804	-188,190	-18.8
Other Purposes	6,178,558	5,686,071	5,354,820	823,738	15.4
Other Segments	**121,224**	**41,015**	**50,247**	**70,977**	**141.3**
Total Credit (gross)	**16,719,004**	**16,556,907**	**16,336,135**	**382,868**	**2.3**

The current economic climate continued to have a negative impact on financial activity risks, reflected in the deterioration of non-performing and credit-at-risk ratios, with the balance of credit and interest overdue having increased by 14.1%, with the ratio of loans overdue by more than 90 days standing at 6.4% and the ratio of non-performing loans at 8.7%.

In a still weak macroeconomic environment, CEMG maintained a policy of prudence and conservatism regarding the reinforcement of impairments for credit risk, which reached a total of EUR 1,387.2 million at the end of the third quarter of 2014. This reinforcement of credit risk-related impairments improved the ratios of coverage of credit and interest overdue by impairments to 115.4% and of credit and interest overdue by more than 90 days to 128.9%. The Simple Coverage of Credit-at-Risk by impairment stood at 59.7%, whereas the coverage ratio considering total credit impairments and the associated real estate collateral reached 135.4%.

MAIN INDICATORS OF NON-PERFORMING LOANS

(thousand euros)

Indicators	Sep-14	Sep-13	Variation	
			Amount	%
Gross Credit to Customers	**16,719,004**	**16,336,135**	**382,869**	**2.3**
Credit and Interest Overdue	**1,202,379**	**1,053,855**	**148,524**	**14.1**
Credit and Interest Overdue by more than 90 days	1,076,398	935,279	141,119	15.1
Impairment for Credit Risks	**1,387,163**	**1,135,506**	**251,657**	**22.2**
Ratios (%)				
Credit and Interest Overdue by more than 90 days	6.44	5.73	0.71p.p.	
Non-performing loans (a)	8.67	7.66	1.01p.p.	
Net non-performing loans (a)	0.45	0.65	-0.20p.p.	
Credit-at-Risk (a)	13.84	12.71	1.13p.p.	
Net Credit-at-Risk (a)	6.08	6.08	0.00p.p.	
Restructured Credit (b)	10.41	5.15	5.26p.p.	
Restructured Credit not included in Credit-at-Risk (b)	6.83	3.29	3.54p.p.	
Coverage by Impairments (%)				
Credit and Interest Overdue by more than 90 days	128.87	121.41	7.46p.p.	
Credit and Interest Overdue	115.37	107.75	7.62p.p.	
Credit-at-Risk	59.66	55.53	4.13p.p.	

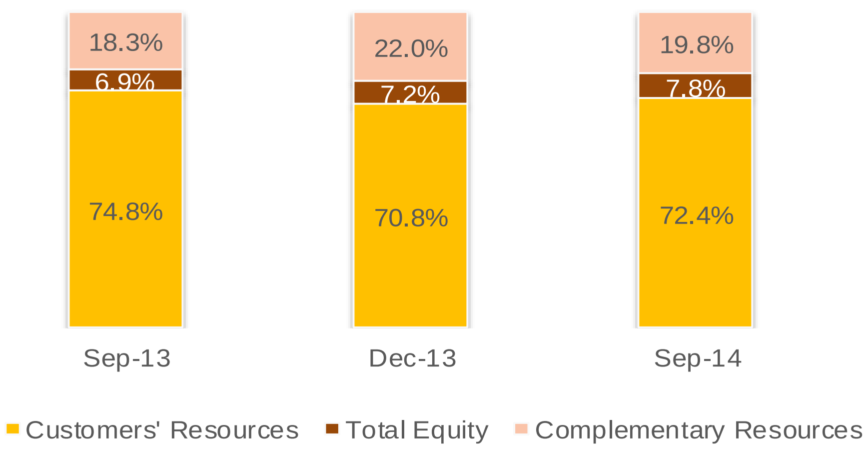
(a) In accordance with Banco de Portugal Instruction No. 16/2004.

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

4.3 LIABILITIES AND EQUITY

At the end of the third quarter of 2014, liabilities reached EUR 20,473.0 million, which, when compared to the EUR 19,739.0 million of the third quarter of 2013, represented an increase of EUR 733.9 million (+3.7%), primarily influenced by the growth of customers' resources, namely Deposits, enabling the maintenance of the stable profile of the funding sources of the business.

EVOLUTION OF THE LIABILITIES AND EQUITY STRUCTURE



4.4 CUSTOMERS' RESOURCES

During the first 9 months of 2014, CEMG continued to show a strong capacity to attract and retain the savings of its customers and mutual members, with on-balance sheet customers' funds (deposits and securities placed with customers) reaching a total of EUR 16,073.3 million, corresponding to a year-on-year growth of 1.4%, representing 72.4% of total Liabilities and Equity. This evolution was significantly influenced by the 4.4% increase in total deposits.

EVOLUTION OF CUSTOMERS' RESOURCES

(thousand euros)

	Sep-14	Dec-13	Sep-13	YoY Variation	
	Amount	Amount	Amount	Amount	%
Deposits from Households and Small Business	**10,226,255**	**10,149,647**	**10,178,943**	**47,311**	**0.5**
Households	9,259,125	9,151,330	9,129,527	129,598	1.4
Small Business Owners and Professionals	53,334	50,029	51,489	1,845	3.6
Non-profit making Institutions	913,795	948,288	997,927	-84,132	-8.4
Deposits from Corporate	**2,844,374**	**2,756,639**	2,471,793	**372,581**	**15.1**
Deposits from Other Segments	**898,695**	**1,132,911**	732,415	**166,280**	**22.7**
Total Deposits	**13,969,323**	**14,039,197**	**13,383,150**	**586,172**	**4.4**
Securities Placed with Customers	2,103,969	2,270,834	2,470,831	-366,862	-14.8
Total Resources On-Balance Sheet	**16,073,292**	**16,310,031**	**15,853,981**	**219,310**	**1.4**
Off-balance Sheet Resources	**998,907**	**1,008,139**	**1,027,596**	**-28,689**	**-2.8**
Total Resources	**17,072,199**	**17,318,170**	**16,881,577**	**190,621**	**1.1**

5. LIQUIDITY

The positive evolution of customers' deposits enabled, in a context of increased credit granted with a view to diversification and to support the recovery of the Portuguese economy, the continued reduction of the commercial gap (Deposits - Credit), which improved from EUR -1,782.9 million in the third quarter of 2013, to EUR -1,428.2 million by the end of the third quarter of 2014. Consequently, the loan-to-deposit ratio (Credit/Deposits) decreased from 113.2% to 110.2%. Considering total on-balance sheet customers' resources, the leverage ratio stood at 95.58%.

LOAN-TO-DEPOSIT RATIO

	Sep-14	Dec.13	Sep-13
	%	%	%
Net Credit to Customers / Customers' Deposits [(a)]	**110.21**	**110.18**	**113.24**
Net Credit to Customers / On-Balance Sheet Customers' Resources	**95.58**	**94.70**	**95.44**

(a) In accordance with Banco de Portugal Instruction No. 16/2004.

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

By the end of the third quarter of 2014, EUR 635 million of debt securities issued was repaid, with medium and long term debt refinancing needs up to 2017 (inclusively), net of scheduled redemptions, thus standing at only EUR 28 million.

At the end of September 2014, the funds obtained by CEMG from the European Central Bank (ECB) reached EUR 2,175.0 million, having decreased by EUR 1,220.0 million in relation to December 2013. The reduced reliance on the ECB was also reflected in the pool of eligible assets for Monetary Policy operations of the Eurosystem, which decreased by EUR 1,732.1 million in the first nine months of 2014, from EUR 5,783.7 million as at 31 December 2013 to EUR 4,051.6 million as at 30 September 2014.

POOL OF ELIGIBLE ASSETS FOR REFINANCING OPERATIONS WITH THE ECB

(thousand euros)

	Sep-14		Dec-13		Sep-13		YoY Variation	
	Amount	%	Amount	%	Amount	%	Amount	%
Pool of Eligible Assets	4,051,574	100.0	5,783,695	100.0	4,783,006	100.0	-731,432	-15.3
Use of the Pool	2,175,000	53.7	3,395,000	58.7	2,205,000	46.1	-30,000	-1.4
Pool of Available Assets	**1,876,574**	**46.3**	**2,388,695**	**41.3**	**2,578,006**	**53.9**	**-701,432**	**-27.2**

6. CAPITAL AND SOLVENCY

The Capital of Caixa Económica (Institutional Capital and Participation Fund) reached a total of EUR 1,700 million as at 30 September 2014, showing the new configuration, from 17 December 2013, which includes EUR 200 million Participation Units of the Participation Fund, in addition to the Institutional Capital of EUR 1,500 million.

In September 2014, the Core Tier 1 ratio reached 10.7%, registering a year-on-year variation of 0.54 percentage points, relative to 30 September 2013, due to the increase of the Institutional Capital of EUR 105 million and the issue of CEMG's Participation Fund of EUR 200 million, which occurred in the last quarter of 2013.

Basel III – New rules and capital requirements

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

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

As at 30 September 2014, CEMG's capital ratios register values above their minimum required levels, with the Common Equity Tier 1 ratio reaching 10.57%, thus exceeding the 7% minimum hurdle stipulated by Banco de Portugal for 2014.

OWN FUNDS AND SOLVENCY RATIOS

(thousand euros)

	Sep-14	Dec-13	Sep-13	Variation	
	Amount	Amount	Amount	Amount	%
1. Total Own Funds	**1,594,845**	**1,849,276**	**1,649,752**	**-54,906**	**-3.3**
(+) Capital	1,700,000	1,700,000	1,395,000	305,000	21.9
(+) Reserves and Net Income	-27,467	-60,431	75,214	-102,681	-136.5
(-) Regulatory Deductions	78,488	77,334	98,941	-20,452	-20.7
1.1 (=) Core Tier I Capital	**1,594,045**	**1,562,235**	**1,371,274**	**222,771**	**16.2**
(+) Other Equity Instruments	8,273	8,273	8,273	0	0.0
(-) Basic Own Funds Deductions	13,000	11,087	16,785	-3,785	-22.6
1.2 (=) Basic Own Funds	**1,589,318**	**1,559,421**	**1,362,762**	**226,556**	**16.6**
(+) Additional Own Funds	22,954	305,469	302,023	-279,069	-92.4
(-) Other Deductions	17,427	15,615	15,033	2,394	15.9
2. Minimum Own Funds Requirements	**1,190,672**	**1,135,092**	**1,078,339**	**112,333**	**10.4**
3. Risk-Weighted Assets and Equivalents (2 x 12.5)	**14,883,405**	**14,188,646**	**13,479,242**	**1,404,163**	**10.4**
4. Ratios					
Solvency (1 / 3) (a)	10.72%	13.03%	12.24%	-1.52	p.p.
Tier 1 (1.2 / 3) (a)	10.68%	10.99%	10.11%	+0.57	p.p.
Core Tier 1 (1.1 / 3) (a)	10.71%	11.01%	10.17%	+0.54	p.p.
CET1 Ratio (CRD IV phasing-in)	10.57%	-	-	-	
CET1 Ratio (CRD IV full)	9.33%	-	-	-	
Total Capital Ratio (CRD IV phasing-in)	10.59%	-	-	-	
Total Capital Ratio (CRD IV full)	9.45%	-	-	-	

(a) In accordance with Banco de Portugal Instruction No. 16/2004.

If the net income for the quarter in the amount of EUR 22.7 million were to be incorporated, the Core Tier 1 ratio would stand at 10.76% and the Common Equity Tier 1 ratio would stand at 10.62% and 9.38% under the "Phasing-in" and "Full implementation" regimes, respectively, whereas the Total Capital CRD IV ratio would stand at 10.64% and 9.49% under the "Phasing-in" and "Full implementation" regimes, respectively.

7. INTERNATIONAL ACTIVITY

The activity developed by the two entities abroad, Banco Montepio Geral Cabo Verde – IFIC and Finibanco Angola, S.A., continued to demonstrate notable growth in the third quarter of 2014.

With regards to Montepio Geral Cabo Verde (MGCV), Customers' Deposits reached EUR 579.7 million, at the end of the third quarter of 2014 (EUR 561.0 million in the third quarter of 2013), with a year-on-year growth of 3.3%. The Net Income of MGCV came to EUR 384.2 thousand (EUR 593.6 thousand in the third quarter of 2013), mainly due to the increase in Operating Expenses of EUR 409.8 thousand, arising from the strengthening of human and technical resources supporting the bank's activity.

Concerning Finibanco Angola, S.A. (FNB-A), reference should be made to the strong growth of Customers' Deposits of 115.7%, reaching EUR 466.4 million, as well as to the increase in Credit to Customers of 153.9%, whose balance stood at EUR 299.4 million, as at 30 September 2013.

This increased activity of FNB-A had a direct impact on Net Interest Income, which reached EUR 14.5 million (+52.3%) and commissioning, which stood at EUR 7.3 million (+13.7%), resulting in the growth of Net Operating Income of 23.3%, which came to EUR 34.2 million. Net Income from foreign exchange transactions continued to contribute strongly to the Net Operating Income of FNB-A in the first nine months of 2014, reaching a total of EUR 13.4 million (+18.9% year-on-year).

In view of the phase of the institution's life cycle, marked by strong growth and additional investment needs, the Operating Expenses of FNB-A recorded an increase of 44.6%, corresponding to a total of EUR 12.5 million, with the Cost-to-Income ratio reaching 36.4%.

Until end-September 2014, there was a net reinforcement of the impairments of FNB-A's credit portfolio, relative to the same period of the previous year, of EUR 2.6 million, reaching EUR 12.7 million.

Net Income for the period came to EUR 10.3 million, having increased 8.6% relative to the EUR 9.4 million recorded in the first nine months of 2013, representing 45.3% of consolidated Net Income.

8. RATINGS

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

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

9. SIGNIFICANT EVENTS IN THE THIRD QUARTER OF 2014

› **Montepio Runner:** In the third quarter of the year, Montepio launched a financial solution, dedicated to all those that run, at an amateur or professional level, and walkers. The Montepio Runner Universe is thus born which, in addition to the financial solution, guarantees access to a series of services under favourable conditions, discounts in the runner universe and advantages in the insurance and leisure area. With a bold line of communication, Montepio Runner presents itself as a partner that is always available, through its website - montepiorunner.pt - to access useful contents, exclusive discounts, and advice and tips for those that wish to stay in shape.

› **Montepio associates itself once again to *Movimento Eco*:** The Montepio brand has associated itself once again to *Movimento Eco*, a civil society project that gave rise to a partnership between various companies, the Ministry for Internal Affairs and the Ministry of Agriculture, Sea, Environment and Spatial Planning, and which was born with the purpose of uniting political, business and social wills in preventing and fighting forest fires.

› **"Minuto Solidário" Project:** With the objective of increasing proximity to Third Sector entities, but also to support social solidarity causes and projects, Montepio promoted the fourth edition of the "Minuto Solidário" (Charity Minute) Project which has, since its launch in 2011, already supported 94 domestic institutions. The objectives of this initiative include: Creating contents to divulge IPSS and their projects; produce television films focusing on an IPSS or a charity project.

› **Youth Volunteering Prize awards 25 thousand euros:** Promoting the use of the bicycle as a means of urban transport in favour of sustainable urban mobility, fomenting the creation and development of community ties of mutual support, through technical, voluntary and free support in connection with the repair and maintenance of bicycles, was the proposal presented by Cicloficina dos Anjos, the project that was distinguished with the Montepio Youth Volunteering Prize, in the amount of 25 thousand euros, awarded by the Montepio Foundation and Lusitania - Companhia de Seguros.

