CAIXA ECONÓMICA MONTEPIO GERAL

In accordance with Article 10 of the CMVM Regulations No. 5/2008

REPORT AND ACCOUNTS

As at 30 September 2015

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

CAIXA ECONÓMICA MONTEPIO GERAL
Publicly Listed Company
Head Office: Rua Áurea, 219-241, Lisbon
Institutional Capital: € 1,500,000,000
Registered at Lisbon Commercial Registry Office under
the sole Commercial Registration and Tax Payer Number: 500 792 615

CONTENTS

KEY INDICATORS

(thousand euros)

INDICATORS	Sep-15	Dec-14	Sep-14[1)]	YoY Change
ACTIVITY AND RESULTS				
Net Assets	21,824,857	22,473,474	22,211,664	-1.7%
Gross Loans to Customers (a)	15,886,555	16,540,943	16,719,004	-5.0%
Total Deposits (a)	12,479,468	14,242,679	13,969,323	-10.7%
Deposits from Individuals	8,960,761	9,244,146	9,259,125	-3.2%
Deposits from Companies and Institutions	3,518,707	4,998,533	4,710,198	-25.3%
Net Income	-59,461	-186,953	19,917	<-100%
SOLVENCY				
Common Equity Tier 1 ratio (CRD IV/ CRR, phasing-in)	9.30%	8.51%	10.57%	-1.27p.p.
Tier 1 ratio (CRD IV / CRR,phasing-in)	9.30%	8.51%	10.57%	-1.27p.p.
Total Capital ratio (CRD IV / CRR, phasing-in)	10.32%	8.67%	10.59%	-0.27p.p.
LEVERAGE RATIOS				
Total Net Credit to Customers / Customer Deposits (b)	116.56%	106.46%	110.21%	6.35p.p.
Total Net Credit to Customers / Total On-Balance sheet Customers' resources (c)	99.64%	92.50%	95.56%	4.08p.p.
CREDIT RISK AND COVERAGE BY IMPAIRMENTS				
Ratio of Loans and Interest Overdue by more than 90 days	7.97%	6.13%	6.44%	1.53p.p.
Non-Performing Loans Ratio (b)	8.40%	7.42%	8.67%	-0.27p.p.
Net Non-Performing Loans Ratio (b)	-0.07%	-1.00%	0.45%	-0.52p.p.
Coverage of Loans and Interest Overdue by more than 90 days	106.53%	136.65%	128.87%	-22.34p.p.
Credit-at-Risk Ratio (b)	14.46%	12.03%	13.84%	0.62p.p.
Net Credit-at-Risk Ratio (b)	6.56%	4.02%	6.08%	0.48p.p.
Credit-at-Risk Coverage Ratio	58.51%	69.35%	59.66%	-1.15p.p.
Credit-at-Risk Coverage Ratio factoring in associated real estate collateral	121.40%	136.50%	135.39%	-13.99p.p.
Restructured Loans as a % of Total Loans (d)	10.70%	10.49%	10.41%	0.29p.p.
Restructured Loans not included in Credit-at-Risk as a % of Total Loans (d)	5.41%	6.89%	6.83%	-1.42p.p.
PROFITABILITY AND EFFICIENCY				
Net Operating Income / Average Net Assets (b)	2.29%	3.48%	4.13%	-1.84p.p.
Earnings before Taxes and Non-controlling Interests / Average Net Assets (b)	-0.59%	-0.92%	0.32%	-0.91p.p.
Earnings before Taxes and Non-Controlling Interests / Average Equity (b)	-8.94%	-12.57%	4.21%	-13.15p.p.
Operating Expenses / Net Operating Income (cost-to-income) (b)	68.25%	43.56%	35.92%	32.33p.p.
Personnel Expenses / Net Operating Income (b)	40.12%	24.75%	20.71%	19.41p.p.
EMPLOYEES AND DISTRIBUTION NETWORK (Number)				
Employees				
Group total	4,432	4,425	4,229	203
CEMG	3,898	3,907	3,903	-5
Branches				
Domestic - CEMG	422	436	436	-14
International	30	27	18	12
Finibanco Angola (e)	21	18	18	3
Banco Terra (Mozambique)	9	9	-	9
Rep. Offices - CEMG	6	6	6	0

(a) Excluding current interest.
(b) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version.
(c) Total On-Balance sheet Customers' resources = Customers' resources and debt securities issued
(d) Pursuant to Banco de Portugal Instruction No. 32/2013.
(e) Includes Business Centres.
1) The interim financial statements, as at 30 September 2014, w ere restated, pursuant to Note ab) of the Accounting Policies.

1. OVERVIEW

In 2015 the **Portuguese economy** continued its process of gradual recovery, showing consecutive GDP growth of 0.5% in the first and second quarters, and growth is estimated to stand between 0.4% and 0.6% in the third quarter, with the economy being driven both by domestic demand and net exports, which returned to presenting positive contributions. It is forecast that by the end of the year there should be an acceleration of growth to 1.7%. The **budget deficit** for 2014 was revised upwards from 4.5% to 7.2%, above all reflecting the capitalisation effect of Novo Banco, but not implying any lack of compliance, from the perspective of the objectives set by *troika* regarding deficit, since they exclude this type of exceptional operation. The fiscal adjustment process continued during 2015, with the known budget execution data up to September suggesting that the budget deficit target of 2.7% of GDP might be exceeded, but may stay below the 3% limit of the Economic and Monetary Union (EMU) treaties. The **unemployment rate** stabilised in the third quarter at 11.9%, after a strong reduction of 1.8 p.p. observed in the second quarter, remaining at minimum levels since the end of 2010, and confirming in the last two quarters the upturn in the trend of relief observed since the second quarter of 2013, with a new annual decrease expected in 2015 to 12.4% (13.9% for 2014), though still a historically high figure. The **households savings rate** has fallen progressively since the second quarter of 2013 (9.0%), having declined from 5.8% to 5.0% in the second quarter of this year. Year-on-year **inflation** stood at 0.8% in the third quarter (+0.7% in the second quarter).

At a **global level**, according to the **IMF forecasts** published in October, the growth of the **world economy** should slow down to 3.1% in 2015 (+3.4% in 2014), 0.2 p.p. less than that forecast in July, primarily reflecting the downward review of the outlook for the emerging economies.

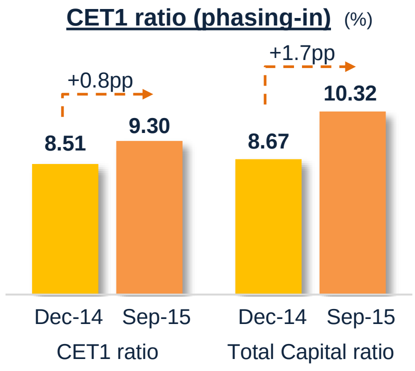
At the **monetary policy** level, the main central banks maintained their strategy during the quarter, with the Federal Reserve (Fed) having postponed the first increase of rates since mid-2006, and with the European Central Bank (ECB) continuing its expanded asset purchase programme (APP), through a quantitative easing (QE) policy initiated on 9 March and which shall last at least until September 2016, with the ECB's discourse making its extension increasingly more certain.

Regarding **financial markets**, the third quarter of 2015 was marked by devaluation in stock and commodity markets, in general reflecting the known data, especially for the emerging economies, where fears were intensified relative to the hard landing of the Chinese economy. Hence, the more negative performance was observed by the Chinese Shanghai Composite, with a plunge of 28.6% in the quarter and 5.6% since the beginning of the year, albeit standing 29.1% above the level observed in September 2014, a correction in view of the speculative movements of the preceding months. In the USA, the S&P 500 index fell by 6.9% in the third quarter and 6.7% since the beginning of the year, after having reached historic peaks in the first half of the year. In the Euro Zone, the EuroStoxx 50 declined by 9.4% in the third quarter and moved away from the peaks since March 2008 observed in the first half of the year, although closing September with a loss of merely 1.4% since the beginning of the year. The national stock market also showed a negative performance, with the PSI-20 index shrinking by 9.1% in the third quarter, but recording a devaluation of 5.7% since the beginning of the year. In the **foreign exchange market**, the nominal effective exchange rate of the Euro increased by 0.3% in the quarter, moving away from the minimum figures recorded in the second week of March, appreciating in relation to the US Dollar and British Pound, and devaluing relative to the Japanese Yen.

2. CAPITAL AND SOLVENCY

Since the beginning of 2014, prudential indicators are based on the new legislation of Basel III, namely Directive 2013/36/EU and Regulation (EU) 575/2013, both from the European Parliament and Council (Capital Requirements Directive IV / Capital Requirements Regulation - CRD IV/CRR), as well as Banco de Portugal Notice 6/2013. The full enforcement of the new Basel III regulations will be introduced gradually until 2018, with this process usually being referred to as Phasing-in. It is based on these rules that Banco de Portugal requires the minimum regulatory levels of 7% and 8% for the Common Equity Tier 1 and Total Capital ratios, respectively.

The Total Capital (Institutional Capital + Participation Fund) of Caixa Económica Montepio Geral (CEMG) amounted to EUR 1,900 million as at 30 September 2015. On this same date, the Common Equity Tier 1 (phasing-in) ratio improved in comparison to 31 December 2014, shifting from 8.51% to 9.30%, while the Total Capital ratio (phasing-in) increased from 8.67% to 10.32% in the same period. This strengthening of solvency was achieved through the combined effect of the increase in Tier 1 Capital and supplementary capital (Tier II Capital) by EUR 61.1 million and EUR 121.4 million, respectively, as well as the decrease of risk-weighted assets by EUR 634.5 million, in the first 9 months of 2015 arising from the implementation of strategic measures which led to risk mitigation and lower consumption of balance sheet capital.



At the end of the third quarter of 2015, the CRD IV/CRR Leverage ratio stood at 6.0%, from a phasing-in perspective, and at 4.5% pursuant to full implementation rules.

OWN FUNDS AND CAPITAL RATIOS

(thousand euros)

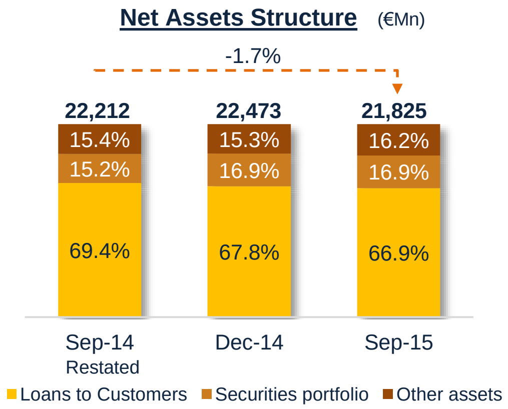
	Sep-15	Jun-15	Dec-14	YtD Change	
				Amount	%
Total Capital	**1,493,626**	**1,599,891**	**1,309,115**	**+184,511**	**+14.1**
Elegible instruments to CET I	1,885,321	1,896,031	1,682,235	+203,086	+12.1
Reserves and Net Income	-475,684	-419,850	-316,909	-158,776	+50.1
Regulatory deductions	63,274	40,370	80,096	-16,822	-21.0
Common Equity Tier I Capital	**1,346,363**	**1,435,812**	**1,285,230**	**+61,132**	**+4.8**
Other equity instruments	0	4,964	6,618	-6,618	-100.0
Tier I deductions	0	4,964	6,618	-6,618	-100.0
Tier I Capital	**1,346,363**	**1,435,812**	**1,285,230**	**+61,132**	**+4.8**
Tier II capital	154,256	171,028	32,826	+121,429	+369.9
Other deductions	6,993	6,949	8,941	-1,948	-21.8
Minimum Own Funds Requirements	**1,157,639**	**1,205,240**	**1,208,400**	**-50,761**	**-4.2**
Risk-Weighted assets and equivalents	**14,470,484**	**15,065,497**	**15,104,998**	**-634,514**	**-4.2**
CRD IV Prudential Ratios - Phasing-in					
Common Equity Tier I	9.30%	9.53%	8.51%	+0.79 p.p.	
Tier I	9.30%	9.53%	8.51%	+0.79 p.p.	
Total Capital	10.32%	10.62%	8.67%	+1.65 p.p.	
CRD IV Prudential Ratios - Full Implementation					
Common Equity Tier I	6.96%	7.30%	6.98%	-0.02 p.p.	
Tier I	6.97%	7.31%	6.99%	-0.02 p.p.	
Total Capital	8.04%	8.45%	7.21%	+0.83 p.p.	

3. BALANCE SHEET

Giving priority to the recovery of its position in retail banking, CEMG continued to strengthen its provision of quality service and efficiency in granting loans and attracting savings, its commitment to provide appropriate services to individuals, small and medium-sized enterprises and social economy entities, while making the most of effective business opportunities in financial markets.

3.1. ASSETS

Net Assets amounted to EUR 21,824.9 million as at 30 September 2015, recording a minor decrease of 1.7% year-on-year. Also in relation to September 2014, there was a greater diversification of Assets, with the reduction of the loans' weight being offset by the increase of the securities portfolio and other assets.



3.2. LOANS TO CUSTOMERS

Loans to customers (gross) reached the total of EUR 15,886.6 million, recording a 5.0% decrease relative to the first 9 months of 2014, determined by the performance in domestic activity (-5.1%), in compliance with a policy of more efficient loans function. Thus, this evolution was not only the result of still sluggish recovery of demand in Portugal but, fundamentally, of the year-on-year reduction of 6.7% in mortgage loans and of 25.6% in loans to Construction. Regarding loans granted to Companies (excluding Construction), in spite of the minimal year-on-year reduction of 0.7%, this item shifted to representing 38.6% of the total portfolio as at 30 September 2015 (37.0% in the same period of the previous year), strengthening the diversification of the total portfolio of granted loans.

EVOLUTION OF LOANS TO CUSTOMERS

(thousand euros)

	Sep-15	Dec-14	Sep-14	YoY Change	
				Amount	%
Individuals and Small Business	**9,035,908**	**9,359,107**	**9,607,608**	**-571,700**	**-6.0**
Individuals, of which:	**8,473,503**	**8,773,149**	**9,076,393**	**-602,890**	**-6.6**
Housing	6,963,526	7,207,359	7,463,096	-499,570	**-6.7**
Consumer	628,585	634,555	630,381	-1,796	-0.3
Small Businesses	**562,405**	**585,958**	**531,215**	**31,190**	**5.9**
Companies	**6,739,916**	**7,073,092**	**6,990,172**	**-250,256**	**-3.6**
Construction	603,460	703,024	811,614	-208,154	-25.6
Other Purposes	6,136,456	6,370,068	6,178,558	-42,102	-0.7
Other Segments	**110,731**	**108,744**	**121,224**	**-10,493**	**-8.7**
Total Loans (gross)	**15,886,555**	**16,540,943**	**16,719,004**	**-832,449**	**-5.0**
distributed by:					
Domestic Activity	15,574,632	16,208,300	16,419,649	-845,017	-5.1
International Activity	311,923	332,643	299,355	12,568	4.2

(Excluding current interest.)

The fragile recovery of economic activity, accompanied by the reduction observed in total granted loans, constrained the performance of the main credit risk indicators, with the ratio of credit at risk still remaining at a high level (14.46%). However, it should be noted that, in line with the prudence policy in relation to risk, the impairments for credit risk enabled a stable credit at risk coverage ratio of 58.5%, which soars to 121.4% if the associated real estate collateral is taken into account.

CREDIT RISK INDICATORS

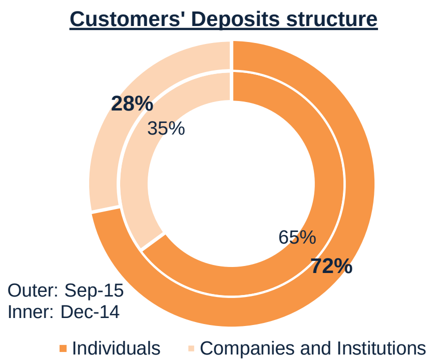
(thousand euros)

	Sep-15	Sep-14	Change	
			Amount	%
Gross Loans to Customers (a)	**15,886,555**	**16,719,004**	**-832,449**	**-5.0**
Loans and Interests Overdue	**1,422,399**	**1,202,379**	**220,020**	**18.3**
Loans and Interests Overdue by more than 90 days	1,266,757	1,076,398	190,359	17.7
Ratios (%)				
Loans and Interests Overdue by more than 90 days	7.97	6.44	1.53p.p.	
Non-performing loans (b)	8.40	8.67	-0.27p.p.	
Net non-performing loans (b)	-0.07	0.45	-0.52p.p.	
Credit-at-Risk (b)	14.46	13.84	0.62p.p.	
Net Credit-at-Risk (b)	6.56	6.08	0.48p.p.	
Restructured loans (c)	10.70	10.41	0.29p.p.	
Restructured loans not included in Credit-at-Risk (c)	5.41	6.83	-1.42p.p.	
Coverage by Impairments (%)				
Loans and Interests Overdue by more than 90 days	106.53	128.87	-22.34p.p.	
Loans and Interests Overdue	94.87	115.37	-20.50p.p.	
Credit-at-Risk	58.51	59.66	-1.15p.p.	
Credit-at-Risk factoring in associated real estate collateral	121.40	135.39	-13.99p.p.	

(a) Excluding current interest. (b) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version. (c) Pursuant to Banco de Portugal Instruction No. 32/2013.

3.3. CUSTOMERS' RESOURCES

At the end of the first 9 months of 2015, total customers' resources reached EUR 14,980.4 million, of which 83% refer to customer deposits. Special mention should be made of the profile of the deposit portfolio which is essentially concentrated in individuals, a segment that continues to maintain its predominance, accounting for 72% of total deposits. Also contributing to the resilience of the deposit portfolio is the preponderance of term deposits which represent 77% of the total.



Individual customers' deposits remained stable at around EUR 8,960.8 million (-3.2% relative to September 2014), notwithstanding the current circumstances of historically low interest rates, boosting intense competition between the different banks, added to the downward trend of the households savings rate recorded since the second quarter of 2013 and the fact that CEMG has continued to endorse a rigorous deposits' repricing policy, with particular impact on the companies and institutional segments, reflected in the market operations surge, replacing more costly resources of institutional customers.

We also highlight the redemption of EUR 568.4 million of debt securities in the first 9 months of 2015, evidencing an active management of net refinancing needs.

EVOLUTION OF CUSTOMERS' RESOURCES

(thousand euros)

	Sep-15	Dec-14	Sep-14	YoY Change	
				Amount	%
Deposits from Individuals	**8,960,761**	**9,244,146**	**9,259,125**	**-298,364**	**-3.2**
Deposits from Companies and Institutions	**3,518,707**	**4,998,533**	**4,710,198**	**-1,191,491**	**-25.3**
Total Deposits	**12,479,468**	**14,242,679**	**13,969,323**	**-1,489,855**	**-10.7**
Demand Deposits	2,914,277	2,805,857	2,849,609	64,668	2.3
Term Deposits	9,565,191	11,436,822	11,119,714	-1,554,523	-14.0
Securities Placed with Customers	**1,675,557**	**2,120,870**	**2,103,969**	**-428,412**	**-20.4**
On-Balance Sheet Resources	**14,155,025**	**16,363,549**	**16,073,292**	**-1,918,267**	**-11.9**
Off-Balance Sheet Resources	**825,373**	**1,009,789**	**998,907**	**-173,534**	**-17.4**
Total Customers' Resources	**14,980,398**	**17,373,338**	**17,072,199**	**-2,091,801**	**-12.3**

(Excluding current interest.)

3.4. LIQUIDITY

The loan-to-deposits ratio stood at 116.6%, below the recommended level of 120%. Considering total on-balance sheet customers' resources, this ratio reached 99.6%, reflecting the positive Commercial Gap of EUR 52.9 million. The Liquidity Coverage Ratio (LCR), calculated pursuant to CRD IV/CRR rules, in its transitional phase, stood at 89%, 29 p.p. above the applicable minimum required level.

LOAN-TO-DEPOSITS RATIO

	Sep-15	Dec-14	Sep-14	YoY Change
	%	%	%	
Net Loans to Customers / Customers' Deposits (a)	116.6	106.5	110.2	6.4p.p.
Net Loans to Customers / Total On-Balance Sheet Customers' Resources (b)	99.6	92.5	95.6	4.1p.p.

(a) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version.

(b) Total On-Balance Sheet Customers' Resources = Customers' Resources + Debt securities issued

The use of European Central Bank (ECB) resources by CEMG amounted to EUR 2,966.0 million, compared to EUR 2,476.0 million at the end of 2014. Contributing to this increase was the use of the targeted long-term refinancing operation (TLTRO) line, provided by the Eurosystem under the expansionary monetary policy measures that have been implemented.

The pool of collateral eligible for monetary policy operations under the Eurosystem decreased by EUR 532.9 million during the first 9 months of 2015, shifting from EUR 4,202.4 million as at 31 December 2014 to EUR 3,669.4 million as at 30 September 2015. This change was essentially due to three factors: (i) reduction of the position of CEMG's own portfolio of Portuguese government bonds, (ii) increased pool of collateral of the new-CIM (Collateralized Interbank Market), and (iii) increase of repo operations.

POOL OF ELIGIBLE ASSETS FOR REFINANCING AT THE ECB

(thousand euros)

	Sep-15	Dec-15	Sep-14	YoY Change	
				Amount	%
Pool of Eligible Assets	3,669,435	4,202,365	4,051,574	-382,139	-9.4
Use of the Pool	2,965,990	2,475,990	2,175,000	790,990	36.4
Pool of Available Assets	**703,445**	**1,726,375**	**1,876,574**	**-1,173,129**	**-62.5**

4. RESULTS

The first 9 months of 2015 were marked by the challenges of the current economic climate, both at a domestic level due to the slow recovery of economic activity, and due to the weak economic recovery at a European level, which continued to undermine the confidence of economic agents, hampering investment and employment, influencing the performance of the banking sector and consequently that of CEMG.

INCOME STATEMENT

(thousand euros)

	Sep-15	Sep-14 1)	Change	
			Amount	%
Net Interest Income	**182,378**	**255,094**	**-72,716**	**-28.5**
Net Commissions of Services to Customers	75,469	77,748	-2,279	-2.9
Commercial Net Operating Income	**257,847**	**332,842**	**-74,995**	**-22.5**
Income from Equity Instruments	1,470	548	922	>100
Net Trading Income	145,651	369,669	-224,018	-60.6
Other Net Income	-25,861	-7,085	-18,776	<-100
Net Operating Income	**379,107**	**695,974**	**-316,867**	**-45.5**
Personnel Expenses	152,114	144,142	7,972	5.5
General Administrative Overheads	86,749	82,675	4,074	4.9
Amortization	19,863	23,188	-3,325	-14.3
Total Operating Expenses	**258,726**	**250,005**	**8,721**	**3.5**
Gross Earnings	**120,381**	**445,969**	**-325,588**	**-73.0**
Net Provisions and Impairments	**213,514**	**393,135**	**-179,621**	**-45.7**
Loans	202,617	350,548	-147,931	-42.2
Securities	6,717	33,912	-27,195	-80.2
Other	4,180	8,675	-4,495	-51.8
Earnings from Associates and Joint Ventures	**-3,894**	**1,279**	**-5,173**	<-100
Earnings before Taxes and Non-controlling interests	**-97,027**	**54,113**	**-151,140**	**<-100**
Taxes	**37,399**	**-32,255**	**69,654**	**>100**
Current	1,256	-54,584	55,840	>100
Deferred	36,143	22,329	13,814	61.9
Non-controlling interests	**167**	**-1,941**	**2,108**	>100
Net Income for the period	**-59,461**	**19,917**	**-79,378**	**<-100**

1) The interim financial statements, as at 30 September 2014, were restated, pursuant to Note ab) of the Accounting Policies.

At the end of the third quarter of 2015, Net Income for the period stood at EUR -59.5 million, compared to EUR 19.9 million for the same period of the previous year. This evolution reflects an improvement of EUR

205.5 million of recurrent earnings, excluding income from the sale of Portuguese sovereign debt securities, leading to a reduction of net trading income up to 30 September 2015, which, even so, reached EUR 145.7 million, and net interest income, which stood at EUR 182.4 million, also aggravated by a context of historically low Euribor rates. This evolution was also in part determined by the growth of Operating Expenses (+3.5%), whose growth stood at only 0.7%, on a comparable basis, if one excludes the acquisition of the qualifying holding in the capital of Banco Terra, S.A. which occurred at the end of 2014. Special note should also be made of the considerable reduction recorded in loan impairments (-42.2%), as a result of the increasingly stronger rigour in the analysis of the cost of risk of granted loans.

4.1. NET INTEREST INCOME

Net Interest Income stood at EUR 182.4 million, compared to EUR 255.1 million achieved at the end of the first 9 months of 2014. Especially contributing to this performance was the EUR 96.7 million reduction in the securities portfolio, derived, on the one hand, from the lower yields of the sovereign debt securities recorded in the portfolio, and, on the other hand, the divestment of these types of assets in 2014, which enabled the achievement of exceptional gains under market conditions that have proved to be rather favourable. Furthermore, the lower average balances of loans, derived from the fragile recovery of demand and the demanding policy of risk analysis in granting loans, added to the historically low levels of the Euribor rates, led to a reduction of the contribution from loans to customers of EUR 82.0 million, greater than the decrease observed in customers' resources of EUR 65.0 million.

NET INTEREST INCOME

(thousand euros)

	Sep-15	Sep-14	Change	
			Amount	%
Financial Assets				
Loans to Customers (1)	359,980	441,989	-82,009	-18.6%
Securities portfolio	60,200	156,930	-96,730	-61.6%
Derivative instruments	66,253	79,113	-12,860	-16.3%
Other investments	11,531	15,270	-3,739	-24.5%
Total	**497,964**	**693,302**	**-195,338**	**-28.2%**
Financial Liabilities				
Customers' Resources (2)	176,357	241,367	-65,010	-26.9%
Debt securities issued	56,150	71,259	-15,109	-21.2%
Derivative instruments	67,803	80,444	-12,641	-15.7%
Other liabilities	15,276	45,138	-29,862	-66.2%
Total	**315,586**	**438,208**	**-122,622**	**-28.0%**
Net Interest Income	**182,378**	**255,094**	**-72,716**	**-28.5%**
Commercial Net Interest Income (1-2)	**183,623**	**200,622**	**-16,999**	**-8.5%**

4.2. OTHER OPERATING INCOME

Net commissions reached EUR 75.5 million, compared to EUR 77.7 million achieved up to 30 September 2014 (-2.9%), although showing an increase of 6.8% from the second to the third quarter of 2015, as a result of the ongoing cross-selling dynamics, aimed at meeting customer needs.

Net trading income amounted to EUR 145.7 million, due to the rigorous securities management policy regarding the trading portfolio, which, even so, gave rise to a reduction of the capital gains from financial operations compared to those achieved in the first 9 months of 2014 (-60.6%), which included EUR 361.5 million derived from the divestment of Portuguese sovereign debt securities, taking advantage of market conditions that have proved to be rather favourable, compared to EUR 76.6 million at the end of September 2015. Thus, it should be emphasised that, excluding the impact of the divestment of the aforesaid securities, net trading income recorded a year-on-year increase of EUR 60.9 million at the end of the third quarter of 2015.

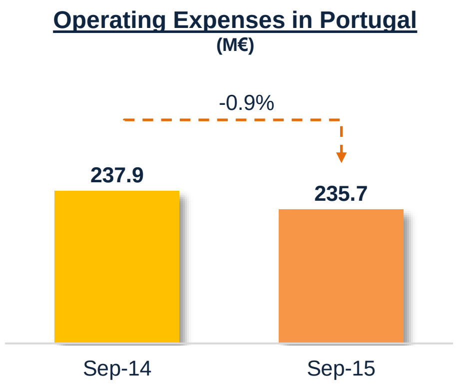
NET TRADING INCOME

(thousand euros)

	Sep-15	Sep-14	Change	
			Amount	%
P&L arising from Assets and Liabilities at Fair Value through Profit or Loss	9,384	440	8,944	>100
P&L arising from Financial Assets Available for Sale	102,066	373,927	-271,861	-72.7
P&L arising from Currency Revaluation	13,451	17,054	-3,603	-21.1
Other Net Income	20,750	-21,752	42,502	>100
TOTAL	**145,651**	**369,669**	**-224,018**	**-60.6**
Results arising from the sale of sovereign debt securities	*76,584*	*361,465*	*-284,881*	*-78.8*
TOTAL, excluding results arising from the sale of sovereign debt securities	**69,067**	**8,204**	**60,863**	**>100**

4.3. OPERATING EXPENSES

Consolidated operating expenses amounted to EUR 258.7 million (+3.5%, year-on-year), with the increased Personnel Expenses (+5.5%) and General Administrative Overheads (+4.9%) being hampered by the international activity operations of the CEMG Group. On a comparable basis, factoring out the entry into Mozambique through the acquisition of a qualifying holding in the capital of Banco Terra, S.A. (“BTM”), which took place in late 2014, operating expenses remained stable (+0.7%). The reduction of expenses in domestic activity contributed to this outcome, which fell by 0.9% in relation to the same period of the previous year. During the third quarter of 2015, with a view to rationalising the distribution network and optimising costs that has been followed since 2011, and which has already led to the closure of 70 branches in Portugal, a further 14 branches were closed, which contributed to the 6.6% reduction in consolidated operating expenses from the second quarter to the third quarter of 2015.



In turn, in international activity, operating expenses increased by EUR 10.7 million, in relation to the third quarter of 2014, as a consequence of the higher requirements in terms of human and material resources implied by the operation in Angola (Finibanco Angola S.A.) and the aforesaid entrance into the Mozambican market. Since the end of September 2014, 2 new branches and 1 new business centre have been opened in Angola, simultaneously with a 13.1% increase in the number of employees (198 employees, as at 30 September 2015).