In the area of Brand, Communication and Service, Montepio continues to stand out in 2014:

- ✓ **Brand of Excellence:** For the sixth consecutive year, the Montepio brand was recognised as a brand of excellence by Superbrands, an independent international organisation dedicated to the identification and promotion of brands of excellence in 88 countries. The distinction was awarded in connection with the brand's influence among consumers, which in line with the values of solidarity, sustainability, ethics and transparency, and by materialising the values of associativism, place the economy at the service of society.

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

- ✓ The quality and relevance of the communication projects developed by Montepio were once again recognised, conquering four Excellence in Communication prizes, awarded by the Portuguese Corporate Communication Association (APCE) at the Gala of the APCE 2014 Grand Prix – Excellence in Communication. Among the range of communication projects developed in 2013, the Jury of the contest distinguished, and awarded, the quality of the works presented in the following categories:
  - ✓ **External Communication:** Montepio Magazine
  - ✓ **Video and Webcast:** Video of the 1st Montepio Race
  - ✓ **Image and Illustration:** “Mãos-à-Horta”, Montepio Jovem newspaper
  - ✓ **Website:** Ei – Educação, Informação

- ✓ Internationally, the Montepio magazine conquered the gold award - Gold Best Cover at the 2014 edition of the Content Marketing Awards (CMA), an initiative aimed at recognising projects in the communication area that have strategic impact. The Montepio magazine winter cover edition (no. 12) was distinguished, among the more than 1,100 candidates to the prizes.

10. FINANCIAL STATEMENTS

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

(thousand euros)

	2014			2013
	Gross Assets	Impairment and Amortisations	Net Assets	Net Assets
ASSETS				
Cash and deposits at central banks	454,300	-	454,300	314,259
Deposits at other credit institutions	207,850	-	207,850	233,785
Financial assets held for trading	71,670	-	71,670	64,106
Other financial assets at fair value through profit or loss	-	-	-	3,450
Financial assets available for sale	3,253,392	35,086	3,218,306	4,545,816
Other loans and advances to credit institutions	358,036	387	357,649	330,063
Credit to Customers	16,802,455	1,387,163	15,415,292	15,555,141
Investments held to maturity	97,078	-	97,078	34,631
Hedging derivatives	165	-	165	503
Non-current assets held for sale	895,710	96,240	799,470	681,388
Investment properties	710,722	-	710,722	543,534
Other tangible assets	302,893	175,781	127,112	120,492
Intangible assets	130,338	68,846	61,492	59,279
Investments in associates and subsidiaries excluded from consolidation	31,143	341	30,802	42,399
Current tax assets	1,287	-	1,287	1,832
Deferred tax assets	346,185	-	346,185	336,264
Other assets	330,568	15,102	315,466	172,261
TOTAL ASSETS	**23,993,792**	**1,778,946**	**22,214,846**	**23,039,203**
LIABILITIES				
Resources from central banks			2,195,613	3,427,354
Financial liabilities held for trading			65,238	62,224
Resources from other credit institutions			1,132,717	474,497
Resources from customers and other loans			13,999,964	14,142,828
Debt securities issued			2,130,973	2,319,428
Financial liabilities associated with transferred assets			165,725	195,049
Hedging derivatives			2,361	1,849
Provisions			6,511	8,014
Current tax liabilities			4,197	1,353
Other subordinated liabilities			371,700	370,078
Other liabilities			397,975	389,186
TOTAL LIABILITIES			**20,472,974**	**21,391,860**
CAPITAL				
Capital			1,700,000	1,700,000
Institutional Capital			1,500,000	1,500,000
Participation Fund			200,000	200,000
Other equity instruments			8,273	8,273
Own Securities			-3,502	-
Revaluation reserves			36,409	-11,533
Other reserves and retained earnings			-35,350	238,194
Net income for the year			22,650	-298,626
Minority interests			13,392	11,035
TOTAL EQUITY			**1,741,872**	**1,647,343**
TOTAL LIABILITIES AND EQUITY			**22,214,846**	**23,039,203**

THE CHARTERED ACCOUNTANT

Luis Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

António Tomás Correia - Chairman

Jorge Humberto Cruz Barros Jesus Luís

Pedro Miguel de Almeida Alves Ribeiro

Fernando Paulo Pereira Magalhães

CONSOLIDATED INCOME STATEMENT AS AT 30 SEPTEMBER 2014 AND 2013

(thousand euros)

	2014	2013
Interest and similar income	693,302	641,937
Interest and similar expense	438,208	496,063
Net interest income	**255,094**	**145,874**
Income from equity instruments	548	463
Income from fees and commissions	103,225	101,844
Fees and commissions expenses	25,477	19,184
Gains arising from assets and liabilities at fair value through profit or loss	440	-87
Gains arising from financial assets available for sale	373,927	41,986
Gains arising from currency revaluation	17,054	14,217
Gains arising from sale of other assets	-21,338	-6,760
Other net operating income	-4,317	-14,291
Net Operating Income	**699,156**	**264,062**
Personnel expenses	144,142	143,490
General administrative overheads	82,675	77,630
Depreciation and amortisation	23,188	23,741
Provisions net of adjustments	-669	770
Credit impairments (net of reversals and recoveries)	350,548	219,954
Other financial assets impairments (net of reversals and recoveries)	33,912	21,638
Other assets impairments (net of reversals and recoveries)	9,344	25,866
Earnings from associates and joint ventures (equity method)	1,279	-4,616
Earnings before Tax and Minority Interests	**57,295**	**-253,643**
Taxes		
Current	-55,033	-6,296
Deferred	22,329	56,472
Minority Interests	-1,941	-1,740
Net Income For The Period	**22,650**	**-205,207**

THE CHARTERED ACCOUNTANT

Luís Miguel Lines Andrade

THE EXECUTIVE BOARD OF DIRECTORS

António Tomás Correia - Chairman

Jorge Humbeto Cruz Barros Jesus Luís

Pedro Miguel de Almeida Alves Ribeiro

Fernando Paulo Pereira Magalhães

11. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Caixa Económica Montepio Geral

Consolidated Income Statement
for the nine months period ended at 30 September 2014 and 2013

(Amounts expressed in thousands of Euro)

	Notes	30 September 2014	30 September 2013
Interest and similar income	3	693 302	641 937
Interest and similar expense	3	438 208	496 063
Net interest income		255 094	145 874
Dividends from equity instruments	4	548	463
Fee and comission income	5	103 225	101 844
Fee and comission expense	5	(25 477)	(19 184)
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss	6	440	(87)
Net gains/(losses) arising from financial assets available-for-sale	7	373 927	41 986
Net gains/ (losses) arising from foreign exchange differences	8	17 054	14 217
Net gains/ (losses) arising from sale of other financial assets	9	(21 338)	(6 760)
Other operating income	10	(4 317)	(14 291)
Total operating income		699 156	264 062
Staff costs	11	144 142	143 490
General and administrative expenses	12	82 675	77 630
Depreciation	13	23 188	23 741
Total operating costs		250 005	244 861
Loans impairment	14	350 548	219 954
Other financial assets impairment	15	33 912	21 638
Other assets impairment	16	9 344	25 866
Other provisions	17	(669)	770
Operating profit		56 016	(249 027)
Share of profit of associates under the equity method	18	1 279	(4 616)
Profit before income taxes		57 295	(253 643)
Taxes			
Current	33	(55 033)	(6 296)
Deferred	33	22 329	56 472
Profit for the period after taxes		24 591	(203 467)
Profit for the period attributable to			
Montepio Geral - Associação Mutualista		22 650	(205 207)
Non-controlling interests	50	1 941	1 740
Net profit for the period		24 591	(203 467)

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

To be read with the interim consolidated financial statements.

Caixa Económica Montepio Geral

Consolidated Balance Sheet at 30 September 2014 and 31 December 2013

(Amounts expressed in thousands of Euro)

	Notes	30 September 2014	31 December 2013
Assets			
Cash and deposits at central banks		454 300	314 259
Loans and advances to credit institutions repayable on demand		207 850	233 785
Other loans and advances to credit institutions		357 649	330 063
Loans and advances to customers		15 415 292	15 555 141
Financial assets held-for-trading		71 670	64 106
Other financial assets at fair value through profit or loss		-	3 450
Financial assets available-for-sale		3 218 306	4 545 816
Hedging derivatives		165	503
Financial assets held-to-maturity		97 078	34 631
Investments in associated companies and others		30 802	42 399
Non current assets held-for-sale		799 470	681 388
Investment properties		710 722	543 534
Property and equipment		127 112	120 492
Intangible assets		61 492	59 279
Current income tax assets		1 287	1 832
Deferred income tax assets		346 185	336 264
Other assets		315 466	172 261
Total Assets		22 214 846	23 039 203
Liabilities			
Deposits from central banks		2 195 613	3 427 354
Deposits from other credit institutions		1 132 717	474 497
Deposits from customers		13 999 964	14 142 828
Debt securities issued		2 130 973	2 319 428
Financial liabilities relating to transferred assets		165 725	195 049
Financial liabilities held-for-trading		65 238	62 224
Hedging derivates		2 361	1 849
Provisions		6 511	8 014
Current income tax liabilities		4 197	1 353
Other subordinated debt		371 700	370 078
Other liabilities		397 975	389 186
Total Liabilities		20 472 974	21 391 860
Equity			
Institutional capital		1 500 000	1 500 000
Participation fund		200 000	200 000
Other capital instruments		8 273	8 273
Own securities		(3 502)	-
Revaluation reserves		36 409	(11 533)
Other reserves and retained earnings		(35 350)	238 194
Consolidated profit for the period attributable to MGAM		22 650	(298 626)
Total equity attributable to MGAM		1 728 480	1 636 308
Non-controlling interests		13 392	11 035
Total Equity		1 741 872	1 647 343
		22 214 846	23 039 203

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

To be read with the interim consolidated financial statements.

Caixa Económica Montepio Geral

Consolidated Income Statement
for the three months period ended at 30 September 2014 and 2013

(Amounts expressed in thousands of Euro)

	Notes	30 September 2014	30 September 2013
Interest and similar income		230 031	209 883
Interest and similar expense		135 513	165 936
Net interest income		94 518	43 947
Dividends from equity instruments		55	28
Fee and comission income		33 990	34 129
Fee and comission expense		(7 960)	(6 700)
Net gains/ (losses) arising from financial assets and liabilities at fair value through profit or loss		(68)	(4 694)
Net gains/(losses) arising from financial assets available-for-sale		98 860	3 796
Net gains/ (losses) arising from foreign exchange differences		7 205	5 610
Net gains/ (losses) arising from sale of other financial assets		(7 162)	(3 562)
Other operating income		(3 787)	(5 622)
Total operating income		215 651	66 932
Staff costs		48 860	46 835
General and administrative expenses		28 171	25 455
Depreciation		7 760	8 417
Total operating costs		84 791	80 707
Loans impairment		85 195	136 356
Other financial assets impairment		8 204	1 632
Other assets impairment		6 247	3 207
Other provisions		583	(378)
Operating profit		30 631	(154 592)
Share of profit of associates under the equity method		1 071	(681)
Profit before income taxes		31 702	(155 273)
Taxes			
Current		(15 375)	(2 053)
Deferred		(4 610)	22 756
Profit for the period after taxes		11 717	(134 570)
Profit for the period attributable to			
Montepio Geral - Associação Mutualista		10 779	(135 553)
Non-controlling interests		938	983
Net profit for the period		11 717	(134 570)

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

To be read with the interim consolidated financial statements.

Caixa Económica Montepio Geral

Consolidated Statement of Cash Flows
for the nine months period ended at 30 September 2014 and 2013

(Amounts expressed in thousands of Euro)

	30 September 2014	30 September 2013
Cash flows arising from operating activities		
Interest income received	661 689	644 236
Commissions income received	35 208	99 687
Interest expense paid	(477 954)	(502 884)
Commissions expense paid	(30 406)	(13 321)
Payments to employees and suppliers	(215 360)	(139 667)
Recoveries on loans previously written off	9 229	2 597
Other payments and receivables	387 184	(200 952)
	369 590	(110 304)
(Increase) / decrease in operating assets:		
Loans and advances to credit institutions and customers	(242 471)	487 510
Other assets	(206 636)	(160 715)
	(449 107)	326 795
(Increase) / decrease in operating liabilities:		
Deposits from clients	(126 522)	279 841
Deposits from credit institutions	661 209	(135 225)
Deposits from central banks	(1 220 000)	445 000
	(685 313)	589 616
	(764 830)	806 107
Cash flows arising from investing activities		
Dividends received	548	463
(Acquisition) / sale of trading financial assets	1 099	61 610
(Acquisition) / sale of other financial assets at fair value through profit or loss	3 450	6 337
(Acquisition) / sale of available for sale financial assets	1 331 425	(1 015 694)
(Acquisition) / sale of hedging derivatives	923	295
(Acquisition) / sale of held-to-maturity investments	(68 214)	224
(Acquisition) / sale of shares in associated companies	12 876	28 755
Deposits owned with the purpose of monetary control	(158 874)	79 413
Proceeds from sale of fixed assets	-	1 818
Acquisition of fixed assets	(167 188)	(4 054)
	956 045	(840 833)
Cash flows arising from financing activities		
Dividends paid	-	(1 692)
Repurchase of own securities	(3 502)	-
Proceeds from issuance of bonds and subordinated debt	453 987	1 156 488
Reimbursement of bonds and subordinated debt	(674 346)	(1 083 083)
Increase / (decrease) in other sundry liabilities	(12 122)	(10 119)
	(235 983)	61 594
Net changes in cash and equivalents	(44 768)	26 868
Cash and equivalents balance at the beginning of the period	414 002	391 419
Net changes in cash and equivalents	(44 768)	26 868
Cash and equivalents balance at the end of the period	369 234	418 287
Cash and equivalents balance at the end of the period includes:		
Cash (note 19)	161 384	148 356
Loans and advances to credit institutions repayable on demand (note 20)	207 850	269 891
Total	369 234	418 247

To be read with the interim consolidated financial statements.

Caixa Económica Montepio Geral

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

(Amounts expressed in thousands of Euro)

	Total equity	Institutional capital	Participation fund	Other capital instruments	General and special reserves	Other fair value reserves	Fair value reserves	Other reserves and retained earnings	Non-controlling interests
Balance on 31 December, 2012	1 634 970	1 295 000	-	15 000	254 095	18 321	(18 337)	63 934	6 957
Movements recognised directly in equity:									
Actuarial losses for the period	(23 377)	-	-	-	-	-	-	(23 377)	-
Deferred taxes related to equity changes accounted against reserves and retained earnings (note 33)	4 810	-	-	-	-	-	12 507	(7 697)	-
Changes in fair value	(34 429)	-	-	-	-	-	(34 429)	-	-
Profit for the period	(203 467)	-	-	-	-	-	-	(205 207)	1 740
Non-controlling interests	2 272	-	-	-	-	-	-	-	2 272
Dividends paid (note 49)	(1 692)	-	-	-	-	-	-	(1 692)	-
Other reserves	(9 361)	-	-	-	-	(5 280)	-	(4 081)	-
Cash equity increases	100 000	100 000	-	-	-	-	-	-	
Acquisition of other equity instruments	(6 727)	-	-	(6 727)	-	-	-	-	
Costs related to the issue of perpetual subordinated Instruments	(761)	-	-	-	-	-	-	(761)	-
Transfers of reserves:						-		-	
General reserve	-	-	-	-	1 597	-	-	(1 597)	-
Special reserve	-	-	-	-	113	-	-	(113)	-
Balance on 30 September, 2013	1 462 238	1 395 000	-	8 273	255 805	13 041	(40 259)	(180 591)	10 969
Movements recognised directly in equity:									
Actuarial losses for the period	(64 437)	-	-	-	-	-	-	(64 437)	-
Deferred taxes related to equity changes accounted against reserves and retained earnings (note 33)	3 999	-	-	-	-	-	(19 606)	23 605	-
Changes in fair value	67 865	-	-	-	-	-	67 865	-	-
Profit for the period	(93 006)	-	-	-	-	-	-	(93 419)	413
Non-controlling interests	(347)	-	-	-	-	-	-	-	(347)
Other reserves	(33 969)	-	-	- -	-	(27 860)	(4 714) -	(1 395)	-
Cash equity increases	105000	105000	-	- -	-	-	- -	-	-
Capital increase through subscription of equity securities	200 000	-	200 000	-	-	-	-	-	-
Balance on 31 December, 2013	1 647 343	1 500 000	200 000	8 273	255 805	(14 819)	3 286	(316 237)	11 035
Movements recognised directly in equity:									
Changes in fair value	48 123	-	-	-	-	-	48 123	-	-
Actuarial losses for the period	26 555	-	-	-	-	-	-	26 555	-
Deferred taxes related to equity changes accounted against reserves and retained earnings (note 33)	(12 410)	-	-	-	-	-	(10 125)	(2 285)	-
Profit for the period	24 591	-	-	-	-	-	-	22 650	1 941
Non-controlling interests	416	-	-	-	-	-	-	-	416
Acquisition of own shares	(3 502)	-	(3 502)	-	-	-	-	-	-
Other reserves	10 756	-	-	-	-	9 944	-	812	-
Balance on 30 September, 2014	1 741 872	1 500 000	196 498	8 273	255 805	(4 875)	41 284	(268 505)	13 392

To be read with the interim consolidated financial statements.