EVOLUTION OF OPERATING EXPENSES

(thousand euros)

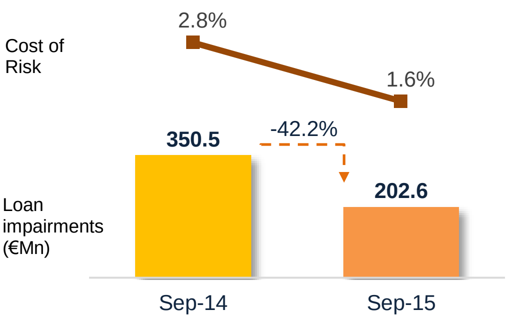
	Sep-15		Sep-14	Change		excl. BTM
	As reported	excl. BTM		Amount	%	%
Personnel Expenses	152,114	148,995	144,142	7,972	5.5	3.4
General Administrative Overheads	86,749	83,467	82,675	4,074	4.9	1.0
Operating Expenses	**238,863**	**232,462**	**226,817**	**12,046**	**5.3**	**2.5**
Amortization	19,863	19,341	23,188	-3,325	-14.3	-16.6
Total Operating Expenses	**258,726**	**251,803**	**250,005**	**8,721**	**3.5**	**0.7**
Domestic Activity (a)	235,725	235,725	237,858	-2,133	-0.9	-0.9
International Activity (a)	23,388	16,465	12,730	10,658	83.7	29.3
RATIOS						
Cost-to-Income (b)	68.25%		35.92%			
Cost-to-Income excluding Amortization	63.01%		32.59%			

(a) Excludes consolidation adjustments. (b) Pursuant to Banco de Portugal Instruction No. 16/2004, in its current version.

4.4. PROVISIONS AND IMPAIRMENTS

The prudent policy used in the assessment of the risk levels of the asset portfolio was reflected in a significant reduction of provisions and impairments (-45.7%), in relation to the same period of the previous year. Particular note should be made of the 42.2% reduction in loan impairments, reflecting the careful policy of analysis of risk in loans granting, as well as the 80.2% reduction in impairments recognized for securities. This prudent action led to a substantial reduction of the cost of credit risk to 1.6%, compared to 2.8% in September 2014, and 3.1% at the end of 2014, corresponding to an improvement in the expected losses due to loan impairments.

Loan impairments and cost of risk



EVOLUTION OF PROVISIONS AND IMPAIRMENTS

(thousand euros)

	Sep-15		Sep-14		Change	
	Amount	%	Amount	%	Amount	%
Net Loans Provisions and Impairment Charges	202,617	94.9	350,548	89.2	-147,931	-42.2
Net Securities Impairment Charges	6,717	3.1	33,912	8.6	-27,195	-80.2
Net Other Assets Provisions and Impairment Charges	4,180	2.0	8,675	2.2	-4,495	-51.8
Total Net Provisions and Impairment Charges	**213,514**	**100.0**	**393,135**	**100.0**	**-179,621**	**-45.7**

5. INTERNATIONAL ACTIVITY

The international activity of the CEMG Group is carried out by the entities Banco MG Cabo Verde, Soc. Unipessoal, S.A., Finibanco Angola, S.A. and, since December 2014, also by Banco Terra, S.A. in Mozambique.

Customer deposits of Banco MG Cabo Verde (‘MGCV’) amounted to a total of EUR 442.2 million at the end of the first 9 months of 2015 (EUR 579.7 million in September 2014), representing a year-on-year reduction of EUR 137.4 million. MGCV's net income for the period came to EUR 716.8 thousand (EUR 384.2 thousand in the same period of 2014), primarily due to the 37.2% growth of net interest income, which reached EUR 1,362.4 thousand.

At Finibanco Angola, S.A. (‘FNB-A’), customer deposits stood at EUR 414.6 million, compared to EUR 466.0 million recorded in the same period of the preceding year, while loans granted to customers reached EUR 274.1 million, compared to EUR 299.4 million in September 2014. The evolution of commercial activity showed a direct impact on net interest income, which amounted to EUR 20.9 million (+43.9%), contributing to the operating income having reached EUR 37.2 million (+8.8% year-on-year).

The geographic coverage of the distribution network has been strengthened since the end of September 2014, with the opening of a new branch in Luanda and FNB-A's extension to the province of Lubango, with the opening of a branch and a business centre. At the end of September 2015, the total number of staff reached 198 employees, corresponding to an increase of 13.1%, year-on-year.

In view of the additional investment needs, the FNB-A's operating expenses increased by 30.7%, amounting to a total of EUR 15.9 million, with the cost-to-income efficiency ratio standing at 42.8% (35.6% as at 30 September 2014).

At the end of the first 9 months of 2015, there was a net reinforcement of the impairments of FNB-A's loans portfolio, relative to the same period of the previous year, of EUR 3.0 million, reaching EUR 10.3 million. Net income for the period reached EUR 9.1 million, compared to the EUR 10.5 million for the end of the third quarter of 2014.

For the first 9 months of 2015, Banco Terra, S.A. showed a total equity of EUR 22.7 million and net assets of EUR 57.1 million, which was influenced by the value of loans granted of EUR 37.9 million (EUR +5.5 million or +16.8%, relative to December 2014). Regarding customers’ deposits, Banco Terra recorded a decrease of EUR 3.5 million (-12.8%), compared to the end of 2014, with the total balance standing at EUR 24.0 million as at 30 September 2015. Net income at the end of the third quarter 2015, attributable to the CEMG Group, stood at EUR -3.3 million, influenced above all by the weight of the operating structure and the embryonic stage at which the institution is currently placed.

6. RATINGS

In June 2015, the agency Moody's upgraded CEMG's Long Term rating from ‘B2’ to ‘B1’, and also upgraded the institution's Outlook, improving it to ’Stable’. Particular note should also be made of the upgrade, by 3 notches, of mortgage bonds attributed by Moody's, from ‘Ba1’ to ‘Baa1’, which were henceforth classified as moderate credit risk instruments in the Investment Grade category.

In May 2015, Fitch Ratings affirmed CEMG's intrinsic rating (Viability Rating), having upgraded the Outlook from ‘Negative’ to ‘Stable’ and revised CEMG's Long Term Issuer Default Rating (IDR) from ‘BB’ to ‘B+’, reflecting its Viability Rating, following the withdrawal of government support from their assessment models.

Also DBRS, in September 2015, affirmed CEMG's intrinsic rating of ‘BB(high)’, having maintained the Outlook and revised the Long Term rating from ‘BBB(low)’ to ‘BB(high)’, reflecting its intrinsic rating, following the withdrawal of government support from their assessment models.

As at 30 September 2015, the ratings attributed to CEMG by the international agencies Fitch Ratings, Moody's Investors Service and DBRS were as follows:

Rating Agencies	**Long-term**	**Short-term**	**Outlook**
Fitch Ratings	B+	B	Stable
Moody's	B1	NP	Stable
DBRS	BB (high)	R-3	Negative

It should also be noted that, on 10 September 2015, the agency Standard & Poor's reiterated the high quality of the liabilities associated to securitised mortgage loans (RMBS – Residential Mortgage Backed Securities), where CEMG intervenes as originator, maintaining the following ratings:

- A(sf): Classes A for the Pelican Mortgages No.2 and Aqua Mortgage No.1 operations.
- BBB+(sf): Class B for the Pelican Mortgages No.2 operation.
- BB(sf): Class C for the Pelican Mortgages No.2 operation.

7. SIGNIFICANT EVENTS IN THE FIRST 9 MONTHS OF 2015

New management bodies of CEMG

The General Meeting of Montepio Geral Associação Mutualista ('MGAM'), held on 1 April 2015, approved the election of a Commission to draw up a revision project of CEMG's Articles of Association. Following this revision, the CEMG's General Meeting, held on 26 May 2015, approved the statutory amendments proposed by the aforesaid Commission, which concluded on programmed changes to CEMG's internal governance model, including in particular the complete separation between the management bodies of MGAM and CEMG. During the second half of 2015, CEMG's General Meeting, held on 5 August 2015, elected the new bodies of CEMG - General Meeting, General and Supervisory Board, Executive Board of Directors, Fit and Proper Committee, Remuneration Committee and Risk Committee. The new Executive Board of Directors, headed by Dr. José Morgado, took office on 7 August 2015.

New legal framework for Savings Banks

Decree-Law 190/2015 was published on 10 September 2015, which determined, based on the volume of assets, the classification of savings banks in two modalities - attached savings banks and banking savings banks – with CEMG falling in the latter group.

This Decree-Law determines that "«Banking savings banks» are equivalent to banks and, as such, can perform all the legal activities carried out by the latter. Hence, this legislation opens very positive prospects for the development of CEMG's activity, endowing it with a flexibility and access to market instruments that were previously not available to it, given its legal nature, despite already being accessible to its competitors.

Finally, we should highlight the solidarity initiatives and awards attributed to CEMG in terms of its financial robustness, reputation and relevance of the Brand and service provided by the Homebanking Net24 Individuals platform.

Awards and Distinctions

The Banker TOP 1000 WORLD BANKS 2015

CEMG upholds its presence in the 2015 ranking of the 1,000 largest banks of the world, according to the magazine *The Banker*, a reference publication in the banking sector which belongs to the British editorial group *Financial Times*. This ranking, considered the standard measure for the industry since 1970, is based on an appraisal of the financial strength and robustness of each institution. CEMG, holding the 490th place, thus retains its presence among the 500 largest banks of the world.

REPUTATION INSTITUTE

The Montepio brand was ranked among the top brands in the Global RepTrak™ Pulse 2015 study, having achieved first place in the areas of Service Quality, Social Responsibility and Corporate Governance.

The Montepio brand was considered by *Meaningful Brands Portugal 2015*, an initiative promoted by the *Havas Media Group*, the most relevant in the Finance & Insurance sector. This distinction reflects the

Institution's concern with its customers, accomplished in the follow-up provided, in the detection of trends and in the role that it has consistently played, throughout its entire history, in Portuguese society.

The Net24 Individuals service, CEMG's Homebanking platform, was distinguished with the Five Stars Award 2015 in the “Internet Banking” category, following a thorough and rigorous assessment by users and professionals of the quality area. Excellency service, innovation and level of satisfaction were three characteristics highlighted by those using Net24 to manage their daily financial activities.

Social Responsibility

Support to the integration of migrants

CEMG contributes to the national effort to welcome, receive and integrate migrants by providing up to one million euros.

This contribution shall be delivered over 24 months (after the refugees begin to be received in the country), in strict coordination with the Portuguese authorities, with the priority allocation being aimed at the teaching of the Portuguese language, schooling for children and medical assistance.

8. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2015 AND 31 DECEMBER 2014

	2015			2014
(thousand euros)	Gross Assets	Impairment and Amortization	Net Assets	Net Assets
Cash and deposits at central banks	610,261	0	610,261	284,813
Deposits at other credit institutions	224,536	0	224,536	217,043
Financial assets held for trading	58,842	0	58,842	86,581
Financial assets available for sale	3,539,175	59,068	3,480,107	3,589,711
Investments in credit institutions	171,705	150	171,555	546,162
Loans to customers	15,946,845	1,349,452	14,597,393	15,226,223
Investments held to maturity	151,926	0	151,926	120,101
Hedging derivatives	46	0	46	60
Non-current assets held for sale	984,855	142,366	842,489	799,739
Investment properties	717,255	0	717,255	715,737
Other tangible assets	269,069	181,418	87,651	98,931
Intangible assets	156,316	84,197	72,119	66,054
Investments in associates and subsidiaries excluded from consolidation	21,298	341	20,957	24,650
Current tax assets	6,091	0	6,091	2,664
Deferred tax assets	427,347	0	427,347	355,881
Other assets	374,455	18,173	356,282	339,124
TOTAL ASSETS	**23,660,022**	**1,835,165**	**21,824,857**	**22,473,474**
Resources from central banks			2,981,917	2,496,886
Financial liabilities held for trading			57,841	85,292
Resources from other credit institutions			1,965,378	1,070,156
Resources from customers and other loans			12,553,667	14,314,659
Debt securities issued			2,096,578	2,146,525
Financial liabilities associated to transferred assets			126,332	163,650
Non-current liabilities held for sale			77	0
Hedging derivatives			757	1,494
Provisions			14,404	20,329
Current tax liabilities			1,568	16,962
Other subordinated liabilities			331,043	373,279
Other liabilities			263,166	369,718
TOTAL LIABILITIES			**20,392,728**	**21,058,950**
Capital			1,900,000	1,700,000
Institutional Capital			1,500,000	1,500,000
Participation Fund			400,000	200,000
Other equity instruments			8,273	8,273
Own securities			-31,581	-3,280
Revaluation reserves			-45,324	18,516
Other reserves and retained earnings			-364,869	-148,472
Net income for the period			-59,461	-186,953
Non-controlling interests			25,091	26,440
TOTAL EQUITY			**1,432,129**	**1,414,524**
TOTAL LIABILITIES AND EQUITY			**21,824,857**	**22,473,474**

THE CHARTERED ACCOUNTANT

(Luís Miguel Lines Andrade)

THE EXECUTIVE BOARD OF DIRECTORS

(José Manuel Félix Morgado - CEO)

(João Carlos Martins da Cunha Neves)

(Luís Gabriel Moreira Maia Almeida)

(Fernando Ferreira Santo)

(João Belard da Fonseca Lopes Raimundo)

(Jorge Manuel Viana de Azevedo Pinto Bravo)

(Luís Miguel Resende de Jesus)

Approved by the Executive Board of Directors session of 28 October 2015 and ratified in the General and Supervisory Board session of 29 October 2015

CONSOLIDATED INCOME STATEMENT AS AT 30 SEPTEMBER 2015 AND 2014

(thousand euros)	2015	2014 (Restated)
Interest and similar income	497,964	693,302
Interest and similar expense	315,586	438,208
NET INTEREST INCOME	**182,378**	**255,094**
Income from equity instruments	1,470	548
Income from services, fees and commissions	100,289	103,225
Expenses from services, fees and commissions	24,820	25,477
Net gains/losses arising from assets and liabilities at fair value through profit or loss	9,384	440
Net gains/losses arising from financial assets available for sale	102,066	373,927
Net gains/losses arising from currency revaluation	13,451	17,054
Net gains/losses arising from sale of other assets	-18,191	-21,338
Other operating income	13,080	-7,499
NET OPERATING INCOME	**379,107**	**695,974**
Personnel expenses	152,114	144,142
General administrative overheads	86,749	82,675
Amortization and depreciation	19,863	23,188
Provisions net of adjustments	-5,149	-669
Loan impairments (net of reversals and recoveries)	202,617	350,548
Other financial assets impairments (net of reversals and recoveries)	6,717	33,912
Other non-financial assets impairments (net of reversals and recoveries)	9,329	9,344
Earnings from associates and joint ventures (equity method)	-3,894	1,279
EARNINGS BEFORE TAXES AND NON-CONTROLLING INTERESTS	**-97,027**	**54,113**
Taxes		
Current	1,256	-54,584
Deferred	36,143	22,329
Non-controlling interests	167	-1,941
NET INCOME FOR THE PERIOD	**-59,461**	**19,917**

THE CHARTERED ACCOUNTANT

(Luís Miguel Lines Andrade)

THE EXECUTIVE BOARD OF DIRECTORS

(José Manuel Félix Morgado - CEO)

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(Luís Miguel Resende de Jesus)

Approved by the Executive Board of Directors session of 28 October 2015 and
ratified in the General and Supervisory Board session of 29 October 2015

9. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Caixa Económica Montepio Geral

Consolidated Income Statement
for the nine months period ended at 30 September 2015 and 2014

(Thousands of Euro)

	Notes	30 September 2015	30 September 2014 Restated
Interest and similar income	3	497 964	693 302
Interest and similar expense	3	315 586	438 208
Net interest income	3	182 378	255 094
Dividends from equity instruments	4	1 470	548
Fee and commission income	5	100 289	103 225
Fee and commission expense	5	(24 820)	(25 477)
Net gains/ (losses) arising from assets and liabilities at fair value through profit or loss	6	9 384	440
Net gains/(losses) arising from available-for-sale financial assets	7	102 066	373 927
Net gains/ (losses) arising from foreign exchange differences	8	13 451	17 054
Net gains/ (losses) arising from sale of other financial assets	9	(18 191)	(21 338)
Other operating income/ (expenses)	10	13 080	(7 499)
Total operating income		379 107	695 974
Staff costs	11	152 114	144 142
General and administrative expenses	12	86 749	82 675
Depreciation and amortization	13	19 863	23 188
Total operating costs		258 726	250 005
Loans impairment	14	202 617	350 548
Other financial assets impairment	15	6 717	33 912
Other assets impairment	16	9 329	9 344
Other provisions	17	(5 149)	(669)
Operating profit		(93 133)	52 834
Share of profit of associates under the equity method	18	(3 894)	1 279
Profit before income tax		(97 027)	54 113
Tax			
Current	32	1 256	(54 584)
Deferred	32	36 143	22 329
Profit / (loss) for the period		(59 628)	21 858
Profit / (loss) for the period attributable to			
Institutional capital and Participation Fund		(59 461)	19 917
Non-controlling interests	49	(167)	1 941
Profit / (loss) for the period		(59 628)	21 858

See accompanying notes to the interim consolidated financial statements

Caixa Económica Montepio Geral

Consolidated Statement of Financial Position as at 30 September 2015 and 31 December 2014

(Thousands of Euro)

	Notes	30 September 2015	31 December 2014
Assets			
Cash and deposits at central banks	19	610 261	284 813
Loans and advances to credit institutions repayable on demand	20	224 536	217 043
Other loans and advances to credit institutions	21	171 555	546 162
Loans and advances to customers	22	14 597 393	15 226 223
Financial assets held for trading	23	58 842	86 581
Financial assets available for sale	24	3 480 107	3 589 711
Hedging derivatives	25	46	60
Financial assets held to maturity	26	151 926	120 101
Investment in associated companies and others	27	20 957	24 650
Non-current assets held for sale	28	842 489	799 739
Investment properties	29	717 255	715 737
Property and equipment	30	87 651	98 931
Intangible assets	31	72 119	66 054
Current tax assets		6 091	2 664
Deferred tax assets	32	427 347	355 881
Other assets	33	356 282	339 124
Total Assets		21 824 857	22 473 474
Liabilities			
Deposits from central banks	34	2 981 917	2 496 886
Deposits from other financial institutions	35	1 965 378	1 070 156
Deposits from customers	36	12 553 667	14 314 659
Debt securities issued	37	2 096 578	2 146 525
Financial liabilities relating to transferred assets	38	126 332	163 650
Financial liabilities held for trading	23	57 841	85 292
Hedging derivatives	25	757	1 494
Non-current liabilities held for sale		77	-
Provisions	39	14 404	20 329
Current tax liabilities		1 568	16 962
Other subordinated debt	40	331 043	373 279
Other liabilities	41	263 166	369 718
Total Liabilities		20 392 728	21 058 950
Equity			
Institutional capital	42	1 500 000	1 500 000
Participation fund	43	400 000	200 000
Other equity instruments	44	8 273	8 273
Treasury stock	45	(31 581)	(3 280)
Revaluation reserves	47	(45 324)	18 516
Other reserves and retained earnings	46 and 47	(364 869)	(148 472)
Consolidated profit / (loss) for the period attributable to holders of institutional capital and participation fund		(59 461)	- (186 953)
Total equity attributable to holders of institutional capital and participation fund		1 407 038	1 388 084
Non-controlling interests	49	25 091	26 440
Total Equity		1 432 129	1 414 524
		21 824 857	22 473 474

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

See accompanying notes to the interim consolidated financial statements

Consolidated Income Statement

for the three months period between 1 July and 30 September 2015 and 2014

(Thousands of Euro)

	30 September 2015	30 September 2014
		Restated
Interest and similar income	148 935	230 031
Interest and similar expense	92 579	135 513
Net interest income	56 356	94 518
Dividends from equity instruments	70	55
Fee and commission income	34 629	33 990
Fee and commission expense	(8 356)	(7 960)
Net gains / (losses) arising from financial assets and liabilities	-	-
at fair value through profit or loss	(1 815)	(68)
Net gains / (losses) arising from available-for-sale	-	-
financial assets	18 648	98 860
Net gains / (losses) arising from foreign exchange differences	6 212	7 205
Net gains / (losses) from sale of other financial assets	(10 370)	(7 162)
Other operating income/ (expenses)	(1 687)	(543)
Total operating income	93 687	218 895
Staff costs	50 275	48 860
General and administrative expenses	28 992	28 171
Depreciation and amortisation	6 017	7 760
Total operating costs	85 284	84 791
Loans impairment	51 331	85 195
Other financial assets impairment	(3 950)	8 204
Other assets impairment	912	6 247
Other provisions	77	583
Operating profit	(39 967)	33 875
Share of profit of associates under equity method	222	1 071
Profit before income tax	(39 745)	34 946
Tax		
Current	1 038	(15 690)
Deferred	8 473	(4 610)
Profit / (loss) for the period	(30 234)	14 646
Profit / (loss) for the period attributable to		
Institutional Capital and Participation Fund	(30 552)	13 708
Non-controlling interests	318	938
Profit / (loss) for the period	(30 234)	14 646

CHIEF ACCOUNTANT

THE EXECUTIVE BOARD OF DIRECTORS

See accompanying notes to the interim consolidated financial statements

Consolidated Statement of Cash Flows
for the nine months period ended at 30 September 2015 and 2014

(Thousands of Euro)

	30 September 2015	30 September 2014
Cash flows arising from operating activities		
Interest income received	509 886	666 439
Commissions income received	96 615	105 326
Interest expense paid	(372 240)	(470 972)
Commissions expense paid	(25 518)	(25 477)
Payments to employees and suppliers	(245 782)	(214 939)
Recoveries on loans previously written off	7 130	9 229
Other payments and receivables	(49 695)	(17 703)
	(79 604)	51 903
(Increase) / decrease in operating assets		
Loans and advances to credit institutions and customers	782 784	(242 473)
Deposits held for monetary control purposes	(371 757)	(158 874)
Other assets	(166 768)	(423 064)
(Acquisition) / Sale of financial assets held for trading	35 010	(5 907)
	279 269	(830 318)
(Increase) / decrease in operating liabilities		
Deposits from customers	(1 722 492)	(126 522)
Deposits from credit institutions	895 453	657 919
Deposits from central banks	505 000	(1 220 000)
	(322 039)	(688 603)
Income taxes (paid) / received	(17 565)	57 973
	(139 939)	(1 409 045)
Cash flows arising from investing activities		
Dividends received	1 470	548
(Acquisition) / sale of other financial assets at fair value through profit or loss	-	3 450
(Acquisition) / sale of available for sale financial assets	95 344	1 665 180
(Acquisition) / sale of hedging derivatives	134	909
(Acquisition) / sale of investments held to maturity	(29 980)	(68 438)
(Acquisition) / sale of shares in associated companies	(201)	12 876
Deposits owned with the purpose of monetary control	(43 470)	(71 992)
Acquisition of fixed assets and investment properties	45 650	12 372
	68 947	1 554 905
Cash flows arising from financing activities		
Treasury stock	(28 301)	(3 502)
Capital increase	200 000	-
Proceeds from issuance of bonds and subordinated debt	71 150	453 987
Reimbursement of bonds and subordinated debt	(83 619)	(674 346)
Increase / (decrease) in other sundry debtors	(140 506)	16 055
	18 724	(207 806)
Exchange differences effect on cash and cash equivalents	13 451	17 054
Net changes in cash and cash equivalents	(38 817)	(44 892)
Cash and equivalents at the beginning of the period		
Cash (note 18)	189 348	180 217
Deposits in other credit institutions (note 20)	217 043	233 773
Cash and equivalents balance at the end of the period	367 574	369 098
Cash and equivalents balance at the end of the period includes:		
Cash (note 18)	143 038	161 384
Loans and advances to credit institutions repayable on demand (note 20)	224 536	207 714
Total	367 574	369 098

See accompanying notes to the interim consolidated financial statements

Caixa Económica Montepio Geral

Consolidated Statement of Changes in Equity
for the nine months period ended at 30 September 2015 and 2014

(Thousands of Euro)

	Total equity	Institutional Capital	Participation fund	Other equity instruments	General and special reserves	Revaluation reserves	Other Revaluation reserves	Other reserves and retained earnings	Non-controlling interests
Balance on 1 January 2014	**1 647 343**	**1 500 000**	**200 000**	**8 273**	**255 805**	**3 286**	**(14 819)**	**(316 237)**	**11 035**
Actuarial losses for the period	26 555	-	-	-	-	-	-	26 555	-
Deferred taxes related to balance sheet changes accounted against reserves (note 32)	(2 285)	-	-	-	-	-	-	(2 285)	-
Changes in fair value (note 47)	48 123	-	-	-	-	48 123	-	-	-
Deferred taxes related to fair value changes	(10 125)	-	-	-	-	(10 125)	-	-	-
Profit for the period	21 858	-	-	-	-	-	-	19 917	1 941
Non-controlling interests (note 49)	416	-		-	-	-	-	-	416
Other reserves	10 756	-	-	-	-	-	9 944	812	-
Own participation fund	(3 502)	-	(3.502)	-	-	-	-	-	-
Balance on 30 September 2014	**1 739 139**	**1 500 000**	**196 498**	**8 273**	**255 805**	**41 284**	**(4 875)**	**(271 238)**	**13 392**
Actuarial losses for the period	(108 609)	-	-	-	-	-	-	(108 609)	-
Deferred taxes related to balance sheet changes accounted against reserves (note 32)	(4 861)	-	-	-	-	-	-	(4 861)	-
Changes in fair value (note 47)	10 134	-	-	-	-	10 134	-	-	-
Deferred taxes related to fair value changes	(4 116)	-	-	-	-	(4 116)	-	-	-
Profit for the period	(207 235)	-	-	-	-	-	-	(206 870)	(365)
Non-controlling interests (note 49)	15 882	-	-	-	-	-	-	-	15 882
Dividends from Finibanco Angola, S.A. (note 49)	(2 469)	-	-	-	-	-	-	-	(2 469)
Other reserves	(23 563)	-	-	-	-	-	(23 911)	348	-
Own participation fund	222	-	222	-	-	-	-	-	-
Balance on 31 December 2014	**1 414 524**	**1 500 000**	**196 720**	**8 273**	**255 805**	**47 302**	**(28 786)**	**(591 230)**	**26 440**
Deferred taxes related to balance sheet changes accounted against reserves (note 32)	(1 142)	-	-	-	-	-	-	(1 142)	-
Changes in fair value (note 47)	(109 609)	-	-	-	-	(109 609)	-	-	-
Deferred taxes related to fair value changes	36 464	-	-	-	-	36 464	-	-	-
Profit for the period	(59 628)	-	-	-	-	-	-	(59 461)	(167)
Non-controlling interests (note 49)	(1 182)	-	-	-	-	-	-	-	(1 182)
Other reserves	(18 239)	-	-	-	-	-	9 305	(27 544)	-
Issue of participation units of the participation fund	200 000	-	200 000	-	-	-	-	-	-
Own participation fund	(28 301)	-	(28 301)	-	-	-	-	-	-
Financial cost related to perpetual securities issued	(758)	-	-	-	-	-	-	(758)	-
Balance on 30 September 2015	**1 432 129**	**1 500 000**	**368 419**	**8 273**	**255 805**	**(25 843)**	**(19 481)**	**(680 135)**	**25 091**

See accompanying notes to the interim consolidated financial statements

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income
for the nine months period ended at 30 September 2015

(Thousands of Euro)

		30 September 2015		
	Notes	**Total**	**Holders of institutional capital and participation fund**	**Non-controlling interests**
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available-for-sale financial assets	47	(109 609)	(109 609)	-
Taxes	32 and 47	36 464	36 464	-
		(73 145)	(73 145)	-
Items that won't be reclassified into the Income Statement				
Deferred taxes		(1 142)	(1 142)	-
Financial cost related to perpetual securities issued		(758)	(758)	-
		(1 900)	(1 900)	-
Profit / (loss) for the period		(59 628)	(59 461)	(167)
Total comprehensive income / (loss) for the period		(134 673)	(134 506)	(167)

See accompanying notes to the interim consolidated financial statements

Caixa Económica Montepio Geral

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

(Thousands of Euro)

	Notes	30 September 2014 Total	Holders of institutional capital and participation fund	Non-controlling interests
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available-for-sale financial assets	47	48 123	48 123	-
Taxes	32 and 47	(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		(2 285)	(2 285)	-
		24 270	24 270	-
Profit / (loss) for the period		21 858	19 917	1 941
Total comprehensive income / (loss) for the period		84 126	82 185	1 941

See accompanying notes to the interim consolidated financial statements

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income
for the three months period between at 1 July and 30 September 2015

(Thousands of Euro)

	Notes	3rd Quarter 2015 Total	Holders of institutional capital and participation fund	Non-controlling interests
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available-for-sale financial assets	47	(6 424)	(6 424)	-
Taxes	32 and 47	2 338	2 338	-
		(4 086)	(4 086)	-
Items that won't be reclassified into the Income Statement				
Deferred taxes		(660)	(660)	-
Financial cost related to perpetual securities issued		(379)	(379)	-
		(1 039)	(1 039)	-
Profit / (loss) for the period		(30 234)	(30 552)	318
Total comprehensive income / (loss) for the period		(35 359)	(35 677)	318

See accompanying notes to the interim consolidated financial statements

Caixa Económica Montepio Geral

Consolidated Statement of Comprehensive Income
for the three months period between at 1 July and 30 September 2014

(Thousands of Euro)

		3rd Quarter 2014		
	Notes	**Total**	**Holders of institutional capital and participation fund**	**Non-controlling interests**
Items that may be reclassified into the Income Statement				
Fair value reserve				
Available-for-sale financial assets	47	(36 150)	(36 150)	-
Taxes	32 and 47	11 814	11 814	-
		(24 336)	(24 336)	-
Items that won't be reclassified into the Income Statement				
Deferred taxes		1 059	1 059	-
Financial cost related to perpetual securities issued		(701)	(701)	-
		358	358	-
Profit / (loss) for the period		14 646	13 708	938
Total de outro rendimento integral do período		(9 332)	(10 270)	938

See accompanying notes to the interim consolidated financial statements

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. 190/15 of 10 September, which regulate the activity of savings banks and establish some restrictions to their activities. However, CEMG is authorised to carry out banking operations in addition to those mentioned in its by-laws, if previously authorised by the Bank of Portugal. This fact conducts to the practice of banking operations in general. The consolidated financial statements reflect the results of the operations of CEMG and all its subsidiaries (together referred to as the "Group") and the Group's interest in associates, for the nine months period ended on 30 September 2015 and 2014.