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income
for the nine months period ended at 30 September 2014

(Amounts expressed in thousands of Euro)

	Notes	30 September 2014 Total	Holders of CEMG's Institutional capital and Participation Fund	Non-controlling interests
Items that may be reclassified into the Income Statement				
Fair value reserve				
Financial assets available-for-sale	47	48 123	48 123	-
Taxes	33	(10 125)	(10 125)	-
		37 998	37 998	-
Items that won't be reclassified into the Income Statement				
Actuarial losses for the period		26 555	26 555	-
Deferred taxes	33	(2 285)	(2 285)	-
		24 270	24 270	-
Profit for the period		24 591	22 650	1 941
Total comprehensive income/(loss) for the period		86 859	84 918	1 941

To be read with the interim consolidated financial statements.

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income
for the nine months period ended at 30 September 2013

(Amounts expressed in thousands of Euro)

		30 September 2013		
	Notes	**Total**	**Holders of CEMG's Institutional capital and Participation Fund**	**Non-controlling interests**
Items that may be reclassified into the Income Statement				
Fair value reserve				
Financial assets available-for-sale	47	(34 429)	(34,429)	-
Taxes	33	12 507	12,507	-
		(21 922)	(21 922)	-
Items that won't be reclassified into the Income Statement				
Actuarial losses for the period		(23 377)	(23 377)	-
Deferred taxes	33	(7 697)	(7 697)	-
Costs related to the issue of perpetual subordinated instruments		(761)	(761)	-
		(31 835)	(31 835)	-
Profit for the period		(203 467)	(205 207)	1 740
Total comprehensive income/(loss) for the period		(257 224)	(258 964)	1 740

To be read with the interim consolidated financial statements.

Caixa Económica Montepio Geral

Notes to the Interim Consolidated Financial Statements

30 September 2014

1 Accounting policies

a) Basis of presentation

Caixa Económica Montepio Geral ("CEMG") is a credit institution held by Montepio Geral – Associação Mutualista, established on 24 March 1844, and authorised to operate in accordance with Decree-Laws no. 298/92 of 31 December, and no. 136/79 of 18 May, which regulates 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 (referred to as the "Group") and the Group's interest in associates, for the nine month periods ended 30 September 2014 and 2013.

In 2010, Montepio Geral – Associação Mutualista, CEMG's Parent Company, 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 amendment 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), as well as all associated liabilities and provisions.

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

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Counsel, of 19 July 2002 and Regulation no. 1/2005 from Bank of Portugal, Group's consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body as well_as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body. The consolidated financial statements presented herein were approved by the Executive Board of Directors of CEMG on 27 October 2014. The financial statements are presented in Euro rounded to the nearest thousand.

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

The consolidated financial statements for the nine-month periods ended 30 September 2014 have been prepared in terms of recognition and measurement in accordance with the IFRS, approved by EU and in use in the period, being the presented disclosures according with the IAS 34 requisites. These financial statements also present an income statement of the third quarter of 2014 with comparative figures for the third quarter of last year. The financial statements for the nine months ended 30 September 2014 do not include all information to be disclosed in the complete annual financial statements.

The accounting policies in this note were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period, except in what concerns to the adoption of IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interest in Other Entities, with mandatory adoption at 1 January, 2014.

- *IFRS 10 - Consolidated Financial Statements*

IFRS 10 revoked part of IAS 27- Separate Financial Statements and SIC 12 and introduced a new single model of control that determines when an investment should be consolidated. This new model is focused on whether the entity has power over an investee, exposure to variable returns and connection between them. An investor takes control of an investee when it is exposed (or has rights) the variability in returns from its involvement with the investee and ability to use its power to affect those returns (de facto control).

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

- *IFRS 11 - Joint Arrangements*

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

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

- *IFRS 12 - Disclosure of Interest in Other Entities*

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

The financial statements were prepared under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss (trading and fair value option) and available for sale assets, except those for which a reliable measure of fair value is not available. Financial assets and liabilities that are hedged under hedge accounting are valued 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 valued at amortised cost or historical cost. Non-current assets and disposal groups held for sale (*disposal groups*) are valued at the lower of carrying amount or of fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the defined benefit obligation net of the value of the fund.

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

b) Basis of Consolidation

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

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

Investment in subsidiaries

Subsidiaries

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

As from 1 January 2010, accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognize negative non-controlling interests. Previously, when the accumulated losses of a subsidiary attributable to the non-controlling interest exceeded 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 occured. Profits subsequently reported by the subsidiary are recognised as profits of the Group until the prior losses attributable to non-controlling interest previously recognised by the Group have been recovered.

As from 1 January 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any participation previously acquired is booked against the profit and loss account, when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revaluated at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

Financial Investments in associated companies

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

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

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

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

- Material transactions between the Group and the investee;

- Interchange of the management team;

- Provision of essential technical information.

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

Goodwill – Differences arising from consolidation

The recording of costs directly attributable to acquisition of a subsidiary is directly booked in the income statement.

The totality of positive goodwill derived from acquisitions is recognised as an asset and recorded in acquisition cost, and is not subject to amortisation.

Goodwill arising from the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total fair value or proportionally to assets, liabilities and contingent liabilities of the acquired, depending on the option taken.

Negative *goodwill* arising on an acquisition is recognised directly in profit and loss on the financial year the business combination occurs.

The recoverable amount of the goodwill is assessed annually, regardless of the existence of any impairment triggers. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the value in use of the assets, calculated using evaluation 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 non-controlling interest acquisition that did not result in a control change over a subsidiary, is accounted as a transaction with shareholders and is not recognised additional goodwill derived from this transaction. The difference between the acquisition cost and the fair value of the non-controlling interests is directly recognised in reserves. Likewise, the profits and losses derived from alienations of controlling interests, which did not result in a control loss over a subsidiary, are always recognised against reserves.

Investments in foreign subsidiaries and associates

The financial statements of the foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries are converted into euro at the official exchange rate at the balance sheet date. Goodwill arisen from these investments is revalued 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 the exchange differences between the conversion to Euros of the opening net assets at the beginning of the year and their value in Euros at the exchange rate ruling at the balance sheet date for consolidated accounts are charged against consolidated reserves. The exchange differences from hedging instruments related with foreign operations are eliminated from profit and loss in the consolidation process against the exchange differences booked in reserves resulting from those investments. Whenever the hedge is not fully effective, the ineffective portion is accounted against profit and loss for the period.

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

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

Transactions eliminated on consolidation

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

c) Loans and advances to customers

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

The derecognition of these assets occurs in the following situations: (i) the contractual rights of the Group have expired; or (ii) the Group substantially transferred 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 the amortised cost using the effective interest method, less impairment losses.

Impairment

The Group's policy consists on 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 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 for 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 meet the 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 situations of 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, being the amount of any losses 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 at the period that the impairment was determined.

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

(ii) Collective assessment

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

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

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

The collective impairment loss is determined considering the following factors:

- historical loss experience in portfolios of similar risk characteristics;

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

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

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

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

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

d) Financial instruments

(i) Classification, initial recognition and subsequent measurement

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

1a) Financial assets held for trading

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

The interest from debt instruments are recognised as interest margin.

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

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

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

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

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

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

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

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

2) Financial assets available for sale

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

3) Investments held-to-maturity

Financial assets held-to-maturity include non-derivative financial assets with fixed or determinable payments and fixed maturity, that the Group has the intention and capacity to maintain until the maturity of the assets and that are 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 profit and loss when identified.

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

4) Loans and receivables - Loans represented by securities

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

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

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

5) Other financial liabilities

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

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

The financial gains or losses calculated at the time of the repurchase of other financial liabilities are recognised as Net gains/(losses) arising from financial operations when occurred.

(ii) Impairment

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

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

(iii) Embedded derivatives

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

e) Derivatives hedge accounting

(i) Hedge accounting

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

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

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

- the hedge is expected to be highly effective;

- the effectiveness of the hedge can be reliably measured;

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

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

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

(ii) Fair value hedge

Variations in the fair value of derivatives that are designated and qualified as fair value hedge instruments are recognised in profit and loss, together with variations 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 variations in the fair value of derivatives that are designated and qualified 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 of the period 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 variations 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 similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in the income statement. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are included in the income statement on the disposal of the foreign operation as part of the gain or loss from the disposal.

f) Reclassifications between financial instruments categories

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

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

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

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

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

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

g) Derecognition

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

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

h) Equity instruments

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

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

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

i) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

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

(ii) Repurchase agreements

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

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

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

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

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

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

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

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

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

The subsequent measurement of these assets is determined based on the lower of the carrying amount and the corresponding fair value net of expenses, not subject to amortisation. 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 recognised in the interests and similar incomes or interests and similar expenses (net interest income) through the effective interest rate method. The interest related to financial assets available for sale calculated at the effective interest rate method are also recognised on the net interest income as well as those from assets and liabilities at fair value through profit and loss.

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

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

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

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

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

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

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Net gains / (losses) 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).

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

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

n) Fee and commission income

Fees and commissions are recognised according to the following criteria:

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

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

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

o) Fiduciary activities

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

p) Property and equipment

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

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

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

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

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

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

q) Investment property

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

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

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

r) Intangible Assets

Software

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

s) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, cash and loans and advances to credit institutions.

Cash and cash equivalents exclude restricted balances with Central Banks.

t) Offsetting

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

u) Foreign currency transactions

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

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

v) Employee benefits

Pensions

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

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

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

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

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

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

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

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

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

Health care benefits

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

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

The annual contribution of the Group to SAMS amounts to 6.5% of the total annual remuneration of employees, including, among others, the holiday and Christmas subsidy.

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

Long-term service benefits

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

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

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

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

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

Bonus to employees and to the Executive Board of Directors

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

w) Income taxes

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

With effect from 1 January 2012, CEMG is subject to the regime established by the Income Tax Code. Therefore, from that date, the differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation, meet the requirements to recognition as deferred taxes, whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

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

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

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

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

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

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

x) Segment reporting

The Group adopted the IFRS 8 – Operational Segments for the purposes of disclosure of financial information by segments. A business segment is a group of assets and operations that are subject to risks and specific profits different from other segments. The segment results are periodically reviewed by the management leading to decision making. The Group regularly prepares financial information related to these segments, which is reported to the management. A segment is a distinguishable component that is engaged in providing a product or an individual service or a group of products or related services, inside a specific economic environment and subject to risks and benefits that are different from those of other business segments which operates in different economic environments.

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

y) Provisions

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

The provisions measurement is based on the defined principles on IAS 37 regarding the best prevision of the expected cost, the most probable result on the actions in course and taking into account the risks and uncertainties inherent to the process.

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

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

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

z) Insurance and reinsurance brokerage services

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

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

Commission received for insurance brokerage services refer to:

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

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

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

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

aa) Accounting estimates and judgments in applying accounting policies

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

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

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

Impairment of available for-sale financial assets

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

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

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

Impairment losses on loans and advances to customers

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

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

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

Fair value of derivatives

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

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

Held-to-maturity investments

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

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

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

Entities included in the consolidation perimeter

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

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

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

Income taxes

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

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

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

Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors that could impact the cost and liability of the pension plan.

Changes in these assumptions could materially affect these values.

Goodwill impairment

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

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

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

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

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

The amount of this caption is comprised of:

(thousands of Euro)

	Sep 2014	Sep 2013
Net interest income	255 094	145 874
Net gains arising from assets and liabilities at fair value through profit and loss and available-for-sale financial assets	374 367	41 899
	629 461	187 773

3 Net interest income

The amount of this caption is comprised of:

(thousands of Euro)

	Sep 2014	Sep 2013
Interest and similar income:		
Interest from loans and advances	441 989	437 625
Interest from deposits and other applications	3 201	1 520
Interest from finacial assets available-for-sale	152 118	103 245
Interest from financial assets held-for-trading	78 637	79 982
Interest from financial investments at fair-value trough profit and loss	50	120
Interest from financial assets held-to-maturity	4 697	522
Interest from hedging derivates	541	627
Other interest and similar income	12 069	18 296
	693 302	641 937
Interest and similar expense:		
Interest from deposits	241 367	252 487
Interest from loans	9 061	21 213
Interest from securities issued	65 963	79 893
Interest from subordinated liabilities	5 297	4 860
Interest from financial liabilities associated to other transferred assets	32 548	53 715
Interest from financial assets held-for-trading	80 444	80 273
Interest from hedging derivates	940	965
Other interest and similar expense	2 588	2 657
	438 208	496 063
Net interest income	255 094	145 874

The balance Interest on loans and advances includes, at 30 September 2014, the amount of Euro 15,639 thousands (30 September 2013: Euro 14,706 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 interests on customers' deposits caption includes the positive amount of Euro 5,346 thousands regarding the accounting of interest on deposits with increasing interest rates (30 September 2013: a gain of Euro 4,887 thousands).

4 Dividends from equity instruments

The amount of this caption is comprised of:

(thousands of Euro)

	Sep 2014	Sep 2013
Dividends from financial assets available-for-sale	548	463
	548	463

The dividends from financial assets available-for-sale caption includes dividends and income from participation units received during the period.

5 Net fee and commission income

The amount of this caption is comprised of:

(thousands of Euro)

	Sep 2014	Sep 2013
Fee and commission income:		
From banking services	70 971	71 086
From transactions order by third parties	15 556	15 398
From commitments to third parties	3 494	2 303
From provided guarantees	6 838	6 753
From insurance activity	5 561	6 221
Other fee and commission income	805	83
	103 225	101 844
Fee and commission expense:		
From banking services rendered by third parties	22 841	15 472
From transactions with securities	429	383
Other fee and commission expense	2 207	3 329
	25 477	19 184
Net fee and commission income	77 748	82 660

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

The amount of this caption is comprised of:

(thousands of Euro)

	Sep 2014			Sep 2013		
	Gains	Losses	Total	Gains	Losses	Total
Financial assets and liabilities held for trading						
Securities						
Bonds and other fixed income securities						
Issued by public entities	417	192	225	38	-	38
Issued by other entities	176	111	65	51	48	3
Shares	2 498	25 853	(23 355)	3 925	2 814	1 111
Investment units	-	5 027	(5 027)	82	115	(33)
	3 091	31 183	(28 092)	4 096	2 977	1 119
Derivative financial instruments						
Exchange rate contracts	-	54 137	(54 137)	72 874	72 476	398
Interest rate contracts	210 747	122 928	87 819	278 213	282 407	(4 194)
Credit default contracts (CDS)	191	152	39	424	268	156
Futures contracts	2 355	3 764	(1 409)	8 771	8 212	559
Options contracts	10 227	10 590	(363)	9 710	8 880	830
Other	2 677	2 649	28	473	462	11
	226 197	194 220	31 977	370 465	372 705	(2 240)
Credit and other receivable amounts						
Credit to costumers	254	125	129	524	1 133	(609)
Other	-	1 711	(1 711)	9 672	1 204	8 468
	254	1 836	(1 582)	10 196	2 337	7 859
Other financial assets at fair value through profit or loss						
Bonds and other fixed income securities issued						
Other entities	1 216	275	941	278	-	278
	1 216	275	941	278	-	278
Hedging derivates						
Exchange rate contracts	1 016	1 030	(14)	6 117	5 568	549
	1 016	1 030	(14)	6 117	5 568	549
Financial liabilities						
Deposits from other credit institutions	239	1 112	(873)	1 226	2 209	(983)
Deposits from customers	5 166	446	4 720	8 960	1 712	7 248
Responsibilities represented by securities	1 035	4 042	(3 007)	2 623	13 174	(10 551)
Other subordinated debt	-	1 514	(1 514)	1 207	3 759	(2 552)
	6 440	7 114	(674)	14 016	20 854	(6 838)
Other financial operations						
Credit to customers	-	816	(816)	-	816	(816)
Other	-	1 300	(1 300)	2	-	2
	-	2 116	(2 116)	2	816	(814)
	238 214	237 774	440	405 170	405 257	(87)

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

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

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

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

The amount of this caption is comprised of:

(thousands of Euro)

	Sep 2014			Sep 2013		
	Gains	Losses	Total	Gains	Losses	Total
Bonds and other fixed income securities						
Issued by public entities	361 877	474	361 403	36 356	783	35 573
Issued by other entities	607	2 122	(1 515)	6 575	3 895	2 680
Shares	1 115	192	923	855	621	234
Other variable income securities	13 252	136	13 116	3 670	171	3 499
	376 851	2 924	373 927	47 456	5 470	41 986

As at 30 September 2014, the caption Bonds and other fixed income securities – Issued by public entities includes Euro 361,275 thousands (30 September 2013: Euro 28,434 thousands) related to the alienation of treasury bonds of Portuguese domestic debt.

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

The amount of this caption is comprised of:

(thousands of Euro)

	Sep 2014			Sep 2013		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	46 981	29 927	17 054	46 768	32 551	14 217

This caption 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 caption is comprised of:

(thousands of Euro)

	Sep 2014	Sep 2013
Sale of real estate properties	(10 185)	(7 418)
Other	(11 153)	658
	(21 338)	(6 760)

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

10 Other operating income/ (costs)

The amount of this caption is comprised of:

	Sep 2014	Sep 2013
Other operating income:		
Income from services	5 927	4 937
Reimbursement of expenses	5 705	5 930
Profits arising from deposits-on-demand management	6 445	10 468
Profits arising from staff transfer	5 414	4 656
Repurchase of own securities	980	1 399
Other	30 954	18 114
	55 425	45 504
Other operating expense:		
Taxes	9 739	6 938
Donations and membership	732	331
Deposit Guarantee Fund	2 338	2 420
Other	46 933	50 106
	59 742	59 795
Other net operating income	(4 317)	(14 291)

As at 30 September 2014, the other operating income – Profits arising from staff transfer caption concerns to staff transfer made by CEMG to Montepio Geral – Associação Mutualista and its associates.

The result of the repurchase of own securities is calculated in accordance with the accounting policy described in note 1 d) and is related to the Euro Medium Term Notes.

The Specific contribution for the Banking sector is estimated according to the terms of the Decree-Law 55-A/2010. The determination of the amount payable focuses on: (i) the annual average liability developed in balance deducted from core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund; and (ii) the notional amount of derivative financial instruments. As at 30 September 2014, the Group recognised as a cost for the period the amount of

Euro 5,825 thousands (30 September 2013: Euro 3,856 thousands), included in other operating expenses- indirect taxes caption.

11 Staff costs

The amount of this caption is comprised of:

(thousands of Euro)

	Sep 2014	Sep 2013
Remunerations	105 254	108 015
Mandatory social security charges	27 953	28 923
Charges with the pensions fund	6 990	2 963
Other staff costs	3 945	3 589
	144 142	143 490

12 General and administrative expenses

The amount of this caption is comprised of:

(thousands of Euro)

	Sep 2014	Sep 2013
Rental costs	21 080	22 514
Specialised services:		
IT services	6 979	6 845
Independent work	1 721	4 043
Other specialised services	18 054	12 715
Advertising costs	5 741	3 729
Communication costs	7 183	6 978
Water, energy and fuel	3 779	4 343
Maintenance and related services	4 449	3 818
Transportation	2 164	2 363
Insurance	2 161	2 028
Travel, hotel and representation costs	1 727	1 447
Consumables	1 383	1 698
Training costs	185	228
Other administrative expenses	6 069	4 881
	82 675	77 630

The caption Rental costs includes the amount of Euro 19,728 thousands (30 September 2013: Euro 18,887 thousands) related to rents paid regarding buildings used by the Group as rentee.

13 Depreciation

The amount of this caption is comprised of:

(thousands of Euro)

	Sep 2014	Sep 2013
Intagible assets:		
Software	9 875	10 107
	9 875	10 107
Other tangible assets:		
Land and buildings	2 912	3 648
Equipment:		
Furniture	638	739
Office equipment	21	74
Computer equipment	3 945	6 195
Interior installations	1 222	244
Transportation equipment	308	77
Security equipment	686	548
Assets in operational lease	3 483	1 562
Other tangible assets	98	547
	13 313	13 634
	23 188	23 741

14 Loans impairment

The amount of this caption is comprised of:

(thousands of Euro)

	Sep 2014	Sep 2013
Loans and advances to credit instituitions:		
Charge for the period	129	1 625
Write-back for the period	(552)	(549)
	(423)	1 076
Loans and advances to costumers:		
Charge for the period net of reversals	360 200	225 546
Recovery of loans and interest charged-off	(9 229)	(6 668)
	350 971	218 878
	350 548	219 954

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

15 Other financial assets impairment

The amount of this caption is comprised of:

(thousands of Euro)

	Sep 2014	Sep 2013
Impairment for available-for-sale financial assets		
Charge for the period	46 258	47 762
Write-back for the period	(12 346)	(26 124)
	33 912	21 638

16 Other assets impairment

The amount of this caption is comprised of:

(thousands of Euro)

	Sep 2014	Sep 2013
Impairment for non-current assets held for sale:		
Charge for the period	8 697	35 595
Write-back for the period	(4 342)	(8 665)
	4 355	26 930
Impairment for other assets:		
Charge for the period	5 439	1 180
Write-back for the period	(450)	(2 244)
	4 989	(1 064)
	9 344	25 866

17 Other provisions

The amount of this caption is comprised of:

(thousands of Euro)

	Sep 2014	Sep 2013
Provision for other liabilities and charges:		
Charge for the period	1 390	900
Write-back for the period	(2 059)	(130)
	(669)	770

18 Share of profit of associates under the equity method

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

(thousands of Euro)

	Sep 2014	Sep 2013
Lusitania Vida, Companhia de Seguros, S.A.	-	1 506
Montepio Seguros, S.G.P.S., S.A.	1 541	-
Montepio - Gestão de Activos Imobiliários, A.C.E.	(256)	-
Lusitania, Companhia de Seguros, S.A.	-	(4 354)
Iberpartners Cafés, S.G.P.S., S.A.	(9)	(1 931)
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	3	163
	1 279	(4 616)

19 Cash and deposits at central banks

This caption is analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Cash	161 384	180 217
Deposits at central banks		
Bank of Portugal	229 437	87 459
Other central banks	63 479	46 583
	454 300	314 259

The balance Deposits at central banks includes deposits with central banks of the countries where the Group operates to satisfy the legal requirements to maintain a cash reserve for which the value is based on the value of deposits and other liabilities. The cash reserve requirements, according with the European Central Bank System for Euro Zone, establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. This interest rate is different for countries outside Euro Zone.

As at 30 September 2014, these deposits at Bank of Portugal presented an average interest rate of a 0.05% (31 December 2013: 0.25%). The deposits at other central banks are non-interest-bearing deposits.

20 Loans and advances to credit institutions repayable on demand

This caption is analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Credit institutions in Portugal	159 515	183 356
Credit institutions abroad	13 475	15 302
Amounts due for collection	34 860	35 127
	207 850	233 785

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

21 Other loans and advances to credit institutions

This caption is analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Loans and advances to credit institutions in Portugal		
Deposits	1 133	1 135
Loans	9	14 865
Other loans and advances	12 002	4 002
	13 144	20 002
Loans and advances to credit institutions abroad		
Deposits	19 203	9 990
Short term deposits	231 795	186 615
Subordinated loans and advances	198	-
Other loans and advances	93 696	114 266
	344 892	310 871
	358 036	330 873
Impairment for credit risk to credit institutions	(387)	(810)
	357 649	330 063

The main loans and advances to credit institutions in Portugal, as at 30 September 2014, bear interest at an average annual interest rate of 0.10% (31 December 2013: 0.35%).

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

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

(thousands of Euro)

	Sep 2014	Dec 2013
Initial balance	810	25
Charge for the period	129	1 625
Write-back for the period	(552)	(840)
Final balance	387	810

22 Loans and advances to customers

This caption is analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Domestic loans:		
Corporate:		
Loans	2 433 524	2 419 920
Commercial lines of credits	1 225 973	1 296 183
Loans represented by securities	670 342	596 275
Finance leases	403 834	374 122
Discounted bills	91 736	112 777
Factoring	83 303	76 554
Overdrafts	54 184	55 754
Other loans	1 140 740	1 055 583
Retail:		
Mortgage loans	8 019 418	8 281 270
Finance leases	78 195	64 624
Consumer and other loans	1 097 966	1 104 246
	15 299 215	15 437 308
Foreign loans:		
Corporate	255 075	109 887
Retail	41 338	55 306
	15 595 628	15 602 501
Correction value of assets subject to hedge operations		
Other credits	4 448	5 135
Overdue loans and interest:		
Less than 90 days	125 981	121 666
More than 90 days	1 076 398	877 365
	1 202 379	999 031
	16 802 455	16 606 667
Impairment for credit risks	(1 387 163)	(1 051 526)
	15 415 292	15 555 141

At 30 September 2014, the balance Loans and advances to customers includes the amount of Euro 2,748,975 thousands (31 December 2013: Euro 2,718,554 thousands) related to the issue of covered bonds held by the Group, in accordance with note 38.

As at 31 December 2013, the Group reclassified commercial paper portfolio from financial assets available for sale to loans and advances to customers, in the amount of Euro 755,786 thousands and impairment in the amount of Euro 21,029 thousands, as described in note 25.

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

- May 2013: Issue of Euro 500,000 thousands; term: 4 years; an interest rate: Euribor 3M + 0.75%;
- July 2012: Refund of Euro 655,000 thousands;
- June 2012: Cancellation of Euro 53,300 thousands, with a score of Euro 1,857 thousands, 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; an 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 caption loans and advances to customers includes the effect of traditional securitization transactions, held by SPEs subject of consolidation under IFRS 10, according with the accounting policy described in note 1 b) and synthetics securitization.

Securitization operations taken by the Group are related to mortgages credits, consumer credit, leasings and loans to firms realized through special purpose entities (SPEs). As referred in accounting policy described in note 1 b), the SPEs are consolidated by full method when the substance of the relation with the entities show that the Group has control over his activities.

In the caption Correction of asset values subject to hedge operations is accounted the fair value of portfolio that is hedge. The evaluation is accounted for in the income statement, in accordance with note 1 e). The Group periodically carries out effectiveness tests on existing hedge relationships.

The Loans and advances to customers’ caption, corresponds mostly to variable interest rate credit agreements.

The Financial leases as at 30 September 2014, in residual maturity terms is presented as follows:

(thousands of Euro)

	Financial leases			
	Due within 1 year	**1 year to 5 years**	**Over 5 years**	**Total**
Outstanding rents	80 307	274 619	155 358	510 284
Outstanding interest	(16 176)	(52 566)	(30 010)	(98 752)
Residual values	9 569	37 931	22 997	70 497
	73 700	259 984	148 345	482 029

The Financial leases as at 31 December 2013, in residual maturity terms is presented as follows:

(thousands of Euro)

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

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

(thousands of Euro)

	Sep 2014	**Dec 2013**
Asset-backed loans	579 849	500 663
Other guarantee loans	308 871	255 474
Unsecured loans	264 767	191 801
Public sector loans	-	90
Foreign loans	-	6 086
Finance leases loans	48 892	44 917
	1 202 379	999 031

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

(thousands of Euro)

	Sep 2014	Dec 2013
Corporate:		
Construction / Production	277 139	224 435
Investment	262 345	199 332
Treasury	366 373	306 764
Other loans	6 600	7 198
Retail:		
Mortgage loans	120 346	111 223
Consumer credit	60 366	56 420
Other loans	60 386	54 001
Public sector	-	90
Other segments	48 824	39 568
	1 202 379	999 031

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

(thousands of Euro)

	Sep 2014	Dec 2013
Initial balance	1 051 526	922 284
Charge for the period net of reversals	360 200	307 064
Loans charged-off	(33 296)	(315 552)
Transfers	8 733	137 730
Final balance	1 387 163	1 051 526

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

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

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

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

(thousands of Euro)

	Sep 2014	Dec 2013
Asset-backed loans	10 272	32 460
Other guarateed loans	5 885	125 739
Unsecured loans	17 139	157 353
	33 296	315 552

The recovered loans and overdue interest, performed between 1 January and 30 September 2014 and 2013, reached the amount of Euro 9,229 thousands and Euro 6,668 thousands, respectively related with the recovery of asset-backed loans with real guarantees, as referred in note 14.

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

23 Financial assets and liabilities held for trading

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

(thousands of Euro)

	Sep 2014	Dec 2013
Financial assets held-for-trading:		
Securities		
Shares	10 986	7 809
Bonds	6 242	584
	17 228	8 393
Derivatives		
Derivatives financial instruments with positive fair value	48 728	48 142
Loans and other receivables	5 714	7 571
	54 442	55 713
	71 670	64 106
Financial liabilities held-for-trading:		
Securities		
Short sales	1 134	1 389
Derivatives		
Derivatives financial instruments with negative fair value	64 104	60 835
	65 238	62 224

The balance Derivatives financial instruments with positive fair value includes the amount of Euro 30,637 thousands (31 December 2013: Euro 33,278 thousands) referred to instruments associated to assets or liabilities at fair value through profit and loss, with the exception of loans and advances to customers in the amount of Euro 195 thousands (31 December 2013: Euro 196 thousands).

The balance Derivatives financial instruments with negative fair value includes the amount of Euro 23,806 thousands (31 December 2013: Euro 23,299 thousands) referred to instruments associated to assets or liabilities at fair value through profit and loss, with the exception of loans and advances to customers in the amount of Euro 2,306 thousands (31 December 2013: Euro 2,161 thousands).