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

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

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

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Counsel, of 19 July 2002 and Regulation no. 1/2005 from the Bank of Portugal, Group's consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor body. The consolidated financial statements presented herein were approved by the Executive Board of Directors of CEMG on 28 October 2015. The financial statements are presented in Euro rounded to the nearest thousand.

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

The consolidated financial statements of the Group for the nine months period ended on 30 September 2015 have been prepared in accordance with the IFRS, established by the European Union and in use in that period, considering the disclosures required by the standards defined in IAS 34. These financial statements also present the income statement for the nine months period ended 30 September 2015 with the comparative period of 2014. The financial statements for the nine months period ended on 30 September 2015 do not include all the information required to be published on the complete annual financial statements.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January 2014.

The accounting policies in this note were applied consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period, being introduced the amendments from the adoption of the following standard: IFRIC 21 - Levies.

IFRIC 21 - Levies

The IASB issued, on 20 May 2013, this interpretation, effective (with retrospective application) for annual periods beginning on or after 1 January 2014. This interpretation was endorsed by EU Commission Regulation 634/2014, of 13 July (setting the entry into force no later than the beginning of the first financial year that starts on or after 17 June 2014).

IFRIC 21 defines a levy as an outflow from an entity imposed by the government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

According to IAS 8, this policy change is presented for comparative purposes after 1 January 2014, in accordance with the accounting policy described in note 1ab).

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

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

b) Basis of consolidation

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

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.

Investments in subsidiaries

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

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

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

Investments in associates

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

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

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

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

- Material transactions between the Group and the investee;

- Rotations of the management team; and

- 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 zero and recognition of further losses is discontinued except to the extent that the Group has incurred in a legal or constructive obligation to assume those losses on behalf of an associate.

Goodwill – Differences arising from consolidation

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

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

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

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

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

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

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

Purchases and dilution of non-controlling interests

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

Loss of control

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

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

Investments in foreign subsidiaries and associates

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

Regarding the investments in foreign operations that are consolidated in the Group that accounts under the full consolidation and equity methods, for exchange differences between the conversion to Euros of the opening net assets at the beginning of the year and their value in Euros at the exchange rate ruling at the balance sheet date for consolidated accounts are charged against consolidated reserves – exchange differences. The exchange differences from hedging instruments related with investments in foreign currency are exchange differences booked in reserves resulting from those investments. Whenever the hedge is not fully effective, the ineffective portion is accounted against profit or loss of the period.

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

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

Transactions eliminated on consolidation

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

c) Loans and advances to customers

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

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

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

Impairment

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

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

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

(i) Individual assessment

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 aggregated exposure to each customer and the existence of overdue loans;
- The viability of the customer's business and capability to generate sufficient cash flow to service their debt obligations in the future;
- The existence, nature and estimated value of the collaterals;
- A significant downgrading in the client rating;
- The assets available on liquidation or insolvency;
- The ranking of all creditor claims; and
- The amount and estimated line of receipts and recoveries.

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

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

(ii) Collective assessment

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

- For homogeneous groups of loans that are not considered individually significant; or
- In respect of losses which have been incurred but have not yet been reported (IBNR) on loans for which no objective evidence of impairment is identified (see section *(i)*).

The collective impairment loss is determined considering the following factors:

- Historical loss experience in portfolios of similar risk characteristics;
- Knowledge of the current economic and credit conditions and its impact on the historical losses level; and

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

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

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

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

d) Financial instruments

(i) Classification, initial recognition and subsequent measurement

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

1a) Financial assets held for trading

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

The interest from debt instruments are recognised as interest margin.

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

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

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

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

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

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

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

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

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

2) Financial assets available for sale

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

3) Financial Assets Held to Maturity

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

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

5) Other financial liabilities

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

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

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

(i) Impairment

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

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

(ii) Embedded derivatives

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

e) Derivatives hedge accounting

(i) Hedge accounting

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

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

- At the inception of the hedge there is formal documentation of the hedge;
- The hedge is expected to be highly effective;
- The effectiveness of the hedge can be reliably measured;
- The hedge is valuable in a continuous basis and highly effective throughout the reporting period; and
- For hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

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

(ii) Fair value hedge

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

(iii) Cash flow hedge

In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and 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 in the period in which the hedged item will affect profit or loss.

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

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

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

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

(iv) Hedge effectiveness

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

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

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

f) Reclassifications between financial instruments categories

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

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

The Group derecognises 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) is recognised when the right to receive this income is established and is deducted to equity.

i) Securities borrowing and repurchase agreement transactions

(i) Securities borrowing

Securities borrowed under securities borrowing 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 borrowed 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 collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions.

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

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

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

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

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

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

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

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

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

k) Finance lease

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 end.

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

l) Interest income and expense

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

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

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

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

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

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

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

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

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

Financial results 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 earned as services are provided are recognised in income over the period in which the service is being provided; or

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

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

o) Fiduciary activities

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

p) Property and equipment

Property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are 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 properties

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 profits or loss of the period as Other operating income.

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

r) Intangible assets

Software

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

s) Cash and cash equivalents

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

t) Offsetting

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

u) Foreign currency transactions

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

v) Employee benefits

Pensions

Arising from the signing of the *"Acordo Colectivo de Trabalho"* (ACT) and subsequent amendments resulting from the 3 tripartite agreements, CEMG and other Group entities set up a pension fund 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 a pension fund managed by *Futuro – Sociedade Gestora de Fundos de Pensões, S.A*.

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

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

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

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

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

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

Health care benefits

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

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

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

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

Long-term service benefits

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

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

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

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

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

Bonus to employees and to the Executive Board of Directors

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

w) Income taxes

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

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

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

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

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 realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

x) Segmental report

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

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

y) Provisions

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

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

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

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

z) Insurance and reinsurance brokerage services

The CEMG is duly authorised by the Supervisory Authority for Insurance and Pension Funds in Portugal *(Autoridade de Supervisão de Seguros e Fundos de Pensões)* to provide insurance brokerage services, in the Insurance Brokerage Services area, in accordance with the article 8, paragraph a), subparagraph i) of Decree-Law 144/2006 of July 31, operating in the life and non-life insurance brokerage areas.

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

Commission received for insurance brokerage services refer to:

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

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

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

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

aa) Accounting estimates and judgments in applying accounting policies

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

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

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

Impairment of financial assets available for sale

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

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

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

Impairment losses on loans and advances to customers

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

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

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

Fair value of derivatives

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

Consequently, the use of a different model or 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 what extent 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 the net income.

Income taxes

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

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

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

Pension and other employees benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated return on investments, 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.

ab) Impact of changes in the accounting policy related to levies recognition

For the interim consolidated financial statements preparation purposes, with reference to 30 September 2015, the Group applied for the first time IFRIC 21 – Levies, which clarifies the moment when a liability to pay levies to governmental entities should be recognised, defining the date when the event that generates the obligation occurs as the moment when the liability to pay the levy must be recognised.

In 2015, the changes regarding the moment to recognise some levies, in particular the contributions over the banking sector, for the deposits fund guarantee and for the resolution fund, established the need to restate, for comparative purposes, the amounts referring to the first nine months of 2014, to include the same recognition criteria of this levies in both periods.

The impact of this restatement in the financial statements of the third trimester of 2014, resulted in a cost of Euro 3,182 thousands recorded in Other operating income/ (expenses) balance (see note 10) and a credit of Euro 449 thousands recorded in Income Taxes (see note 32).

The adoption of this interpretation does not affect the presented amount in the annual consolidated financial statements, only affecting the amounts presented in the interim consolidated financial statements, and consequently the consolidated statement of Financial Position as at 31 December 2014 has not been restated.

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

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

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2015	Sep 2014
Net interest income	182 378	255 094
Net gains arising from assets and liabilities at fair value through profit and loss	9 384	440
Net gains arising from available-for-sale financial assets	102 066	373 927
	293 828	629 461

3 Net interest income

The amount of this account is comprised of:

(Thousands of Euro)	Sep 2015	Sep 2014
Interest and similar income		
Interest from loans to customers	359 980	441 989
Interest from deposits and other investments	1 251	3 201
Interest from available-for-sale financial assets	51 402	152 118
Interest from held for trading financial assets	67 585	78 637
Interest from financial assets at fair value through profit or loss	-	50
Interest from held-to-maturity financial assets	7 347	4 697
Interest from hedging derivatives	118	541
Other interest and similar income	10 281	12 069
	497 964	693 302
Interest and similar expense		
Interest from deposits of customers	176 357	241 367
Interest from loans of Central Banks and other financial institutions	10 402	9 061
Interest from securities issued	51 896	65 963
Interest from subordinated liabilities	4 255	5 297
Interest from financial liabilities associated with transferred assets	860	32 548
Interest from held for trading financial liabilities	67 803	80 444
Interest from hedging derivatives	485	940
Other interest and similar expense	3 528	2 588
	315 586	438 208
Net interest income	182 378	255 094

The balances Interest from loans to customers and Other interest and similar expenses include the positive amount of Euro 16,938 thousands and the negative amount of Euro 3,487 thousands (30 September 2014: the positive amount of Euro 18,220 thousands and the negative amount of Euro 2,581 thousands), respectively, related to commissions and other gains / losses which are accounted for under the effective interest rate method, as referred in the accounting policy, note 1 l).

The balance Interest and similar expense – Interest from deposits of customers includes the amount of Euro 4,520 thousands regarding the accounting of interest on term deposits, with increasing interest rates (30 September 2014: a positive amount of Euro 5,346 thousands).

4 Dividends from equity instruments

This balance includes dividends and income from investment fund units received during the period, referring to financial assets available for sale portfolio.

5 Fee and commission income

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2015	Sep 2014
Fee and commission income		
From banking services	67 655	70 971
From transactions order by third parties	16 882	15 556
From commitments to third parties	2 616	3 494
From guarantees provided	6 186	6 838
From insurance activity	5 256	5 561
Other fee and commision income	1 694	805
	100 289	103 225
Fee and commission expense		
From banking services rendered by third parties	15 507	22 841
From commitments by third parties	3	-
From transactions with securities	396	429
Other fee and commission expense	8 914	2 207
	24 820	25 477
Net fee and commission income	75 469	77 748

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

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2015			Sep 2014		
	Gains	Losses	Total	Gains	Losses	Total
Assets and liabilities held for trading						
Securities						
Bonds and other fixed income securities						
Issued by public entities	14 071	16 885	(2 814)	417	192	225
Issued by other entities	114	137	(23)	176	111	65
Shares	11 919	11 551	368	2 498	25 853	(23 355)
Investment units	104	118	(14)	-	5 027	(5 027)
	26 208	28 691	(2 483)	3 091	31 183	(28 092)
Derivative financial instruments						
Exchange rate contracts	66 945	66 448	497	-	54 137	(54 137)
Interest rate contracts	118 553	120 593	(2 040)	210 747	122 928	87 819
Credit default contracts (CDS)	-	-	-	191	152	39
Futures contracts	3 220	3 020	200	2 355	3 764	(1 409)
Options contracts	15 124	15 256	(132)	10 227	10 590	(363)
Others	82 958	83 048	(90)	2 677	2 649	28
	286 800	288 365	(1 565)	226 197	194 220	31 977
Loans and other receivables						
Loans to customers	925	705	220	254	125	129
Others	14 088	131	13 957	-	1 711	(1 711)
	15 013	836	14 177	254	1 836	(1 582)
Other financial assets at fair value through profit or loss						
Bons and other fixed income scurities						
From other issuers	-	-	-	1 216	275	941
	-	-	-	1 216	275	941
Hedging derivatives						
Interest rate contracts	1 733	876	857	1 016	1 030	(14)
	1 733	876	857	1 016	1 030	(14)
Financial liabilities						
Deposits from other credit institutions	278	62	216	239	1 112	(873)
Deposits from customers	417	363	54	5 166	446	4 720
Debt securities issued	500	2 011	(1 511)	1 035	4 042	(3 007)
Other subordinated liabilities	1 427	3 056	(1 629)	-	1 514	(1 514)
	2 622	5 492	(2 870)	6 440	7 114	(674)
Other financial operations						
Loans to customers	-	813	(813)	-	816	(816)
Others	2 311	230	2 081	-	1 300	(1 300)
	2 311	1 043	1 268	-	2 116	(2 116)
	334 687	325 303	9 384	238 214	237 774	440

The balance Financial liabilities, includes fair-value changes related with changes in the operations of own credit risk (spread), as described in notes 35, 36, 37 and 40.

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

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

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

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2015			Sep 2014		
	Gains	Losses	Total	Gains	Losses	Total
Fixed income securities						
Bonds						
Issued by public entities	80 886	2 865	78 021	361 877	474	361 403
Issued by other entities	25 681	5 101	20 580	607	2 122	(1 515)
Shares	3 017	2 317	700	1 115	192	923
Other variable income securities	2 922	157	2 765	13 252	136	13 116
	112 506	10 440	102 066	376 851	2 924	373 927

As at 30 September 2015, the balance Fixed income securities – Bonds – issued by public entities includes the amount of Euro 77,948 thousands (30 September 2014: Euro 361,293 thousands), related with realised gains and losses arising from the sale of treasury bonds of Portuguese domestic debt.

8 Net gains/ (losses) from foreign exchange differences

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2015			Sep 2014		
	Gains	Losses	Total	Gains	Losses	Total
Foreign exchange differences	319 316	305 865	13 451	46 981	29 927	17 054

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

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

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2015	Sep 2014
Sale of loans and advances to customers	6 025	-
Sale of real estate properties	(23 495)	(17 391)
Sale of other assets	(721)	(3 947)
	(18 191)	(21 338)

As at 30 September 2015, the balance Sale of loans and advances to customers includes the result generated with the disposal of loans to customers that were in default. The nominal amount of credits disposed amounted to Euro 94,033 thousands, as described in note 22.

The balance Sale of real estate properties includes the net gains/ (losses) generated with the sale of non-current assets held for sale and investment properties, in the amount of Euro 20,556 thousands (30 September 2014: negative Euro 10,185 thousands) and Euro 2,939 thousands (30 September 2014: negative Euro 7,206 thousands) respectively, as described in note 28 and 29.