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

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

(thousands of Euro)

		Sep 2014						
		Derivative			Related asset/Liability			
Derivative	**Related financial asset / liability**	**Notional**	**Fair value**	**Changes in the fair value in the year**	**Fair value**	**Changes in the fair value in the year**	**Book Value**	**Reimbursement amount at maturity date**
Interest rate swap	Secutities issued	228 653	2 874	(2 789)	10 586	(4 521)	244 703	242 523
Interest rate swap	Deposits	96 910	(1 651)	(490)	(643)	4 720	91 215	91 184
Interest rate swap	Resources	68 033	9 981	31	(654)	(1 082)	71 460	60 000
Interest rate swap	Covered bonds	5 498 527	(4 374)	99	-	-	-	-
Interest rate swap	Loans	25 000	(2 111)	(146)	1 917	129	25 354	25 000
Interest rate swap	Other	3 111 882	(21 323)	(460)	-	-	-	-
Currency swap	-	174 854	864	1 254	-	-	-	-
Forwards	-	14 657	(28)	(25)	-	-	-	-
Options	-	420 523	343	(125)	-	-	-	-
Credit Default Swaps	-	6 000	49	(32)	-	-	-	-
		9 645 039	(15 376)	(2 683)	11 206	(754)	432 732	418 707

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

(thousands of Euro)

		Dec 2013						
		Derivative			Related asset/Liability			
Derivative	**Related financial asset / liability**	**Notional**	**Fair value**	**Changes in the fair value in the year**	**Fair value**	**Changes in the fair value in the year**	**Book Value**	**Reimbursement amount at maturity date**
Interest rate swap	Secutities issued	297 003	5 663	(6 392)	15 107	(27 808)	382 630	349 095
Interest rate swap	Deposits	44 500	(1 161)	(27 216)	(5 363)	10 168	211 839	362 313
Interest rate swap	Resources	92 559	9 950	(7 376)	428	(8 684)	61 023	60 000
Interest rate swap	Covered bonds	5 450 922	(4 473)	1 046	-	-	-	-
Interest rate swap	Loans	25 000	(1 965)	747	1 788	(687)	24 646	25 000
Interest rate swap	Other	4 287 471	(20 863)	4 188	-	-	-	-
Currency swap	-	207 304	(390)	(605)	-	7	-	-
Forwards	-	6 034	(3)	(13)	-	-	-	-
Options	-	203 538	468	(317)	-	-	-	-
Credit Default Swaps	-	9 000	81	255	-	-	-	-
		10 623 331	(12 693)	(35 683)	11 960	(27 004)	680 138	796 408

24 Other financial assets at fair value through profit or loss

This caption is analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Bonds from other issuers		
Foreign	-	3 450

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

25 Financial assets available-for-sale

This balance is analysed as follows:

(thousands of Euro)

	Sep 2014				
		Fair value reserve			
	Cost (1)	Positive	Negative	Impairment Losses	Book value
Fixed income securities:					
Issued by public entities:					
Portuguese	1 437 062	42 086	(6 216)	-	1 472 932
Foreign	99 805	6 177	(1 324)	(8 415)	96 243
Issued by other entities:					
Portuguese	625 910	6 891	(19 493)	-	613 308
Foreign	564 182	19 829	(4 811)	(8 851)	570 349
Commercial paper	21 121	-	-	(997)	20 124
Variable income securities:					
Shares in companies:					
Portuguese	87 255	10 159	(28)	(6 569)	90 817
Foreign	16 455	2 755	(351)	(3 175)	15 684
Investment fund units	342 128	8 691	(4 891)	(7 079)	338 849
	3 193 918	96 588	(37 114)	(35 086)	3 218 306

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

(thousands of Euro)

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

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

As described 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 47. The Group assesses periodically whether there is objective evidence of impairment losses on the available-for-sale financial assets, following the judgment criteria is described in the accounting policy described in note 1 aa).

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

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

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

- The reclassification of commercial paper from financial assets available for sale to the loans and advances to customers is realized at the fair value of the debt instrument at the date of reclassification;
- No unrealized gain or loss recognised was recognised in the fair value reserve at the date of reclassification;
- The fair value of commercial paper in the reclassification date will become the new cost;
- At the date of reclassification is determined a new effective interest rate as the basis of calculation and recognition of interest and amortised cost from that moment;
- The new effective interest rate is the rate that exactly discounts estimated future cash flows over the remaining expected life of the instruments fair value at the date of reclassification;

- A subsequent change in the fair value of the debt instrument over its new amortised cost is not recognised;
- It's performed a review of subsequent impairment taking into consideration the new amortised cost, the new effective interest rate and the expected future cash flows; and
- Any impairment loss, measured as the difference between the new amortised cost and the present value of estimated future cash flows (excluding future credit losses that have not incurred) discounted at the new effective interest rate determined at the date of reclassification, is recognised in profit or loss.

In this context, as at December 2013, the Group reclassified commercial paper portfolio from financial assets available for sale to loans and advances to customers, in the amount of Euro 755,786 thousands and impairment in the amount of Euro 21,029 thousands, as described in note 22.

The caption Variable income securities – Investment fund units includes the amount of Euro 80,223 thousands (31 December 2013: Euro 81,498 thousands) relating to units in a Fund specialized in the recovery of loans acquired under the sale of loans and advances to customers. This amount includes Euro 6,153 thousands (31 December 2013: Euro 6,153 thousands) engaged to junior securities (investment fund units with a more subordinated character), which are fully provisioned.

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

(thousands of Euro)

	Sep 2014	Dec 2013
Initial balance	39 266	38 948
Charge for the period	46 256	68 881
Write-back for the period	(9 999)	(34 859)
Charged-off	(40 437)	(33 704)
Final balance	35 086	39 266

As described in the accounting policy described in note 1 d), the portfolio of financial assets available for sale are presented net of the total fair value reserve and impairment. The total fair value reserve for financial assets available for sale is positive and amounts to Euro 59,474 thousands (31 December 2013: positive Euro 11,352 thousands) and impairment amounts to Euro 35,086 thousands (31 December 2013: Euro 39,266 thousands).

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

(thousands of Euro)

	Sep 2014			Dec 2013		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed income securities:						
Issued by public entities:						
Portuguese	1 460 639	12 293	1 472 932	3 053 183	-	3 053 183
Foreign	95 981	262	96 243	23 088	-	23 088
Issued by other entities:						
Portuguese	583 849	29 459	613 308	554 196	30 100	584 296
Foreign	560 736	9 613	570 349	310 642	-	310 642
Commercial paper	-	20 124	20 124	-	30 773	30 773
Variable income securities:						
Shares in companies:						
Portuguese	90 807	10	90 817	9 095	4 594	13 689
Foreign	15 328	356	15 684	11 910	343	12 253
Investment fund units	338 849	-	338 849	516 620	1 272	517 892
	3 146 189	72 117	3 218 306	4 478 734	67 082	4 545 816

26 Hedging derivatives

This caption is analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Asset		
Interest rate swap	165	503
Liability		
Interest rate swap	2 361	1 849

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

The Group performs periodical effectiveness tests of the hedging relationships.

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

(thousands of Euro)

	Sep 2014	Dec 2013
Deposits from other credit institutions	-	(209)
Financial assets available-for-sale	1 287	1 478
	1 287	1 269

27 Held-to-maturity investments

This caption is analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Fixed income securities:		
Bonds issued by Portuguese public entities	6 348	6 149
Bonds issued by foreign public entities	90 730	28 482
	97 078	34 631

The Group assessed, with reference to 30 September 2014, the existence of objective evidence of impairment on its held-to-maturity investments portfolio and no events with impact on the recoverable amount of the future cash flows associated with those investments were identified.

The held-to-maturity investments, as at 30 September 2014 are analysed as follows:

(thousands of Euro)

Issue	Issue date	Maturity Date	Interest Rate	Book Value
TB - Outubro 05/15-10-2015	July, 2005	October, 2015	Fixed rate of 3.35%	6 348
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3.25%	5 016
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3.50%	2 011
Belgium Kingdom 05/28-09-2015	March, 2005	September, 2015	Fixed rate of 3.75%	1 990
Buoni Poliennali del Tes. 05/2015	May, 2005	August, 2015	Fixed rate of 3.75%	2 001
TB Cabo Verde13/28-04-2016	April, 2013	April, 2016	Fixed rate of 5.50%	51
TB Angola 13/15-11-2015	November, 2013	November, 2015	Fixed rate of 5.00%	27 361
TB Angola 13/15-11-2016	November, 2013	November, 2016	Fixed rate of 5.00%	21 009
TB Angola 13/15-11-2017	November, 2013	November, 2017	Fixed rate of 5.00%	5 052
TB Angola 13/04-12-2015	December, 2013	December, 2015	Fixed rate of 7.00%	4 137
TB Angola 14/09-07-2017	July, 2014	July, 2017	Fixed rate of 7.00%	1 067
TB Angola 14/16-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	1 068
TB Angola 14/23-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	1 070
TB Angola 14/06-08-2019	August, 2014	August, 2019	Fixed rate of 7.75%	500
TB Angola 14/06-08-2018	August, 2014	August, 2018	Fixed rate of 7.50%	1 000
TB Angola 14/06-08-2017	August, 2014	August, 2017	Fixed rate of 7.25%	500
TB Angola 14/30-07-2016	July, 2014	July, 2016	Fixed rate of 7.00%	535
TB Angola 13/04-12-2016	December, 2013	July, 2016	Fixed rate of 7.25%	4 141
TB Angola 14/13-08-2017	August, 2014	August, 2017	Fixed rate of 7.25%	2 742
TB Angola 14/16-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	802
TB Angola 14/23-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	803
TB Angola 14/30-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	802
TB Angola 14/13-08-2018	August, 2014	August, 2018	Fixed rate of 7.50%	1 371
TB Angola 14/23-07-2018	July, 2014	July, 2018	Fixed rate of 7.50%	402
TB Angola 14/30-07-2018	July, 2014	July, 2018	Fixed rate of 7.50%	401
TB Angola 14/13-08-2019	August, 2014	August, 2019	Fixed rate of 7.75%	1 371
TB Angola 14/23-07-2019	July, 2014	July, 2019	Fixed rate of 7.75%	402
TB Angola 14/30-07-2019	July, 2014	July, 2019	Fixed rate of 7.75%	401
TB Angola 14/16-09-2019	September, 2014	September, 2019	Fixed rate of 7.75%	1 362
TB Angola 14/16-09-2018	September, 2014	September, 2018	Fixed rate of 7.75%	1 362
				97 078

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

During the nine months period ended in 30 September 2014 and 2013, the Group did not transfer to or from this assets category.

28 Investments in associated companies and others

This caption is analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Investments in associated companies and others		
Montepio Seguros, S.G.P.S., S.A.	25 999	22 031
Nutre S.G.P.S., S.A.	-	15 936
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 393	3 412
Iberpartners Cafés S.G.P.S., S.A.	967	1 020
Montepio - Gestão de Activos Imobiliários, ACE	443	-
Pinto & Bulhosa, S.A.	191	191
Naviser – Transportes Marítimos Internacionais, S.A.	150	150
Unquoted	31 143	42 740
Impairment of investments in associated companies	(341)	(341)
	30 802	42 399

The information concerning associated companies is presented in the following table:

(thousands of Euro)

	Assets	Liabilities	Equity	Income	Profit / (Loss)	Participation cost
31 September 2014						
Montepio Seguros, S.G.P.S., S.A.	n/a	n/a	84 045	n/a	4 578	65 100
S.A.	43 483	26 519	16 964	5 560	16	3 200
Iberpartners Cafés S.G.P.S., S.A.	2 191	638	1 553	-	(897)	698
Nutre S.G.P.S., S.A.	4 977	1 688	3 289	-	(31)	1 000
31 December 2013						
Montepio Seguros, S.G.P.S, S.A.	998 162	924 847	73 315	248 293	(23 864)	65 100
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	43 416	26 357	17 059	8 200	(1)	3 200
Iberpartners Cafés S.G.P.S., S.A.	5 117	1 644	3 473	151	79	1 000
Nutre S.G.P.S., S.A.	173 314	140 377	32 937	8 868	(9 654)	22 018

n/a - Information not available

(thousands of Euro)

	Percentage held		Book value		Associated companies net profit	
	Sep 2014 %	Dec 2013 %	Sep 2014	Dec 2013	Sep 2014	Dec 2013
Montepio Seguros, S.G.P.S., S.A.	33,65%	33,65%	25 999	22 031	1 540	(7 926)
Nutre S.G.P.S., S.A.	-	20,00%	-	15 936	-	(1 931)
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	20,00%	20,00%	3 393	3 412	3	-
Iberpartners Cafés S.G.P.S., S.A.	29,41%	29,41%	967	1 020	(9)	-
Montepio - Gestão de Activos Imobiliários, ACE	28,50%	-	443	-	(256)	-
Pinto & Bulhosa, S.A.	16,00%	16,00%	-	-	-	-
Naviser - Transportes Marítimos Internacionais, S.A.	20,00%	20,00%	-	-	-	-

The movements for this caption are analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Initial balance	42 740	61 177
Acquisitions	698	65 100
Share of profit of associates	1 279	(12 682)
Fair value reserve from associates	(13 574)	(31 774)
Dividends received	-	(944)
Disposals	-	(38 137)
Final balance	31 143	42 740

In the end of the year 2013, in the scope of Montepio Geral Group's restructuring, the financial participation related with insurance and pension funds sectors were reorganized. In this context, on December 27, 2013, Montepio Seguros, SGPS was set up with the purpose to manage the investment in associated companies of these sectors.

CEMG sold the participations directly held in Lusitania Vida – Companhia de Seguros S.A. and in Lusitania – Companhia de Seguros S.A. to Montepio Seguros, S.G.P.S., S.A., and was simultaneously repaid from supplementary capital in the amount of Euro 18,750 thousands. Additionally, acquired 33.65% from Montepio Seguros S.G.P.S. S.A. capital for Euro 46,350 thousands making supplementary capital in Montepio Seguros S.G.P.S., S.A. in the amount of Euro 18,750 thousands.

After this operation, Montepio Seguros share capital, which is fully paid, is now Euro 137,750 thousands, being held in 52.63% by Montepio Geral – Associação Mutualista, in 33.65% by CEMG, in 8.35% by Lusitania, in 3.37% by Futuro and in 2.11% by Lusitania Vida.

On 21 June 2013, in accordance with General Shareholders Meeting, the Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.) increased its share capital in the amount of Euro 1,996 thousands, through cash contributions.

Following this transaction, Banco Montepio Geral - Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.) share capital, which is fully paid, amounts to Euro 8,997 thousands (2012: Euro 7,001 thousands), fully owned by CEMG.

29 Non-current assets held for sale

This caption is analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Investments arising from recovered loans	895 710	773 540
Impairment for non-current assets held-for-sale	(96 240)	(92 152)
	799 470	681 388

The assets included in this balance are accounted for in accordance with the note 1 j).

The balance Investments arising from recovered loans includes buildings and other assets resulting from the foreclosure of contracts of loans to customers, originated by (i) delivery of the assets, with option to repurchase or leasing, accounted with the celebration of the contract or the promise to deliver the asset and the respective irrevocable power of attorney issued by the customer in the name of the Group; or (ii) the adjudication of the assets as a result of a judicial process of guarantees execution, accounted with the title of adjudication or following the adjudication request after the record of the first pawn.

According to the Group's expectation, these assets are available for sale in a period less than 1 year and the Group has a strategy for its sale.

The non-current assets held-for-sale movements in the nine months period ended in 30 September 2014 and during 2013 exercise, are analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Initial balance	773 540	521 849
Acquisitions	213 935	458 304
Disposals	(91 622)	(207 351)
Other movements	(143)	738
Final balance	895 710	773 540

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

(thousands of Euro)

	Sep 2014	Dec 2013
Initial balance	92 152	30 054
Charge for the period	8 696	71 885
Write-back for the period	(4 342)	(9 787)
Charged-off	(266)	-
Final balance	96 240	92 152

30 Investment properties

The caption Investment properties considers the real estate properties owned by "Finipredial - Fundo de Investimento Aberto", "Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional", "Montepio Arrendamento II – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional", "Polaris – Fundo de Investimento Imobiliário Fechado, "Portugal Estates Fund (PEF) – Fundo de Investimento Imobiliário Fechado" and "Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto", which are fully consolidated, according to the accounting policy described in note 1 b).