10 Other operating income/ (expenses)

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2015	Sep 2014
Other operating income		
Income from services	35 224	5 927
Reimbursement of expenses	6 239	5 705
Profits arising from deposits on demand management	6 914	6 445
Staff transfer	4 221	5 414
Repurchase of own securities	103	980
Others	41 788	30 954
	94 489	55 425
Other operating expense		
Specific contribution for banking sector	10 666	10 576
Taxes	4 149	1 116
Specific contribution for the Resolution Fund	2 278	1 850
Contributions for the Deposit Guarantee Fund	653	3 116
Donations and membership	829	732
Others	62 834	45 534
	81 409	62 924
Other net operating income/ (expenses)	13 080	(7 499)

As at 30 September 2015, the balance Other operating income – Income from services includes the amount of Euro 30,000 thousands, referring to the estimated amount with services rendered by the Group *to Montepio Geral Associação Mutualista*, according to the note 33.

As at 30 September 2015, the balance Other operating income – Staff transfer includes staff transfers in the amount of Euro 2,490 thousands (30 September 2014: Euro 3,577 thousands) carried out by the Group to *Montepio Geral Associação Mutualista*.

As at 30 September 2015, the balance Other operating income – Others, includes the amount of Euro 12,046 thousands (30 September 2014: Euro 13,206 thousands), referring to a real estate rents classified as investment properties.

The caption Specific contribution for the banking Sector is estimated in accordance with 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.

The caption Contribution for the resolution fund refers to mandatory contributions for the Fund, in accordance with the terms of Decree-Law 24/2013. These contributions are calculated using a specific rate annually defined and applied over the institutions liabilities, except provisions, revaluation of derivative financial instruments, deferred income and liabilities for assets not derecognised in securitisation transactions.

With the adoption of IFRIC 21, as defined in the accounting policy described in note 1 ab), the contributions for the banking sector and for the resolution fund should be recognized on the date on which the event that generates the tax liability occurs, and therefore the presented amounts represent the total tax paid in 2015 and 2014.

As at 30 September 2015, the captions Other operating income/ (expenses) – Other, include the negative net amount of Euro 17,231 thousands (30 September 2014: negative amount of Euro 4,660 thousands), referring to the recognition of potential losses associated to the revaluation of the real estate held as investment properties.

11 Staff costs

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2015	Sep 2014
Remunerations	111 649	105 254
Mandatory social security charges	28 231	27 953
Charges with the pension fund	8 403	6 990
Other staff costs	3 831	3 945
	152 114	144 142

At 30 September 2015 and 2014, the caption Charges with the pension fund refers to the current services cost of the nine months period of each year.

12 General and administrative expenses

The amount of this account is comprised of:

	(Thousands of Euro)	
	Sep 2015	**Sep 2014**
Rental costs	21 191	21 080
Specialised services		
IT services	8 046	6 979
Independent work	1 988	1 721
Other specialised work	19 400	18 054
Advertising costs	5 304	5 741
Communication costs	6 513	7 183
Water, energy and fuel	3 800	3 779
Maintenance and related services	5 343	4 449
Transportation	2 030	2 164
Insurance	2 274	2 161
Travel, hotel and representation costs	1 994	1 727
Consumables	1 410	1 383
Training costs	278	185
Other supplies and services	7 178	6 069
	86 749	82 675

The balance Rental costs, includes the amount of Euro 19,394 thousands (30 September 2014: Euro 19,728 thousands) related to rents paid regarding buildings used by the Group as lessee.

The caption Other supplies and services includes, among others, specialised services with security and surveillance, information and several external supplies.

13 Depreciation and amortisation

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2015	Sep 2014
Intangible assets		
Software	10 245	9 875
Other tangible assets		
Land and buildings	3 278	2 912
Equipment		
Furniture	666	638
Machinery	61	21
IT equipment	3 437	3 945
Fixtures	1 186	1 222
Transportation	522	308
Security equipment	293	686
Other equipment	6	-
Operational leases	98	3 483
Other tangible assets	71	98
	9 618	13 313
	19 863	23 188

14 Loans impairment

The amount of this account is comprised of:

(Thousands of Euro)

	Sep 2015	Sep 2014
Other loans and advances to credit institutions		
Charge for the period	303	129
Write-back for the period	(165)	(552)
	138	(423)
Loans and advances to customers		
Charge for the period net of reversals	209 609	360 200
Recovery of loans and interest charged-off	(7 130)	(9 229)
	202 479	350 971
	202 617	350 548

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

15 Other financial assets impairment

The amount of this account is comprised of:

	(Thousands of Euro)	
	Sep 2015	**Sep 2014**
Impairment for available for sale financial assets		
Charge for the period	57 347	46 258
Write-back for the period	(50 630)	(12 346)
	6 717	33 912

As at 30 September 2015, the balance Impairment for financial assets available for sale – charge for the period includes the amount of Euro 36 thousands that corresponds to the impairment recognised for investment units in a Fund specialized in the recovery of loans, acquired under the sale of loans and advances to customers, as referred in notes 22 and 24.

Additionally, as at 30 September 2015, the caption Impairment for financial assets available for sale – Charge for the period includes the amount of Euro 3,133 thousands, referred to recognised impairment for investments units in real estate funds, as mentioned in note 24.

As at 30 September 2015, this caption also includes the amount of Euro 1,144 thousands, referring to the impairment constituted over the Class B bonds, acquired within the sale of credits, as described in note 22 and 24.

16 Other assets impairment

The amount of this account is comprised of:

	(Thousands of Euro)	
	Sep 2015	**Sep 2014**
Impairment for non-current assets held for sale		
Charge for the period	17 837	8 697
Write-back for the period	(9 380)	(4 342)
	8 457	4 355
Impairment for other assets		
Charge for the period	1 367	5 439
Write-back for the period	(495)	(450)
	872	4 989
	9 329	9 344

17 Other provisions

The amount of this account is comprised of:

(Thousands of Euro)	Sep 2015	Sep 2014
Provision for other liabilities and charges		
Charge for the period	5 380	1 390
Write-back for the period	(10 529)	(2 059)
	(5 149)	(669)

18 Share of profit of associates under the equity method

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

(Thousands of Euro)	Sep 2015	Sep 2014
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	82	3
Iberpartners Cafés, S.G.P.S., S.A.	37	(9)
Montepio Gestão de Activos Imobiliários, A.C.E.	-	(256)
Montepio Seguros, S.G.P.S., S.A.	(4 013)	1 541
	(3 894)	1 279

19 Cash and deposits at central banks

This balance is analysed as follows:

(Thousands of Euro)	Sep 2015	Dec 2014
Cash	143 038	189 348
Deposits at central banks		
Bank of Portugal	395 392	31 079
Other central banks	71 831	64 386
	610 261	284 813

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

The deposits at Other central banks include the deposits from Finibanco Angola,S.A. within Banco Nacional de Angola (“BNA”) in order to comply with the regulations in force in Angola on maintaining minimum reserves and are non-interest-bearing.

The minimum mandatory reserves are measured based on the terms of the Instructive nr. 08/2015 of 3 June of BNA and are incorporated in kwanzas and dollars, according to the related liabilities which compose its reserve base, and should be retained throughout the referring period. As at 30 September

2015, the requirement to maintain mandatory reserves is determined applying a 25% rate over the arithmetic average of elegible liabilities expressed in kwanzas and 15% in other currencies (31 December 2014: 12.5% in kwanzas and 15% in other currencies).

As at 30 September 2015 and 31 December 2014, these deposits at Bank of Portugal were remunerated at an average interest rate of 0.05%. The Deposits at other central banks are non-interest-bearing deposits.

20 Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2015	Dec 2014
Credit institutions in Portugal	173 404	160 244
Credit institutions abroad	15 618	18 812
Amounts due for collections	35 514	37 987
	224 536	217 043

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

21 Other loans and advances to credit institutions

This balance is analysed as follows:

	(Thousands of Euro)	
	Sep 2015	**Dec 2014**
Loans and advances to credit institutions in Portugal		
Demand deposits	4 500	96 473
Term deposits	1 076	1 076
Loans	-	48
Other loans and advances	6 380	10 126
	11 956	107 723
Loans and advances to credit institutions abroad		
Demand deposits	63	286 883
Term deposits	15 045	19 653
Loans	2 712	1 555
Purchase operations with resale agreement	50 246	15 621
CSA's	76 021	99 446
CSA's - *Independent amount*	11 272	11 204
CSA's - Term deposit	4 390	4 390
	159 749	438 752
	171 705	546 475
Impairment for loans and advances to credit institutions	(150)	(313)
	171 555	546 162

The main loans and advances to credit institutions in Portugal, as at 30 September 2015, bear interest at an average annual interest rate of 0.86% (31 December 2014: 0.08%).

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

	(Thousands of Euro)	
	Sep 2015	**Sep 2014**
Balance as at 1 January	313	810
Charge for the period	303	129
Wirite-back for the period	(165)	(552)
Loans charged-off	(301)	-
Balance as at 30 September	150	387

22 Loans and advances to customers

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2015	Dec 2014
Domestic loans		
Corporate		
Loans	2 621 366	2 635 216
Commercial line of credits	809 448	1 072 130
Commercial paper	496 770	627 348
Financial lease	480 606	487 088
Discounted bills	101 158	111 241
Factoring	83 392	87 998
Overdrafts	5 191	68 131
Other loans	988 044	1 099 673
Retail		
Mortgage loans	7 490 865	7 763 579
Financial lease	71 201	75 312
Consumer and other loans	1 072 825	1 108 171
	14 220 866	15 135 887
Foreign loans		
Corporate	282 110	282 834
Retail	17 950	40 764
	14 520 926	15 459 485
Correction value of assets subject to hedge operations		
Other credits	3 520	4 113
Overdue loans and interest		
Less than 90 days	155 642	134 300
More than 90 days	1 266 757	1 014 197
	1 422 399	1 148 497
	15 946 845	16 612 095
Impairment for credit risks	(1 349 452)	(1 385 872)
	14 597 393	15 226 223

As at 30 September 2015, the balance Loans and advances to customers includes the amount of Euro 2,722,501 thousands (31 December 2014: Euro 2,711,971 thousands) related to the issue of covered bonds held by the Group, according to Note 37.

In March 2015, the Group sold three consumer credit portfolio and car credit portfolio which was in default to a securitisation company ("Tagus - Sociedade de Titularização de Créditos, S.A."). These three portfolios presented a gross amount of Euro 94,033 thousands: (i) Euro 14,254 thousands in loans and advances to customers; (ii) Euro 39,229 thousands recorded in Financial assets available for trading (note 23) and (iii) Euro 40,550 thousands recorded off balance sheet.

Considering the nature of this transaction, the Executive Board of Directors conducted its analysis and accounting framework, under the requirements established in Notice No 7/2007 of Bank of Portugal, in accordance with subparagraph c) of No. 4 of Instruction No. 7/2008 of the Bank of Portugal to transfer the credit risk of a securitisation, namely:

- The exposure is out of sellers control as well as creditors control, namely in case of insolvency; and

- The seller does not maintain effective control, direct or indirect, on transferred exposures.

Once carried out this sale, the Group is not obligated to repurchase any of those credits, and there is also no right of recourse over the Group in case of default in the payment of obligations by the debtors of credits granted, in compliance with paragraph 6 of Article 4 of Securitisation Law, since it was not provided by the Group any guarantee regarding the solvency of the referred debtors.

On another hand, in the contract, it was only accepted the possibility of early amortisation of residual positions when an amount equal or less than 10% of Class A notes securitised (Principal Amount Outstanding of the Class A notes on the Closing Date) remains unamortised, namely Euro 1,430 millions, and in the case of tax changes with impact in, inter alia, the Issuer, on the credits granted or in the securitised notes and in compliance with Article 45 of Securitisation Law.

Regarding Class B securities, the Group will fully withhold this portion, in the amount of Euro 1,144 millions with a major degree of subordination with compliance of the disposed in Notice No. 9/2010, of the Bank of Portugal and in the article 405 to 410 of the Regulation (UE) No. 648/2012, of the European Parliament, of 4 July 2012. Additionally, considering that the securitisation has cash reserves, whose notes were bought by the Group, a provision for impairment losses over the total paid amount, Euro 1,144 millions, was constituted, as described in note 15 and 24.

Towards the characteristics of the agreement, the sale of credits within the securitisation constituted an effective and total sale, with a complete segregation of the credits object of the sale of Group's assets and consequently inclusion in the Tagus – Sociedade de Titularização de Créditos, S.A. assets.

The amount of the disposed credits portfolio was recorded in the financial statement position for Euro 6,702 thousands, being recorded a gain of Euro 6,025 millions, according to note 9.

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

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

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

- Existence or not of rights on credits returns;

- Verification of the autonomy (autopilot); and

- Eventual control or influence by CEMG over Silver Equation.

Considering the characteristics of the contract celebrated between the Group and Silver Equation, the Executive Board of Directors concluded that by selling the credits, the Group eliminated its exposure to the variability of the amounts and timing of the cash-flows associated to the credit portfolio. On that basis, the Executive Board of Directors concluded that all the risks and rewards related to the respective credit portfolio were transferred, and therefore, as at 31 December 2014, credits in the amount of Euro 398,100 thousands were derecognised from the financial statement position generating a gain of Euro 37,712 thousands recorded in the income statement.

As at 30 September 2015, is still outstanding by Silver Equation the amount of Euro 153,702 thousands (31 December 2014: Euro 139,176 thousands) related to this sale, according to note 33.

As referred in notes 15 and 24, the Group performed operations of sales of loans and advances to customers to funds specialised in credit recovery. The global amount of credits sold as at 30 September 2015 and 31 December 2014 amounted to Euro 71,207 thousands.

As at 30 September 2015, loans, guarantees and lines of irrevocable loans (excluding interbank transactions and money market) the Group granted to the holder of institutional capital and to the companies controlled by them, amounted to Euro 590,479 thousands (31 December 2014: Euro 584,890 thousands). The impairment amount registered for these contracts amounts to Euro 1,052 thousand as at 30 September 2015 (31 December 2014: Euro 761 thousand).

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

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

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

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

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

- October 2011: Cancellation of Euro 291,700 thousands, with a score of Euro 17,750 thousands;

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

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

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

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

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

The securitisation performed by the Group is related to mortgages credits, consumer credit, leasing and loans to firms realised through special purpose entities (SPE's). As referred in accounting policy described in note 1 b), the SPE's are consolidated by the full method. Therefore, as at 30 September 2015, the amount of loans and advances to customers (net of impairment), includes the amount of Euro 175,936 thousands (31 December 2014: Euro 191,970 thousands), referring to securitisations operations which according to the accounting policy described in the note 1 b), are consolidated in the Group under the full method.

As at 30 September 2015, the balance Loans and advances to customers includes the amount of Euro 4,134,962 thousands (31 December 2014: Euro 3,219,099 thousands) related with loans object of securitisation that, in accordance with note 1 g), were not subject of derecogniton.

The balance Loans and advances to customers includes the following amounts referring to the securitisation operations, detailed by type:

(Thousands of Euro)

	Sep 2015	Dec 2014
Mortgage	2 812 527	2 927 601
Retail	380 203	291 409
Corporate	942 232	89
	4 134 962	3 219 099

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

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

As at 30 September 2015, the balance Overdue financial leases, by maturity, is analysed as follows:

(Thousands of Euro)

	Finance lease			
	Due within 1 year	1 year to 5 years	Over 5 years	Total
Oustanding rents	75 318	278 025	170 982	524 325
Outstanding interest	(15 879)	(51 288)	(16 559)	(83 726)
Residual values	9 115	60 234	41 859	111 208
	68 554	286 971	196 282	551 807

As at 31 December 2014, the balance Overdue financial leases, by maturity, is analysed as follows:

(Thousands of Euro)

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

Towards the Operating lease, the Group does not present significant contracts as a Lessor.

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

(Thousands of Euro)

	Sep 2015	Dec 2014
Asset-back loans	833 591	633 646
Other guarantee loans	309 566	298 141
Finance lease loans	43 180	49 759
Other loans	236 062	166 951
	1 422 399	1 148 497

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

(Thousands of Euro)

	Sep 2015	Dec 2014
Corporate		
Construction/Production	309 115	267 505
Investment	390 351	276 859
Treasury	470 469	353 667
Other loans	17 224	27 726
Retail		
Mortgage loans	71 078	69 354
Consumer credit	50 214	45 457
Other loans	70 499	53 181
Public sector	552	456
Other segments	42 897	54 292
	1 422 399	1 148 497

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

(Thousands of Euro)

	Sep 2015	Sep 2014
Balance as at 1 January	1 385 872	1 051 526
Charge for the period net of reversals	209 609	360 200
Loans charged-off	(246 029)	(33 296)
Transfers	-	8 733
Balance as at 30 September	1 349 452	1 387 163

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 Group's policy, the interest referring to the overdue loans over 90 days, which are not covered by asset-back loans are recognised as an income when received.

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

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

(Thousands of Euro)

	Sep 2015	Sep 2014
Asset-back loans	117 259	10 272
Other guarantee loans	58 755	5 885
Unsecured loans	70 015	17 139
	246 029	33 296

The recovered loans and overdue interest, performed in the period between 1 January and 30 September 2015 and 2014, includes the amount of Euro 7,130 thousands and Euro 9,229 thousands, respectively, related with the recovery of asset-backed loans, 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 valuation entities or through the application of evaluation coefficients that reflect the market trends for each specific type of property and the geographical area. The financial collaterals are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices.

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 2015	Dec 2014
Financial assets held for trading		
Securities		
Shares	6 055	6 115
Bonds	14 717	648
Investment units	219	-
	20 991	6 763
Derivatives		
Derivatives financial instruments with positive fair value	37 851	74 509
Loans and other receivables	-	5 309
	37 851	79 818
	58 842	86 581
Financial liabilities held for trading		
Securities		
Short sales	2 102	561
Derivatives		
Derivatives financial instruments with negative fair value	55 739	84 731
	57 841	85 292

In accordance with the accounting policy described in note 1 d), assets held for trading are those which were acquired with the purpose of sale or re-acquisition on the short term regardless of its maturity.

In March 2015, the Group disposed Loans and other receivables, in the gross amount of Euro 39,229 thousands, according to note 22, which were recorded by the amount of Euro 5,309 thousands.

The balance Derivative financial instruments with positive fair value includes the amount of Euro 12,098 thousands (31 December 2014: Euro 30,350 thousands) referred to instruments associated to assets or liabilities at fair value through profit or loss, with the exception of loans and advances to customers in the amount of Euro 194 thousands (31 December 2014: Euro 218 thousands).

The balance Derivative financial instruments with negative fair value includes the amount of Euro 7,479 thousands (31 December 2014: Euro 24,214 thousands) referred to instruments associated to assets or liabilities at fair value through profit or loss, with the exception of loans and advances to customers in the amount of Euro 2,016 thousands (31 December 2014: Euro 2,177 thousands).

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

The balance of financial assets and liabilities held for trading as at 30 September 2015, is analysed as follows:

(Thousands of Euro)

		Sep 2015						
		Derivative			Related asset / liability			
Derivative	Retaled financial asset / liability	Notional	Fair value	Fair value changes in the period	Fair value	Fair value changes in the period	Book value	Reimbursement amount at maturity date
Interest rate swap	Debt securities issued and other subordinated debt	93 556	728	(2 099)	(4 805)	3 140	119 818	119 294
Interest rate swap	Deposits from customers	75 810	(722)	661	(34)	(54)	73 481	73 423
Interest rate swap	Deposits from financial institutions	61 620	7 483	(1 756)	1 626	(216)	72 373	69 775
Interest rate swap	Covered bonds	5 450 935	(2 870)	1 677	-	-	-	-
Interest rate swap	Loans	44 263	(1 822)	137	2 072	220	45 677	45 309
Interest rate swap	Others	3 046 637	(20 581)	(5 165)	-	-	-	-
Currency swap	-	85 303	(334)	(996)	-	-	-	-
Futures	-	-	3	7	-	-	-	-
Options	-	119 687	227	(132)	-	-	-	-
		8 977 811	(17 888)	(7 666)	(1 141)	3 090	311 349	307 801

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

(Thousands of Euro)

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

The fair value component of financial liabilities recognised at fair value through profit or loss attributable to the Group's credit risk is negative and the accumulated value amounts to Euro 4,694 thousands at 30 September 2015 (31 December 2014: Euro 8,260 thousands).

24 Financial assets available for sale

This balance is presented as follows:

(Thousands of Euro)

	Sep 2015				
		Fair value reserve			
	Cost (1)	Positive	Negative	Impairment losses	Book value
Fixed income securities					
Issued by public entities					
Portuguese	1 466 299	13 622	(22 284)	-	1 457 637
Foreign	778 050	5 489	(3 155)	(7 476)	772 908
Issued by other entities					
Portuguese	548 457	3 388	(6 924)	(20 834)	524 087
Foreign	270 906	3 648	(53 613)	(8 260)	212 681
Commercial paper	998	-	-	(998)	-
Variable income securities					
Shares					
Portuguese	81 676	1 814	(1 658)	(6 703)	75 129
Foreign	60 618	7 869	(72)	(2 187)	66 228
Investment units	372 170	13 959	(2 083)	(12 609)	371 437
	3 579 174	49 789	(89 789)	(59 067)	3 480 107

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

(Thousands of Euro)

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

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

As at 30 September 2015, the balance Financial assets available for sale, in the financial statement position, includes securities subject to hedging operations, in the amount of Euro 318 thousands (31 December 2014: Euro 1,230 thousands), as referred in note 25.

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

The balance Variable income securities – Investment fund units includes the amount of Euro 95,809 thousands (31 December 2014: Euro 94,528 thousands) relating to units in a Fund specialised in the recovery of loans acquired under the sale of loans and advances to customers. As at 30 September 2015 and 31 December 2014 this amount includes Euro 6,153 thousands engaged to junior securities (investment fund units with a more subordinated character), which are fully provided, according to note 15.

The balance Fixed income securities – Issued by other entities – Portuguese included the amount of Euro 1,144 thousands, relating to class B securities, acquired under the credit sale executed by the Group, as described in note 22. These securities are fully provided, according to note 15.

As at 30 September 2015, an impairment for participation units of the Real Estate Investment Funds was recognised in the amount of Euro 3,133 thousands, as referred in note 15.

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

		(Thousands of Euro)
	Sep 2015	**Sep 2014**
Balance on 1 January	55 763	39 266
Charge for the period	57 347	46 258
Write-back for the period	(50 630)	(12 346)
Loans charged-off	(3 413)	(38 092)
Balance on 30 September	59 067	35 086

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

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

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

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

As described in note 1 d) in the accounting policy, the portfolio of financial assets available for sale is presented net of the total fair value reserve and impairment. The total fair value reserve for financial assets available for sale portfolio is negative and amounts to Euro 40,000 thousands (31 December 2014: positive Euro 69,609 thousands) and impairment amounts to Euro 59,067 thousands (31 December 2014: Euro 55,763 thousands).

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

As at 30 September 2015 and 31 December 2014, impairment losses recognised regarding the sovereign debt of Greece amounts to Euro 7,476 thousands and Euro 8,834 thousands.

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

(Thousands of Euro)

	Sep 2015			Dec 2014		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed income securities						
Issued by public entities						
Portuguese	1 457 637	-	1 457 637	1 807 802	-	1 807 802
Foreign	772 908	-	772 908	102 217	15 875	118 092
Issued by other entities						
Portuguese	8 522	515 565	524 087	35 891	590 392	626 283
Foreign	161 964	50 717	212 681	523 680	50 200	573 880
Commercial paper	-	-	-	-	10 000	10 000
Variable income securities						
Shares						
Portuguese	890	74 239	75 129	919	79 582	80 501
Foreign	13 337	52 891	66 228	14 393	391	14 784
Investment units	186 201	185 236	371 437	358 369	-	358 369
	2 601 459	878 648	3 480 107	2 843 271	746 440	3 589 711

25 Hedging derivatives

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2015	Dec 2014
Asset		
Interest rate swaps	46	60
Liability		
Interest rate swaps	757	1 494

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

The Group performs periodical effectiveness tests of the hedging relationships.

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

(Thousands of Euro)

	Sep 2015	Dec 2014
Financial assets available for sale	318	1 230

26 Held to maturity investments

This balance is analysed as follows:

		(Thousands of Euro)
	Sep 2015	**Dec 2014**
Fixed income securities		
Bonds issued by portuguese public entities	6 417	6 209
Bonds issued by foreign public entities	145 509	113 892
	151 926	120 101

The Group assessed, with reference to 30 September 2015, 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 2015 can be analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity date	Interest rate	Book value
OT - October_05/15-10-2015	July, 2005	October, 2015	Fixed rate of 3.35%	6 417
OT Cape Verde 13/18-04-2016	April, 2013	April, 2016	Fixed rate of 5.50%	51
OT Angola 13/15-11-2015	November, 2013	November, 2015	Fixed rate of 5%	31 860
OT Angola 13/15-11-2016	November, 2013	November, 2016	Fixed rate of 5%	22 348
OT Angola 13/15-11-2017	November, 2013	November, 2017	Fixed rate of 5%	5 135
OT Angola 13/04-12-2015	December, 2013	December, 2015	Fixed rate of 7%	4 654
OT Angola 14/09-07-2016	July, 2014	July, 2016	Fixed rate of 7%	1 200
OT Angola 14/16-07-2016	July, 2014	July, 2016	Fixed rate of 7%	1 201
OT Angola 14/23-07-2016	July, 2014	July, 2016	Fixed rate of 7%	1 204
OT Angola 14/30-07-2016	July, 2014	July, 2016	Fixed rate of 7%	601
OT Angola 13/04-12-2016	December, 2013	December, 2016	Fixed rate of 7.25%	4 658
OT Angola 14/06-08-2017	August, 2014	August, 2017	Fixed rate of 7.25%	562
OT Angola 14/13-08-2017	August, 2014	August, 2017	Fixed rate of 7.25%	3 084
OT Angola 14/16-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	902
OT Angola 14/23-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	903
OT Angola 14/30-07-2017	July, 2014	July, 2017	Fixed rate of 7.25%	902
OT Angola 14/01-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2 225
OT Angola 14/06-08-2018	August, 2014	August, 2018	Fixed rate of 7.50%	1 125
OT Angola 15/07-04-2019	January, 2015	April, 2019	Fixed rate of 7.50%	1 379
OT Angola 14/08-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2 221
OT Angola 14/13-08-2018	August, 2014	August, 2018	Fixed rate of 7.50%	1 542
OT Angola 15/14-04-2019	January, 2015	April, 2019	Fixed rate of 7.50%	1 363
OT Angola 14/16-09-2018	September, 2014	September, 2018	Fixed rate of 7.50%	1 532
OT Angola 15/19-02-2019	January, 2015	February, 2019	Fixed rate of 7.50%	5 139
OT Angola 15/21-04-2019	January, 2015	April, 2019	Fixed rate of 7.50%	1 910
OT Angola 14/22-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2 204
OT Angola 14/23-07-2018	July, 2014	July, 2018	Fixed rate of 7.50%	452
OT Angola 14/26-11-2018	November, 2014	November, 2018	Fixed rate of 7.50%	3 072
OT Angola 15/28-04-2019	January, 2015	April, 2019	Fixed rate of 7.50%	1 547
OT Angola 14/29-10-2018	October, 2014	October, 2018	Fixed rate of 7.50%	2 198
OT Angola 14/30-07-2018	July, 2014	July, 2018	Fixed rate of 7.50%	451
OT Angola 14/01-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2 227
OT Angola 15/27-08-2020	August, 2015	August, 2020	Fixed rate of 7.77%	718
OT Angola 15/04-08-2020	August, 2015	August, 2020	Fixed rate of 7.77%	717
OT Angola 14/06-08-2019	August, 2014	August, 2019	Fixed rate of 7.75%	563
OT Angola 15/07-04-2020	January, 2015	April, 2020	Fixed rate of 7.50%	1 379
OT Angola 15/07-07-2020	July, 2015	July, 2020	Fixed rate of 7.77%	1 842
OT Angola 14/08-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2 223
OT Angola 15/26-08-2020	August, 2015	August, 2020	Fixed rate of 7.77%	695
OT Angola 15/11-08-2020	August, 2015	August, 2020	Fixed rate of 7.77%	721
OT Angola 14/13-08-2019	August, 2014	August, 2019	Fixed rate of 7.75%	1 543
OT Angola 15/14-04-2020	January, 2015	April, 2020	Fixed rate of 7.50%	681
OT Angola 15/14-07-2020	July, 2015	July, 2020	Fixed rate of 7.77%	1 454
OT Angola 14/16-09-2019	September, 2014	September, 2019	Fixed rate of 7.75%	1 532
OT Angola 15/16-06-2020	January, 2015	June, 2020	Fixed rate of 7.77%	3 844
OT Angola 15/21-04-2020	January, 2015	April, 2020	Fixed rate of 7.50%	1 910
OT Angola 15/21-07-2020	July, 2015	July, 2020	Fixed rate of 7.77%	1 439
OT Angola 14/22-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2 206
OT Angola 14/23-07-2019	July, 2014	July, 2019	Fixed rate of 7.75%	452
OT Angola 15/23-06-2020	January, 2015	June, 2020	Fixed rate of 7.77%	3 033
OT Angola 15/25-08-2020	August, 2015	August, 2020	Fixed rate of 7.77%	714
OT Angola 14/26-11-2019	November, 2014	November, 2019	Fixed rate of 7.75%	3 075
OT Angola 15/28-04-2020	January, 2015	April, 2020	Fixed rate of 7.50%	1 547
OT Angola 15/21-07-2020	July, 2015	July, 2020	Fixed rate of 7.77%	717
OT Angola 14/29-10-2019	October, 2014	October, 2019	Fixed rate of 7.75%	2 200
OT Angola 14/30-07-2019	July, 2014	July, 2019	Fixed rate of 7.75%	452
				151 926

The held to maturity investments, as at 31 December 2014 can be analysed as follows:

(Thousands of Euro)

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

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

During the nine months period of 2015 and 2014 year, the Group did not transfer to or from this assets category.