The real estate properties are measured in accordance with the accounting policy described in note 1 q).

31 Property and equipment

This caption is analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Cost:		
Buildings:		
For own use	34 910	34 577
Leasehold improvements in rented buildings	53 085	52 695
Construction in progress	22 436	21 968
Equipment:		
Furniture	22 530	21 796
Office equipment	3 525	3 354
Computer equipment	84 862	84 367
Interior installations	21 573	21 359
Motor vehicles	5 131	4 803
Security equipment	7 778	7 678
Other equipment	5	5
Works of art	2 869	2 869
Assets in operacional lease	36 632	25 653
Assets in finance lease	38	38
Other tangible assets	2 453	2 439
Work in progress	5 066	2 038
	302 893	285 639
Accumulated depreciation:		
Charge for the period	(13 313)	(19 737)
Accumulated charge for the previous periods	(162 468)	(145 410)
	(175 781)	(165 147)
	127 112	120 492

32 Intangible assets

This caption is analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Cost:		
Software	65 392	59 307
Revaluation and consolidation differences (Goodwill)	53 024	53 024
Other intangible assets	2 800	5 609
Work in progress	9 122	216
	130 338	118 156
Accumulated depreciation:		
Charge for the period	(9 875)	(13 615)
Accumulated charge for the previous periods	(32 459)	(18 750)
	(42 334)	(32 365)
Impairment for intangible assets	(26 512)	(26 512)
	61 492	59 279

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

In accordance with the accounting policy described in note 1 b), the recoverable amount from the differences in the consolidation is evaluated in a year basis in the second half of each exercise, regardless of the existence of any impairment indicators or, as disposed in the paragraph 9 of IAS 36, whenever there are signs that the asset under consideration is impaired.

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

In accordance with IAS 36 the recoverable amount of goodwill should be the 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 annually assesses their investments for which there is goodwill recognized as an asset, and 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 evaluations were based on duly sustainable assumptions representing the best estimate of the Executive Board of Directors on the economic conditions that affect each subsidiary, the budgets and the latest projections approved for those subsidiaries and their extrapolation to future periods.

The assumptions made for these assessments may vary with the change in economic conditions and in the market.

33 Taxes

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

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

(thousands of Euro)

	Assets		Liabilities		Net Value	
	Sep 2014	**Dec 2013**	**Sep 2014**	**Dec 2013**	**Sep 2014**	**Dec 2013**
Financial instruments	15 511	17 784	(33 701)	(25 849)	(18 190)	(8 065)
Other tangible assets	(30)	(24)	(414)	(421)	(444)	(445)
Provisions	265 082	193 361	-	-	265 082	193 361
Benefits to employees	40 563	40 063	-	-	40 563	40 063
Other	1 109	1 151	-	-	1 109	1 151
Tax losses carried forward	58 065	110 199	-	-	58 065	110 199
Net deferred tax assets/(liabilities)	380 300	362 534	(34 115)	(26 270)	346 185	336 264

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

The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offset and when the deferred taxes are related to the same tax.

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

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

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

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

The deferred tax rate is analysed as follows:

	Sep 2014 %	Dec 2013 %
Income tax (a)	23.00%	23.00%
Municipal tax rate	1.50%	1.50%
State tax rate	5.00%	5.00%
Total (b)	29.50%	29.50%

(a) - Applicable to deferred taxes related to tax losses;

(b) - Applicable to deferred taxes related to temporary differences

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

Deferred tax assets and liabilities related to the losses carried forward are recognised only if the existence of future taxable profits is probable. The uncertainty of the recoverability of the tax losses and tax credit carried forward is considered in the deferred tax assets calculation.

Deferred tax balance movements were recognised as follows:

(Thousands of Euro)

	Sep 2014	Dec 2013
Initial balance	336 264	265 454
Charged to profit	22 329	85 448
Charged to reserves and retained earnings	(12 408)	(14 638)
Final balance (Asset/ (Liability))	346 185	336 264

Tax recognised in the income and reserves during the period ended 30 September 2014 and 31 December 2013 is analysed as follows:

(thousands of Euro)

	Sep 2014		Dec 2013	
	Charged to profit	Charged to reserves	Charged to profit	Charged to reserves
Financial instruments	-	(10 125)	-	(11 814)
Other tangible assets	1	-	38	-
Provisions	71 742	(21)	41 988	-
Employees benefits	2 763	(2 262)	1 177	(2 824)
Other	(43)	-	1 151	-
Tax losses carried forward	(52 134)	-	41 094	-
Deferred taxes	22 329	(12 408)	85 448	(14 638)
Current taxes	(55 033)	-	(9 469)	-
Total recognized tax	**(32 704)**	**(12 408)**	**75 979**	**(14 638)**

Net deferred tax assets changes includes the deferred tax expenses for the year recognised in the profit and loss account, as well as the changes recognised in reserves and retained earnings, namely the impact resulting from the changes, of the accounting policy for the recognition of actuarial gains and losses related with pension and post-employment benefits, for the year and for previous years and unrealized gains and losses resulting from the revaluation of financial assets available for sale recognised in Equity.

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

(thousands of Euro)

	Sep 2014		Dec 2013	
	%	Amount	%	Amount
Profit before taxes		57 294		(372 452)
Extraordinary contribution for the banking sector		5 825		5 109
Profit before tax for the tax reconciliation		63 119		(367 343)
Tax rate	23.0		25.0	
Income tax based on the tax rate		14 517		(91 836)
Non deductible costs	(381.0)	240 499	(9.4)	34 374
Tax-exempt profits	30.7	(19 385)	9.3	(34 097)
Tax losses apllication	369.7	(233 363)	-	-
Autonomous taxation and other taxes	(43.6)	27 535	(2.6)	9 469
Other	(5.1)	2 901	(1.7)	6 111
Tax for the period	(57.1)	32 704	20.4	(75 979)

The Group recognised its deferred taxes based on an assessment of recoverability, taking into consideration the profit expectation of future taxable profits.

34 Other assets

This caption is analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Receivable subsidies from Portuguese Government	7 442	8 111
Other debtors	126 609	122 190
Other accrued income	3 540	8 998
Prepayments and deferred costs	6 878	2 448
Sundry debtors	186 099	42 246
	330 568	183 993
Impairment for other assets	(15 102)	(11 732)
	315 466	172 261

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

As at 30 September 2014 and 31 December 2013, the caption Recoverable subsidies from the Portuguese Government is analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Recoverable subsidies from the Portuguese Government unliquidated	3 346	3 381
Processed subsidies and unclaimed	555	762
Overdue subsidies and unclaimed	3 541	3 968
	7 442	8 111

As at 30 September 2014, the caption Sundry debtors the amount of Euro 21,798 thousands (31 December 2013: Euro 8,027 thousands) refer to transactions with securities recorded on trade date and pending settlement.

The caption Sundry debtors includes the amount of Euro 21,123 thousands (31 December 2013: Euro 1,572 thousands) relating to net assets recognised in balance sheet and representing the excess coverage of pension liabilities, health benefits and death subsidies.

The movements in impairment for Other assets are analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Initial balance	11 732	3 636
Charge for the period	5 440	1 654
Write-back for the period	(450)	(2 470)
Transfers	(1 620)	8 912
Final balance	15 102	11 732

35 Deposits from central banks

As at 30 September 2014 and 31 December 2013, this balance is related to deposits obtained in the European System of Central Banks and is covered by securities from the available-for-sale portfolio pledged as collaterals portfolio of financial assets available-for-sale.

The analysis of Deposits from central banks' captions by the remaining period as of 30 September 2014 and 31 December 2013, is presented as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Due within 3 months	600 005	1 768 860
Over de 6 months	1 595 608	1 658 494
	2 195 613	3 427 354

36 Deposits from other financial institutions

This balance is analysed as follows:

(thousands of Euro)

	Sep 2014			Dec 2013		
	Non-interest bearing	**Interest bearing**	**Total**	**Non-interest bearing**	**Interest bearing**	**Total**
Deposits from credit institutions in Portugal	-	88 904	88 904	143	53 321	53 464
Deposits from credit institutions abroad	573 165	470 648	1 043 813	40 668	380 365	421 033
	573 165	559 552	1 132 717	40 811	433 686	474 497

As at September 2014, this caption includes Euro 71,460 thousands (31 December 2013: Euro 61,023 thousands) from Deposits from other financial institutions registered in balance sheet at fair value through profit or loss.

37 Deposits from customers

This balance is analysed as follows:

(thousands of Euro)

	Sep 2014			Dec 2013		
	Non-interest bearing	**Interest bearing**	**Total**	**Non-interest bearing**	**Interest bearing**	**Total**
Deposits repayable on demand	136 591	2 658 364	2 794 955	256 309	2 233 635	2 489 944
Time deposits	-	11 072 806	11 072 806	-	11 497 167	11 497 167
Saving accounts	-	119 382	119 382	-	130 589	130 589
Other resources	12 178	-	12 178	19 765	-	19 765
Adjustments arising from hedging operations	630	13	643	5 363	-	5 363
	149 399	13 850 565	13 999 964	281 437	13 861 391	14 142 828

In accordance with the legislation, the deposit guarantee fund was established to guarantee the reimbursement of funds deposited in financial institutions. The criteria to calculate the annual contributions to the referred fund is defined by the Regulation no. 11/94 of Bank of Portugal.

As at 30 September 2014, this balance includes Euro 91,215 thousands (31 December 2013: Euro 211,839 Euro) from deposits registered in balance sheet at fair value through profit and losses.

38 Debt securities issued

This caption is analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Euro Medium Term Notes (EMTN)	342 452	357 803
Cash bonds	1 788 521	1 717 872
Covered bonds	-	80
Commercial paper	-	243 673
	2 130 973	2 319 428

As at 30 September 2014, this balance includes the amount of Euro 170,635 thousands (31 December 2013: Euro 275,233 thousands) related to debt securities issued recognised at the balance sheet at fair value through profit or loss.

During the 2014 exercise, the Group issued Euro 453,987 thousands (31 December 2013: Euro 1,515,987 thousands) of debt securities and performed the refund of Euro 674,346 thousands (31 December 2013: Euro 1,250,588 thousands).

Under the Issuance of covered bonds program, which maximum amount is Euro 5,000 million, the Group proceeds to the emissions which totalized Euro 2,000 million. As at 30 September 2014, the main characteristics of these issues are as follows:

(thousands of Euro)

Description	Nominal value	Book value	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody´s/Fitch/Dbrs)
Covered bonds - 2S	1 000 000	1 000 324	Dec. 2009	Dec. 2016	Quarterly	Euribor 3M + 0.75%	Ba1/BBB/AL
Covered bonds - 3S	500 000	502 106	Nov. 2010	Nov. 2015	Quarterly	Euribor 3M + 2.5%	Ba1/BBB/AL
Covered bonds- 4S	500 000	500 084	May 2013	May 2017	Annual	Euribor 1M + 0.75%	Ba1/BBB/AL
	2 000 000	2 002 514					

The covered bonds are secured by a set of mortgage loans that are segregated as independent assets in the Group's accounts, and over which the holders of the relevant covered bonds have a statutory special creditor privilege. The conditions of this issue fall within the provisions of Decree-Law no. 59/2006, Regulations no. 5/2006, of March 20, no. 6/2006, of October 11, no. 7/2006, of October 11, and no. 8/2006, of October 11, and Instruction no. 13/2006, of November 15, of the Bank of Portugal.

As at 30 September 2014, the amount of credits that collateralize these emissions are higher in Euro 2,748,975 thousands (31 December 2013: Euro 2,718,554 thousands), according with note 22.

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

As at 30 September 2014, for the bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 0.5% and 12.16% (31 December 2013: 0.5% and 16.76%).

39 Financial liabilities relating to transferred assets

This caption is analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Pelican Mortgages No. 3	165 725	194 287
Others	-	762
	165 725	195 049

40 Provisions

This caption is analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Other provisions for liabilities and charges	6 511	8 014

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

(thousands of Euro)

	Sep 2014	Dec 2013
Initial balance	8 014	14 292
Charge for the period	1 390	3 444
Write-back for the period	(2 059)	(248)
Transfers	(834)	(9 474)
Final balance	6 511	8 014

41 Other subordinated debt

As at 30 September 2014, the mainly characteristics of the Other subordinated debt, are analysed as follows:

(thousands of Euro)

Issue	Issue date	Maturity date	Issue amount	Interest rate	Book Value
CEMG/06	Apr.2006	Abr.2016	50 000	Euribor 3 months+0.95%	26 162
CEMG/08	Fev.2008	Fev.2018	150 000	Euribor 6 months+1.50%	120 866
CEMG/08	Jun.2008	Jun.2018	28 000	Euribor 12 months+1.50%	18 086
CEMG/08	Jul.2008	Jul.2018	150 000	Euribor 6 months+1.50%	120 478
FNB 08/18 1ª/2ª Série	Dec.2008	Dez.2018	10 363	Euribor 6 months+0.15% (iv)	9 720
FNB Rendimento Seguro 05/15	Jun.2005	Jun.2015	238	6.25%*VN Min.(quote) (iii)	236
FNB Grandes empresas 07/16_ 1ª série	May 2007	May 2016	1 745	Max.(0;6.0%*(1-n/5)) (i)	4 913
FNB Grandes empresas 07/16 2ª/3ª série	Jun.2011	Jun.2016	22 602	Max.(0;6.0%*(1-n/5)) (i)	19 765
FNB Indices estratégicos 07/17 1ª série	May 2007	Jun.2015	13 207	6.25%*VN Min.(quote) (ii)	10 359
FNB Indices estratégicos 07/17 2ª/3ª série	Jun.2011	Jun.2015	26 629	6.25%*VN Min.(quote) (ii)	31 280
Ob. Cx Subordinadas Finicrédito	Nov.2007	Nov.2017	16 550	Tx base+0.90% (barrier level)	15 202
					377 067
				Corr. Liability value	(5 367)
					371 700

As at 30 September 2014, this caption includes the amount of Euro 74,068 thousands (31 December 2013: Euro 107,397 thousands) of responsibilities represented by securities issued recognised at the balance sheet at fair value through profit or loss.

As at 30 September 2014, the effective interest rate range of the subordinated debt bears postponed interest every three and six months is set between 0% and 2.13% (31 December 2013: 0.86% and 2.084%).

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	5,50%
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% * nominal value
2nd year	5.5% * nominal value
3rd and the following	6.25% * nominal value if Min (SDk/SD0-SXk/SX0; HSk/HS0- SXk/SX0) > Barreirak ***

*** if not = 0%, where:
Barrier 3 = Barrier to be applied on 3rd cupon = 0%;
Barrier 4 = Barrier to be applied on 3rd cupon = 1%;
Barrier 5 = Barrier to be applied on 5th cupon = 2%;
Barrier 6 = Barrier to be applied on 6th cupon = 3%;+B15
Barrier 7 = Barrier to be applied on 7th cupon = 4%;
Barrier 8 = Barrier to be applied on 8th cupon = 5%;
Barrier k = Barrier to be applied on k*cupon
SDk – Closing of Eurostoxx Select Dividend (Bloomberg: SD3E) on observation date K (K=1 to 6)
SD0 – Closing of Eurostoxx Select Dividend (Bloomberg: SD3E) at beginning date
SXk – Closing of Eurostoxx50 Total Return (Bloomberg: SX5T) on observation date K (K=1 a 6)
SX0 – Closing of Eurostoxx50 Total Return (Bloomberg: SX5T) at beginning date
HSk – Closing of HS60 Europe (Bloomberg: HS60EU) on observation date K (K=1 a 6)
HS0 – Closing of HS60 Europe (Bloomberg: HS60EU) at beginning date

(iii) - The payment will be semiannual, with a minimum of 1% and a maximum of 5%, and it will be calculated according with the following formula (annual rate):
n/N * 5% +m/N * 1%

where:
n is the number of working days of the respective period in which Euribor 6 months will be in the fixed range;
m is the number of working days of the respective period in which Euribor 6 months will be outside the fixed range;
N is the number of working days of the respective period.

Note:
Range is defined on the following table for each coupon:

Period	Coupon date	Range
1st semester	09-Dec-05	[1.60; 2.75%]
2nd semester	9-Jun-06	[1.60; 3.00%]
3rd semester	09-Dec-06	[1.60; 3.25%]
4th semester	9-Jun-07	[1.60; 3.50%]
5th semester	09-Dec-07	[1.60; 3.50%]
6th semester	9-Jun-08	[1.70; 3.75%]
7th semester	09-Dec-08	[1.70; 3.75%]
8th semester	9-Jun-09	[1.70; 4.00%]
9th semester	09-Dec-09	[1.80; 4.00%]
10th semester	9-Jun-10	[1.80; 4.25%]
11th semester	09-Dec-10	[1.80; 4.25%]
12th semester	9-Jun-11	[1.80; 4.50%]
13th semester	09-Dec-11	[1.90; 4.50%]
14th semester	9-Jun-12	[1.90; 4.50%]
15th semester	09-Dec-12	[1.90; 4.50%]
16th semester	9-Jun-13	[1.90; 4.50%]
17th semester	09-Dec-13	[2.00; 4.50%]
18th semester	9-Jun-14	[2.00; 4.50%]
19th semester	09-Dec-14	[2.00; 4.50%]
20th semester	9-Jun-15	[2.00; 4.50%]

(iv) - The payment will be semiannual and the first coupon will be fixed:

Coupon	Interest rate/ Range
1st coupon	6.50% (annual rate)
between 2nd and 10th cc	Euribor 6M + 1.50% (annual rate)
11th and following	Euribor 6M + 1.75% (annual rate)

42 Other liabilities

This caption is analysed as follows:

(thousands of Euro)

	Sep 2014	**Dec 2013**
Creditors:		
Suppliers	29 855	16 065
Other creditors	89 022	150 644
Administrative public sector	18 028	23 586
Holiday pay and subsidies	40 917	37 270
Other administrative costs payable	3 600	2 852
Deferred income	4 102	4 280
Other sundry liabilities	212 451	154 489
	397 975	389 186

The caption Other sundry liabilities includes the amount of Euro 51,311 thousands, related to assessing of payable IRC.

Additionally, the caption Other sundry liabilities includes the amount of Euro 40,337 thousands (31 December 2013: Euro 67,713 thousands) concerning balances of banking and financial transactions pending settlement.

43 Institutional Capital

On 6 November 2013, following the General Shareholders Meeting deliberation, CEMG increased the institutional capital of Caixa Económica Montepio Geral in the amount of Euro 105,000 thousands, by cash transfer.

On 26 September 2013, following the Executive Board of Directors' deliberation, CEMG increased the share capital of Caixa Económica Montepio Geral in the amount of Euro 100,000 thousands, by cash transfer.

On 20 December 2012, following the General Meeting deliberation, the institutional capital of Caixa Económica Montepio Geral was increased in an amount of Euro 50,000 thousands, by cash transfer.

After these operations, CEMG's institutional capital, which is fully paid, amounts to Euro 1,500,000 thousands, wholly owned by Montepio Geral – Associação Mutualista.

44 Participation fund

Following the decision of the General Meeting, held in 28 October 2013, it was issued in December 17, 2013, representative units of Fundo de Participação of Caixa Económica Montepio Geral, with a total notional of Euro 200.000 thousands, in cash.

These securities are tradable instruments, according to paragraph g) of article no. 1 of Código dos Valores Mobiliários, as they are other representative documents of homogeneous jurisdictional facts (namely the right of dividends and the right of receive the liquidation result of Caixa Económica Montepio Geral, after all debt holders are reimbursed, including the other subordinated debtors), with the possibility of being traded on the market.

Caixa Económica Montepio Geral issued 200.000.000 investment fund units with the face amount of Euro 1, which will be issued in book entry, nominative, form only.

Under the statutory rules of Caixa Económica Montepio Geral, theses securities do not grant the right to attend CEMG's General Meeting or the management and the economic rights associated to the ownership of the securities includes the right to receive an annual payment when, existing sufficient results to distribute, the General Meeting decided in that way, under a proposal of the Executive Board of Directors, on the right to the reimbursement of the nominal amount only on liquidation of Caixa Económica Montepio Geral and after all debt holders are reimbursed, including the other subordinated debtors, and in case of partial reimbursement of these securities, subject to the approval of Bank of Portugal. The right to information is granted to a common representative elected in the General Meeting of owners of these securities, and, therefore, the latter will not have direct access to the economic and financial information of Caixa Económica Montepio Geral.

These securities are eligible for solvency purposes as Core Tier 1. Under IAS 32 – Financial Instruments: Presentation, for accounting purposes, these securities are classified as Capital, considering its specific characteristics, namely the non-obligation of payment of the nominal amount and interests.

So, the classification as Capital results from the fact of the investor, as owner of the issued security, being effectively exposed to the risk of the company's equity instruments, as he may not receive an amount equal to the acquisition amount.

45 Other equity instruments

This caption registers the issuance of Euro 15.000 thousands occurred in the first quarter of 2010 Perpetual Subordinated Securities with conditional interests made by Montepio Investimento, S.A. (ex - Finibanco, S.A.), and in connection with the acquisition of Montepio Holding, S.G.P.S., S.A. (ex - Finibanco Holding, S.G.P.S., S.A.), and its subsidiaries, was integrated the CEMG responsibilities, as described in the accounting policy in note 1 a).

In case of Purchase of Subordinated Perpetual Securities, they are cancelled from equity and the difference between the purchase value and its book value is recognised in net profit.

During 2014, the CEMG has not repurchased perpetual subordinated instruments (2013: Euro 6,727 thousands). After this operation, in 30 September 2014 and 31 December 2013, the balance Other equity instruments present Euro 8,273 thousands.

Payment

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

1st to 4th coupon: 7.00%;

5th coupon and following: Euribor 6M + 2.75%, with a minimum of 5%.

Payment interest limitations

The Issuer will be prevented from making interest payment:

- And even the extent of competition in which the sum of the amount payable by the interest this issue with the amount of dividends paid or deliberate and guaranteed payments relating to any preference shares that are likely to be issued, exceed Distributable Funds of the Issuer; or
- Complies with the Regulatory capital requirements regulation or the extent and up to competition in its payment implies that is in default with that regulation.

The Issuer is also prevented from proceeding to the interest payment if, in the Executive Board of Directors or Bank of Portugal opinion, this payment endangers the compliance with 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 that implies these securities values may no longer be classified as Core Capital of the Issuer.

46 General and special reserves

The general and special reserves are charged under the scope of Decree-Law no. 136/79, of 18 May. The general reserve is charged to cover any risk and extraordinary losses or depreciation.

Under the Portuguese regulations, the general reserve should be charged, at least, in a minimum of 20% of the profit for the year. The limit of general reserve is 25% of total deposits. This reserve is not available for distribution and it can be used to improve future income performances or to increase capital.

The special reserve is charged to cover losses from current operations. Under the Portuguese regulations, the special reserve should be charged, at least, in a minimum of 5% of the profit for the year. This reserve is not available for distribution and it can be used to improve income performances or to increase capital.

The variation of the general and special reserves balance is analysed in note 47.

47 Revaluation reserves, other reserves and retained earnings

This caption is analysed as follows:

(Thousand of Euro)

	Sep 2014	Dec 2013
Fair value reserves		
Financial assets available-for-sale		
Gross amount	59 474	11 352
Taxes	(18 190)	(8 066)
Others	(4 875)	(14 819)
	36 409	(11 533)
Reserves and retained earnings:		
General reserve	187 102	187 532
Special reserve	68 273	68 273
Deferred tax reserve	47 041	49 324
Retained earnings	(337 766)	(66 935)
	(35 350)	238 194

The revaluation reserves related to assets available for sale represent the potential gains and losses on the portfolio of financial assets available for sale net of impairment and / o**r** in previous years in accordance with the accounting policy described in note 1 d).

The revaluation reserves related to assets available for sale are explained as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Amortised cost of financial assets available-for-sale	3 193 918	4 573 730
Accumulated impairment recognised	(35 086)	(39 266)
Amortised cost of financial assets available-for-sale, net impairment	3 158 832	4 534 464
Fair value of financial assets available-for-sale	3 218 306	4 545 816
Net unrealised gains/(losses) recognised in the fair value reserve	(59 474)	(11 352)

48 Own Securities

This caption includes representatives units of CEMG's Participation Fund owned by entities in the consolidation perimeter, and is presented as follows:

(thousands of Euro)

	Sep 2014
Balance value	3 502
Number of shares	3 984 582
Average unit value (Euro)	0.88

49 Distribution of profit

In 2014, CEMG has not distributed profits.

On 23 April 2013, following the General Assembly, CEMG distributed to Montepio Geral – Associação Mutualista the amount of Euro 1,692 thousands.

50 Non-controlling interests

This balance is analysed as follows:

(thousands of Euro)

	Balance		Income Statement	
	Sep 2014	Dec 2013	Sep 2014	Dec 2013
Finibanco Angola S.A.	13 392	11 035	1 941	1 740
	13 392	11 035	1 941	1 740

The movements of this balance are analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Initial balance	11 035	6 957
Exchange differences	416	562
Dividends	-	(434)
Others	-	1 797
	11 451	8 882
Difference of consolidation and revaluation (goodwill)	-	-
Profit attributable to non-controlling interest	1 941	2 153
Final balance	13 392	11 035

51 Obligations and future commitments

Obligations and future commitments are analysed as follows:

(thousands of Euro)

	Sep 2014	Dec 2013
Guarantees granted	508 329	483 544
Guarantees received	31 483 703	31 521 321
Commitments to third parties	1 192 838	1 949 361
Commitments from third parties	93 543	82 802
Assets transferred in securitised operations	197 499	214 474
Securities and other items held for safekeeping on behalf of costumers	8 561 411	7 919 199
	42 037 323	42 170 701

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

(thousands of Euro)

	Sep 2014	Dec 2013
Guarantees granted:		
Guarantees	463 143	471 714
Open documentary credits	44 756	6 962
Guarantees and indemnities (counter)	430	4 868
	508 329	483 544
Commitments to third parties:		
Irrevocable commitments		
Irrevocable credit lines	577 045	391 689
Securities subscription	-	801 801
Annual contribution to the Guarantee Deposits Fund	25 314	25 314
Potencial obligation with the Investors' Indemnity System	3 468	3 508
Revocable commitments		
Revocable credit lines	587 011	727 049
	1 192 838	1 949 361

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

Revocable and irrevocable commitments represent contractual agreements to extend credit to the Group’s customers (for example unused credit lines). These agreements are generally, contracted for fixed periods of time or with other expiration requisites, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

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

Notwithstanding the particular characteristics of these contingent liabilities and commitments, the analysis of these operations follows the same basic principles of any one another commercial operation, namely the solvency of the underlying client and business, being that the Group requires these operations to be adequately covered by collaterals when needed. Considering that is expected that the majority of these contingent liabilities and commitments expire without having being used, the indicated amounts do not represent necessarily future cash-flow needs.

As at 30 September 2014 and 31 December 2013, the balance annual contribution to the obligations of Guarantee Deposits Fund is related with the irrevocable commitment assumed by the Group and required by law, to deliver the unrealised amounts of annual contributions required by the Fund.

As at 30 September 2014 and 31 December 2013, the balance Potential obligation with the Investors' Indemnity System refers to the irrevocable obligation that the Group assumed, under the applicable law, to deliver to that system, in case needed, the required amount to pay its share of the indemnities to be paid to investors.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in note 1 d). The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Group in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

52 Segment reporting

The segment reporting follows IFRS 8 – Operating Segments, for the disclosure of the financial information by operating segments, using new criteria in the preparation of this information.

The Group's consolidated activity is essentially developed in the financial sector, aiming for companies, institutions and private clients. Has its core decision centre in Portugal, which gives its privileged target market.

Products and services include the entire offer implicit to financial activity, such as deposit capitation, credit concession and financial services to companies and private and also the custody, and also the managing investment funds and life insurances through its associates of the insurance sector. Additionally, the Group executes short and long-term investments in the capital or monetary market as a way of taking advantage of the price variations or restabilising its available financial resources.

The Group has a network of 436 branches in Portugal and with one branch in Cabo Verde, one financial institution in Angola with 18 branches, and 6 representation offices.

When evaluating the performance by business area, the Group considers the following Operating Segments:

1) Retail Bank, which includes the sub segments of Private, Individual Managers, Micro business and Social Charity Private Institutions;

2) Corporate and Institutional, which includes big sized companies, medium and small companies, Financial Institutions and The Public Sector; and

3) Other Segments, which includes all the entities that are not included in the other segments, namely the operations and management related 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, S.A. (I.F.I.), which by geographical criteria, results can be distinguished in Portugal (Domestic Area) from Cabo Verde and Angola (International Area).

Segments description

In a consolidated basis, each of the segments includes income and costs related to the following activities, products, clients and structures of the Group:

Retail Bank

This segment corresponds to all activity developed by the Group in Portugal with private customers and small business, fundamentally originated by the branches network, agent network and electronic channels. The financial information of the segment relates to, among other products and services, mortgage loans, consumer credit, financing the clients' activity, deposits repayable on demand and term deposits, retirement plans and other insurance products to private customers, commissions over account management and electronic payments, the investment funds cross-selling and brokerage and custodian services.

Corporate and Institutional

This segment includes the activity with small, medium and big companies, through offices network and commercial structure dedicated to this segment. It also includes the institutional clients business, mostly from the financial sector and public administration. Among the products, it is emphasized cash and investments loans, commercial discount, leasing, factoring, renting, foreign operations, documentaries loans, checks, deposits, received or paid services, credit and debit cards, as well as custodian services

Other segments

This segment includes all the activity developed supporting the main activities that are the core business of the two segments mentioned above, highlighting the Group's global financial management activity, the investments in instruments of capital markets (stocks and bonds), be them integrated in the negotiation portfolio, of fair value through profit and loss, available for sale or held to maturity. In this segment it is also included the impacts of the strategic decisions, the investments in minority strategic participations, the activity related to interest and exchange rate risk management, management of short and long positions of financial investments which favours the changes in market prices, and the public or private preparation and availability of the issue of stocks, bonds and other debt instruments.

Allocation criteria of the activity and results to the operating segments

The consolidated financial information presented for each segment was prepared in accordance with the criteria followed for the preparation of internal information analysed by the decision makers of the Group, as required by IFRS 8 – Operating Segments.

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

Measurement of profit or loss from operating segments

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

Autonomous Operating Segments

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

Group structures dedicated to the segment

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

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

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

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

(iii) The allocation of a margin directly negotiated by the commercial structures with the clients for non-mass-products;

(iv) The allocation of direct costs from commercial and central structures dedicated to the segment;

(v) The allocation of indirect cost (central support and IT services) determined in accordance with specific drivers and with the Cost Based Approach (CBA) model;

(vi) The allocation of credit risk determined in accordance with the Regulation no. 3/95 of the Bank of Portugal and with the impairment model.

The transactions between the independent and autonomous units of the Group are made at market prices; the price of the services between the structures of each unit, namely the price established for funding between units, is determined by the margins process referred above (which vary in accordance with the strategic relevance of the product and the balance between funding and lending); the remaining internal transactions are allocated to the segments in accordance with CBA without any margin from the supplier.

The interest rate risk, exchange risk, liquidity risk and others, except for credit risk, are included in the segment Others Segments.

Interest and similar income/expense

Since the Group activities are exclusively related to the financial sector, the major income results from the difference between interest received on assets and interest paid from liabilities. This situation and the fact that the segments evaluation is based on negotiated margins or determined previously to each product, leads to the results on the intermediation activity being presented, as permitted by IFRS 8 paragraph 23, as the net value of interest under the designation of Financial Income.

Consolidated Investments under the Equity Method

Investments in associated companies consolidated under the equity method are included in Operations between Segments.

Non-current assets

Non-current assets, according to IFRS 8, include Other Tangible Assets and Intangible Assets. The Group includes these assets on the segment in which these subsidiaries develop their business.

Post-Employment Benefits

The factors that influence the amount of responsibilities and the amount of the funds' assets correspond, mainly, to external elements; it is the Group policy not to include these factors on the performance evaluation of the operating segments, which activities relate to customers.

Domestic and International Areas

In the disclosure of financial information by geographical areas, the operating units that integrate the International Area are: (i) Finibanco Angola S.A. and (ii) Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.).

The patrimonial and financial elements related to the international area are presented in the financial statements of those units 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 September 2014 is as follows:

(thousands of Euro)

Income statement	**Retail**	**Corporate and Institutional**	**Operations between segments**	**Total**
Interest and similar income	366 397	223 639	103 266	693 302
Interest and similar expense	241 754	27 761	168 693	438 208
Net interest income	124 643	195 878	(65 427)	255 094
Dividends from equity instruments	-	-	548	548
Fees and comissions income	78 444	19 141	5 640	103 225
Fees and comissions expense	(10 716)	(1 326)	(13 435)	(25 477)
Net gains/(losses) arising from assets and liabilities at fair value through profit ans losses	-	-	440	440
Net gains/(losses) arising from available-for-sale financial assets	-	-	373 927	373 927
Net gains arising from foreign exchange differences	17 054	-	-	17 054
Net gains from sale of other financial assets	-	-	(21 338)	(21 338)
Other operating income	4 249	377	(8 943)	(4 317)
Total operating income	213 674	214 070	271 412	699 156
Staff costs	112 833	21 589	9 720	144 142
General and administrative expenses	69 059	12 383	1 233	82 675
Depreciation and amortisation	21 853	3 473	(2 138)	23 188
Total operating costs	203 745	37 445	8 815	250 005
Total of Provisions and Impairment	47 999	302 549	42 587	393 135
Operating profit	(38 070)	(125 924)	220 010	56 016
Equity accounted earnings	-	-	1 279	1 279
Income before taxes and non-controlling interests	(38 070)	(125 924)	221 289	57 295
Current taxes	-	-	(55 033)	(55 033)
Deferred taxes	-	-	22 329	22 329
Non-controlling interests	-	-	(1 941)	(1 941)
Consolidated profit for the period related to the institutional capital and the participation fund	(38 070)	(125 924)	186 644	22 650
Net Assets	12 711 342	5 084 767	4 418 737	22 214 846
Liabilities	13 321 832	3 043 276	4 107 866	20 472 974
Investments in Associates	-	-	30 802	30 802

The report by operating segments as at 31 December 2013 is as follows:

(thousands of Euro)

Income statement	**Retail**	**Corporate and Institutional**	**Operations between segments**	**Total**
Interest and similar income	421 842	272 821	121 367	816 030
Interest and similar expense	225 384	77 474	287 925	590 783
Net interest income	196 458	195 347	(166 558)	225 247
Dividends from equity instruments	-	-	535	535
Fees and commissions income	96 557	42 163	4 966	143 686
Fees and commissions expense	(15 748)	(1 889)	(11 415)	(29 052)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	-	-	(27 986)	(27 986)
Net gains/(losses) arising from available-for-sale financial assets	-	-	44 025	44 025
Net gains arising from foreign exchange differences	-	-	20 223	20 223
Net gains from sale of other financial assets	-	-	35 479	35 479
Other operating income	8 172	2 874	(45 526)	(34 480)
Total operating income	285 439	238 495	(146 257)	377 677
Staff costs	136 652	35 747	24 435	196 834
General and administrative expenses	75 466	19 536	14 925	109 927
Depreciation and amortisation	22 897	5 927	4 528	33 352
Total operating costs	235 015	61 210	43 888	340 113
Total of Provisions and Impairment	75 130	229 216	92 988	397 334
Operating profit	(24 706)	(51 931)	(283 133)	(359 770)
Share of profit of associates under the equity method	-	-	(12 682)	(12 682)
Income before taxes and non-controlling interests	(24 706)	(51 931)	(295 815)	(372 452)
Current taxes	-	-	(9 469)	(9 469)
Deferred taxes	-	-	85 448	85 448
Non-controlling interests	-	-	(2 153)	(2 153)
Consolidated profit for the period related to the institutional capital and the participation fund	(24 706)	(51 931)	(221 989)	(298 626)
Net Assets	12 954 747	3 949 382	6 135 074	23 039 203
Liabilities	13 745 828	3 111 396	4 534 636	21 391 860
Investments in Associates and others	-	-	42 399	42 399

Geographical Segments

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

The Group operates with special emphasis in markets such as Portugal, Angola and Capeverdian. 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. (I.F.I.).

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

(thousands of Euro)

Income statement	Domestic	International	Adjustments	Consolidated
Interest and similar income	665 875	46 513	(19 086)	693 302
Interest and similar expense	426 266	31 028	(19 086)	438 208
Net interest income	239 609	15 485	-	255 094
Dividends from equity instruments	548	-	-	548
Fees and commissions income	95 752	7 989	(516)	103 225
Fees and commissions expense	(25 300)	(693)	516	(25 477)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	440	-	-	440
Net gains/(losses) arising from available-for-sale financial assets	373 927	-	-	373 927
Net gains arising from foreign exchange differences	3 670	13 384	-	17 054
Net gains from sale of other financial assets	(21 338)	-	-	(21 338)
Other operating income	(2 720)	(1 014)	(583)	(4 317)
Total operational income	664 588	35 151	(583)	699 156
Staff costs	139 157	4 985	-	144 142
General and administrative expenses	76 815	6 443	(583)	82 675
Depreciation and amortisation	21 886	1 302	-	23 188
Total operating costs	237 858	12 730	(583)	250 005
Loans impairment	343 253	7 295	-	350 548
Other assets impairment	33 912	-	-	33 912
Other financial assets impairment	9 042	302	-	9 344
Other provisions	(1 122)	453	-	(669)
			-	
Operating profit	41 645	14 371	-	56 016
Share of profit of associates under the equity method	1 279	-	-	1 279
Income before taxes and non-controlling interests	42 924	14 371	-	57 295
Current taxes	(51 578)	(3 455)	-	(55 033)
Deferred taxes	22 329	-	-	22 329
Non-controlling interests	-	-	(1 941)	(1 941)
Consolidated profit for the period related to the institutional capital and the	13 675	10 916	(1 941)	22 650

(thousands of Euro)

Balance Sheet	**Domestic**	**International**	**Adjustments**	**Consolidated**
Cash and deposits at central banks	379 394	74 906	-	454 300
Loans and advances to credit institutions repayable on demand	206 757	15 527	(14 434)	207 850
Other loans and advances to credit institutions	301 491	685 910	(629 752)	357 649
Loans and advances to customers	15 124 932	290 360	-	15 415 292
Financial assets held-for-trading	71 670	-	-	71 670
Other financial assets at fair-value through profit and loss	-	-	-	-
Financial assets available-for-sale	3 218 116	190	-	3 218 306
Hedging derivatives	165	-	-	165
Held-to-maturity investments	17 366	79 712	-	97 078
Investments in associated companies and others	69 651	-	(38 849)	30 802
Non- current assets held for sale	799 310	160	-	799 470
Investment proporties	710 722	-	-	710 722
Other tangible assets	87 896	39 216	-	127 112
Intangible assets	59 074	2 418	-	61 492
Current tax assets	1 287	-	-	1 287
Deferred tax assets	346 185	-	-	346 185
Other assets	306 520	8 946	-	315 466
Total Assets	21 700 536	1 197 345	(683 035)	22 214 846
Deposits from central banks	2 195 613	-	-	2 195 613
Deposits from other credit institutions	1 740 769	7 886	(615 938)	1 132 717
Deposits from customers	12 937 027	1 063 039	(102)	13 999 964
Debt securities issued	65 238	-	-	65 238
Financial liabilities associated to transferred assets	2 130 973	-	-	2 130 973
Financial liabilities held for trading	165 725	-	-	165 725
Hedging derivatives	2 361	-	-	2 361
Provisions	5 588	923	-	6 511
Current tax liabilities	4 014	183	-	4 197
Other subordinated debt	371 619	24 528	(24 447)	371 700
Other liabilities	383 468	14 507	-	397 975
Total Liabilities	20 002 395	1 111 066	(640 487)	20 472 974
Capital	1 700 000	43 559	(43 559)	1 700 000
Other equity instruments	8 273	-	-	8 273
Participation fund	(3 502)	-	-	(3 502)
Own Securities	36 031	378	-	36 409
Other reserves and retained earnings	(46 836)	27 728	(16 242)	(35 350)
Profit for the period	13 676	10 915	(1 941)	22 650
Consolidated profit for the period related to the institutional capital and the participation fund	1 707 642	82 580	(61 742)	1 728 480
Non-controlling interests	-	-	13 392	13 392
Total Equity	1 707 642	82 580	(48 350)	1 741 872
Total Liabilities and Equity	21 710 037	1 193 646	(688 837)	22 214 846

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

(thousands of Euro)

Income statement	Domestic	International	Adjustments	Consolidated
Interest and similar income	795 918	44 225	(24 113)	816 030
Interest expense and similar charges	584 803	30 093	(24 113)	590 783
Net interest income	211 115	14 132	-	225 247
Dividends from equity instruments	939	-	(404)	535
Fees and commissions income	134 218	9 468	-	143 686
Fees and commissions expense	(27 961)	(1 091)	-	(29 052)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	(27 986)	-	-	(27 986)
Net gains/(losses) arising from available-for-sale financial assets	44 025	-	-	44 025
Net gains arising from foreign exchange differences	4 366	15 857	-	20 223
Net gains from sale of other financial assets	35 471	8	-	35 479
Other operating income	(35 490)	1 609	(599)	(34 480)
Total operating income	338 697	39 983	(1 003)	377 677
Staff costs	191 198	5 636	-	196 834
General and administrative expenses	104 478	6 048	(599)	109 927
Depreciation and amortisation	32 107	1 245	-	33 352
Total operating costs	327 783	12 929	(599)	340 113
Loans impairment	290 901	8 060	(127)	298 834
Other financial assets impairment	60 982	300	-	61 282
Other assets impairment	33 865	157	-	34 022
Other provisions	3 020	176	-	3 196
Operating profit	(377 854)	18 361	(277)	(359 770)
Share of profit of associates under the equity method	(12 682)	-	-	(12 682)
Consolidated profit for the period	(390 536)	18 361	(277)	(372 452)
Current taxes	(3 702)	(5 767)	-	(9 469)
Deferred taxes	85 448	-	-	85 448
Non-controlling interests	(2 153)	-	-	(2 153)
Consolidated profit for the period related to the institutional capital and the participation fund	(310 943)	12 594	(277)	(298 626)

(thousands of Euro)

Balance sheet	**Domestic**	**International**	**Adjustments**	**Consolidated**
Cash and deposits at central banks	242 373	71 886	-	314 259
Loans and advances to credit institutions repayable on demand	262 606	22 706	(51 527)	233 785
Other loans and advances to credit institutions	330 063	-	-	330 063
Loans and advances to customers	15 554 965	176	-	15 555 141
Financial assets held for trading	(18 813)	689 977	(607 058)	64 106
Other financial assets at fair value through profit or loss	(158 170)	161 393	227	3 450
Financial assets available-for-sale	4 545 816	-	-	4 545 816
Hedging derivatives	(16 901)	17 404	-	503
Held-to-maturity investments	34 631	-	-	34 631
Investments in associated companies and others	42 399	-	-	42 399
Non- current assets held for sale	690 385	-	(8 997)	681 388
Investment proporties	541 795	1 739	-	543 534
Other tangible assets	120 492	-	-	120 492
Intangible assets	59 130	149	-	59 279
Current tax assets	(33 185)	35 017	-	1 832
Deferred tax assets	335 444	820	-	336 264
Other assets	169 960	2 498	(197)	172 261
Total Assets	22 702 990	1 003 765	(667 552)	23 039 203
Deposits from central banks	3 427 354	-	-	3 427 354
Deposits from other credit institutions	(413 054)	921 682	(34 131)	474 497
Deposits from customers	14 142 828	-	-	14 142 828
Financial liabilities held for trading	682 563	415	(620 754)	62 224
Debt securities issued	2 319 428	-	-	2 319 428
Financial liabilities associated to transferred assets	195 049	-	-	195 049
Hedging derivatives	1 845	4	-	1 849
Provisions	7 607	407	-	8 014
Current tax liabilities	1 353	-	-	1 353
Deferred tax liabilities	-	-	-	-
Other subordinated debt	370 077	3 701	(3 700)	370 078
Other liabilities	382 045	7 338	(197)	389 186
Total Liabilities	21 117 095	933 547	(658 782)	21 391 860
Institutional capital	1 668 908	40 089	(8 997)	1 700 000
Other equity instruments	8 273	-	-	8 273
Revaluation reserves	16	(561)	3 056	2 511
Other reserves and retained earnings	208 605	18 097	(2 552)	224 150
Profit for the period	(310 943)	12 594	(277)	(298 626)
Consolidated profit for the period related to the institutional capital and	1 574 859	70 219	(8 770)	1 636 308
Non-controlling interests	11 035	-	-	11 035
Total Equity	1 585 894	70 219	(8 770)	1 647 343
Total Liabilities and Equity	22 702 989	1 003 766	(667 552)	23 039 203

53 Subsidiary companies

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

Subsidiary Company	Head of office	Share Capital	Activity	% Held
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI)	Praia	Euro 8 996 000	Banking	100,00%
Montepio Holding, S.G.P.S., S.A.	Oporto	Euro 175 000 000	Holding company	100,00%
Montepio Investimento, S.A.	Oporto	Euro 180 000 000	Banking	100,00%
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Oporto	Euro 30 000 000	Finance lease	100,00%
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.	Oporto	Euro 1 550 000	Investment fund management	100,00%
Montepio Recuperação de Crédito, ACE	Lisbon	-	Services	93,00%
Finibanco Angola, S.A.	Luanda	AOA 4 182 000 000	Banking	81,57%

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

Subsidiary Company	Head of office	Share Capital	Activity	% Held
Montepio Seguros, S.G.P.S., S.A.	Lisbon	Euro 137 750 000	Insurance	33,65%
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	Ilha de São Miguel	Euro 10 000 000	Accommodation, Restaurants and Similar / Hotels with Restaurant	20,00%
Iberpartners Cafés, S.G.P.S., S.A.	Lisbon	Euro 3 400 000	Holding Company	29,41%
Nutre, S.G.P.S., S.A.	Oliveira de Frades	Euro 5 000 000	Holding Company	20,00%
Montepio - Gestão de Activos Imobiliários, A.C.E.	Lisbon	Euro 2 449 707	Management of Real Estate Assets	28,50%

The Group also consolidates by the integral method the following investment funds: Finipredial -. Fundo de Investimento Aberto, Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional, Montepio Arrendamento II – Fundo de Investimento Fechado para Arrendamento Habitacional, Montepio Arrendamento III – Fundo de Investimento Fechado para Arrendamento Habitacional, Polaris – Fundo de Investimento Imobiliário Fechado, Portugal Estates Fund (PEF) – Fundo de Investimento Imobiliário Fechado and Carteira Imobiliária – Fundo Especial de Investimento Imobiliário Aberto, as described in the accounting policy in note 1 b).

54 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.