27 Investments in associated companies and others

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2015	Dec 2014
Investments in associated companies and others		
Montepio Seguros, S.G.P.S., S.A.	15 904	19 553
HTA – Hotéis, Turismo e Animação dos Açores, S.A.	3 248	3 330
Iberpartners Cafés S.G.P.S., S.A.	1 107	1 069
Montepio - Gestão de Activos Imobiliários, ACE	698	698
Pinto & Bulhosa, S.A.	191	191
Naviser – Transportes Marítimos Internacionais, S.A.	150	150
Unquoted	21 298	24 991
Impairment of investments in associated companies and others	(341)	(341)
	20 957	24 650

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

(Thousands of Euro)

	Assets	Liabilities	Equity	Income	Profit / (Loss) for the period	Acquisition cost
30 September 2015						
Montepio Seguros, S.G.P.S., S.A.	1 049 247	979 467	69 780	107 079	(11 736)	65 100
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	41 624	25 382	16 242	5 843	409	3 200
Iberpartners Cafés S.G.P.S., S.A.	5 571	1 807	3 764	194	127	1 000
Montepio - Gestão de Activos Imobiliários, ACE	3 693	1 243	2 450	2 927	-	698
31 December 2014						
Montepio Seguros, S.G.P.S., S.A.	1 069 177	986 290	82 887	226 801	(15 688)	65 100
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	42 019	25 370	16 649	7 598	(188)	3 200
Iberpartners Cafés S.G.P.S., S.A.	5 376	1 741	3 635	410	315	1 000
Montepio - Gestão de Activos Imobiliários, ACE	3 817	1 367	2 450	2 086	-	698

(Thousands of Euro)

	Percentage held		Book value		Associated companies net profit attributable to CEMG	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Montepio Seguros, S.G.P.S., S.A.	33,65%	33,65%	15 904	19 553	(4 013)	(5 278)
HTA - Hóteis, Turismo e Animação dos Açores, S.A.	20%	20%	3 248	3 330	82	(38)
Iberpartners Cafés S.G.P.S., S.A.	29,41%	29,41%	1 107	1 069	37	93
Montepio - Gestão de Activos Imobiliários, ACE	28,50%	28,50%	698	698	-	-
Pinto & Bulhosa, S.A.	16%	16%	-	-	-	-
Naviser - Transportes Marítimos Internacionais, S.A.	20%	20%	-	-	-	-

The movements for this balance are analysed as follows:

	(Thousands of Euro)	
	Sep 2015	**Dec 2014**
Balance on 1 January	24 991	42 740
Acquisition	-	698
Share of profit of associates	(3 894)	(5 223)
Fair value reserves of associates	201	(13 224)
Balance at the end of the period	21 298	24 991

On 9 May 2014, *Montepio – Gestão de Activos Imobiliários, ACE* was incorporated. Group has a 28.5% quote on this ACE.

28 Non-current assets held for sale

This balance is analysed as follows:

	(Thousands of Euro)	
	Sep 2015	**Dec 2014**
Buildings and other assets arising from recovered loans with customers	984 855	934 230
Impairment for non-current assets held for sale	(142 366)	(134 491)
	842 489	799 739

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

The balance Investments arising from recovered loans includes buildings and other assets resulting from the foreclosure of contracts of loans to customers, originated by (i) delivery of the assets, with option to repurchase or leasing, accounted with the celebration of the contract or the promise to deliver the asset and the respective irrevocable power of attorney issued by the customer in the name of 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 pledged payment.

According to Group's expectation, these assets are available for sale in a period less than 1 year and the Group has a strategy for its sale. Nevertheless, given the current market conditions, in some situations it is not possible to conclude these sales before the expected deadline. This balance includes buildings and other assets for which the Group has already established contracts for the sale in the amount of Euro 33,653 thousands (31 December 2014: Euro 9,271 thousands).

The movements during the period of nine months of 2015, for non-current assets held for sale are analysed as follows:

(Thousands of Euro)

	Sep 2015	Dec 2014
Balance on 1 January	934 230	773 540
Acquisitions	164 247	288 615
Disposals	(113 406)	(131 430)
Other movements	(216)	3 505
Balance at the end of the period	984 855	934 230

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

(Thousands of Euro)

	Sep 2015	Sep 2014
Balance on 1 January	134 491	92 152
Charge for the period	17 837	8 697
Write-back for the period	(9 380)	(4 342)
Loans charged-off	(582)	(266)
Balance on 30 September	142 366	96 241

In addition to the impairment losses, the Group recognised in profit or loss for these assets, losses on real estate arising from its disposal in the amount of Euro 30,834 thousands and gains in the amount of Euro 10,278 thousands (30 September 2014: loss in the amount of Euro 13,523 thousands and gains in the amount of Euro 3,338 thousands), as mentioned in note 9.

29 Investment properties

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

The real estate properties are measured in accordance with the accounting policy described in note 1 q), based on independent evaluations and in compliance with legal requirements.

The movements in this balance are analysed as follows:

	(Thousands of Euro)	
	Sep 2015	**Dec 2014**
Balance on 1 January	715 737	543 534
Acquisitions	20 827	-
Changes in the consolidation perimeter	-	149 816
Revaluations	(18 408)	(13 821)
Disposals	(45 650)	(23 145)
Transfers	44 749	59 353
Balance on 30 September	717 255	715 737

The book value of investment properties corresponds to the fair value of the properties as determined for registered and independent evaluators whose professional qualifications and experience in the category, and the location of the property has been recognised.

Investment properties represents a group of assets held by real estate investment funds and includes the properties that are rented to third parties.

As at 30 September 2015, the decrease of the investment properties fair value, amounting to Euro 18,408 thousands (31 December 2014: Euro 13,821 thousands), and the received leases of the investment properties amounting to Euro 12,046 thousands (31 December 2014: Euro 8,432 thousands), are recorded in the balance Other operating results, as described in note 10.

As at 30 September 2015, the Group proceeded to investment properties disposals in the amount of Euro 45,650 thousands and recognised losses in the amount of Euro 2,939 thousands (30 September 2014: negative amount of Euro 7,206 thousands), as described in note 9.

30 Property and equipment

This balance is analysed as follows:

	(Thousands of Euro)	
	Sep 2015	**Dec 2014**
Cost		
Land and buildings		
For own use	37 109	40 006
Leasehold improvements in rented buildings	54 098	54 699
Construction in progress	17 021	19 989
Equipment		
Furniture	21 723	22 103
Machinery	3 382	3 682
IT equipment	89 028	87 389
Fixtures	22 174	21 953
Transportation	5 533	5 517
Security equipment	8 072	8 155
Other equipment	36	42
Works of art	2 870	2 869
Assets in operational lease	704	975
Asset in finance lease	38	38
Other tangible assets	2 404	2 452
Work in progress	4 877	4 647
	269 069	274 516
Accumulated depreciation		
Charge for the period	(9 618)	(10 438)
Accumulated charge in previous period	(171 800)	(165 147)
	(181 418)	(175 585)
	87 651	98 931

31 Intangible assets

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2015	Dec 2014
Cost		
Software	76 838	77 206
Revaluation and consolidation differences (goodwill)	56 304	56 304
Other intangible assets	669	1 490
Work in progress	22 505	5 629
	156 316	140 629
Accumulated depreciation		
Charge for the period	(10 245)	(15 698)
Accumulated charge in previous period	(47 440)	(32 365)
	(57 685)	(48 063)
Impairment for intangible assets	(26 512)	(26 512)
	72 119	66 054

The balance Revaluation and consolidation differences (Goodwill), corresponds to the diference between the acquisition cost and the fair value of total assets and liabilities and contingent liabilities of *Finibanco Group* acquired on 31 March 2011 to *Montepio Geral – Associação Mutualista*, as described in note 1) and; (ii) of Banco Terra.

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

In accordance with IAS 36 the recoverable amount of goodwill should be the highest between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on this criteria, the Group made yearly valuations of their investments for which there is goodwill recognised considering among other factors:

(i) an estimate of future cash flows generated;

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

(iii) the time value of money;

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

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

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

32 Taxes

The temporary differences between accounting income and the results accepted for tax purposes of IRC, whenever there is a reasonable probability that such taxes will be paid or recovered in the future, according to the in the accounting policy described in note 1w) are eligible for the recognition of deferred taxes.

Deferred tax assets and liabilities as at 30 September 2015 and 31 December 2014 are analysed as follows:

(Thousands of Euro)

	Assets		Liabilities		Net	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Financial instruments	32 909	13 129	(18 749)	(35 434)	14 160	(22 305)
Other tangible assets	48	10	-	-	48	10
Provisions	261 768	260 661	-	-	261 768	260 661
Employee benefits	33 865	35 900	-	-	33 865	35 900
Others	1 651	4 585	(117)	(111)	1 534	4 474
Tax losses carried forward	115 972	77 141	-	-	115 972	77 141
Net deferred tax assets/ (liabilities)	446 213	391 426	(18 866)	(35 545)	427 347	355 881

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

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

The deferred tax rate is analysed as follows:

	Sep 2015	Dec 2014
Income tax rate (a)	21,0%	21,0%
Municipal surcharge rate	1,5%	1,5%
State surcharge rate	7,0%	7,0%
Total (b)	29,5%	29,5%

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

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

The expiry date of recognised tax losses carried forward is presented as follows:

(Thousands of Euro)

Expiry year	Sep 2015	Dec 2014
2015	1 409	1 409
2017	28 248	28 248
2018	47 484	47 484
2027	38 831	-
	115 972	77 141

The evaluation of the realization of deferred tax assets, particularly those relating to tax losses carried forward, was performed by the Executive Board of Directors.

Deferred tax balance movements were recognised as follows:

(Thousands of Euro)

	Sep 2015	Dec 2014
Opening balance	355 881	336 264
Charged to income statement	36 143	41 004
Charged to fair value reserves	36 465	(14 241)
Charged to reserves and retained earnings	(1 142)	(7 146)
Closing balance (Asset / (Liability))	427 347	355 881

Tax recognised in the income statement and reserves for the period of nine months ended 30 September 2015 and for the year ended as at 31 December 2014 is analysed as follows:

(Thousands of Euro)

	Sep 2015		Dec 2014	
	Charged to net (loss) / income	Charged to reserves	Charged to net (loss) / income	Charged to reserves
Financial instruments	-	36 465	-	(14 241)
Other tangible assets	38	-	455	-
Provisions	454	653	64 877	-
Employee benefits	(45)	(1 990)	2 983	(7 146)
Others	(2 932)	(8)	7 273	-
Tax losses carried forward	38 628	203	(34 584)	-
Deferred tax	36 143	35 323	41 004	(21 387)
Current taxes	1 256	-	(18 190)	-
Total tax recognised	**37 399**	**35 323**	**22 814**	**(21 387)**

The reconciliation of the effective tax rate, regarding tax recognised in the income statement, is analysed as follows:

(Thousands of Euro)

	Sep 2015		Sep 2014	
	%	Value	%	Value
Profit before income tax		(97 027)		54 113
Income tax based on the nominal tax rate	21.0	(20 376)	23.0	12 446
Impact of municipal and state surcharge	(1.1)	1 033	49.6	26 849
Taxable profit accruals	(13.6)	13 215	114.7	62 091
Taxable profit deductions	10.6	(10 261)	0.1	43
Tax losses	(14.0)	13 606	(87.8)	(47 530)
Autonomous taxation and other taxes	(1.6)	1 527	1.3	685
Impact on calculation of the deferred tax	37.3	(36 143)	(41.3)	(22 329)
Income tax for the period	38.5	(37 399)	59.6	32 255

33 Other assets

This balance is presented as follows:

(Thousands of Euro)

	Sep 2015	Dec 2014
Recoverable subsidies from Portugal Government unliquidated	6 412	6 460
Other debtors	242 078	203 384
Other accrued income	31 433	7 354
Prepayment and deferred costs	3 575	2 695
Sundry debtors	90 957	135 471
	374 455	355 364
Impairment for other assets	(18 173)	(16 240)
	356 282	339 124

As at 30 September 2015, the balance Other accrued income includes the amount of Euro 30,000 thousands regarding the estimated amount with services rendered by CEMG to Montepio Geral Associação Mutualista, as described in note 10.

As at 30 September 2015, the balance Other debtors includes the amount of Euro 153,702 thousands (31 December 2014: Euro 139,176 thousands) relating to receivables regarding the operation of credits sale to Silver Equation, as described in note 22. In addition this caption includes the amount of Euro 26,885 thousands from the sale of real estate to SilverEquation.

The movements in Impairment for other assets are analysed as follows:

(Thousands of Euro)

	Sep 2015	Sep 2014
Balance on 1 January	16 240	11 732
Charge for the period	1 367	5 439
Write-back for the period	(495)	(450)
Transfers	1 061	(1 619)
Balance on 30 September	18 173	15 102

34 Deposits from central banks

As at 30 September 2015 and 31 December 2014, 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 in the amount of Euro 3,669,435 thousands (31 December 2014: Euro 4,163,748 thousands). Additionally, records deposits from Bank of Mozambique.

The analysis of deposits from Central Banks by maturity, as at 30 September 2015 and 31 December 2014, is as follows:

(Thousands of Euro)

	Sep 2015	Dec 2014
Up to 3 months	1 255 028	2 020 772
More than 6 months	1 726 889	476 114
	2 981 917	2 496 886

35 Deposits from other financial institutions

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2015			Dec 2014		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits from credit institutions in Portugal						
Interbank Money Market	-	15 790	15 790	-	-	-
Deposits	5 624	-	5 624	920	9 901	10 821
Term deposits	-	19 436	19 436	-	35 548	35 548
Repos - Margin account	-	46	46	-	-	-
	5 624	35 272	40 896	920	45 449	46 369
Deposits from credit institutions abroad						
BEI Loan	-	560 583	560 583	-	350 714	350 714
OFI's Loan	-	269 675	269 675	2 604	90 927	93 531
Interbank Money Market	-	4 905	4 905	-	-	-
Deposits	7 274	-	7 274	9 150	-	9 150
Term deposits	4 390	2 429	6 819	11 780	1 608	13 388
Sales with repurchase agreements	-	1 053 380	1 053 380	-	536 948	536 948
CSA's	11 180	-	11 180	16 560	-	16 560
Repos resources	-	9 040	9 040	-	1 654	1 654
	22 844	1 900 012	1 922 856	40 094	981 851	1 021 945
Adjustments arising hedging operations	1 626	-	1 626	1 842	-	1 842
	30 094	1 935 284	1 965 378	42 856	1 027 300	1 070 156

As part of derivative financial instruments operations with institutional counterparties, according to the signed contracts, CEMG has, on 30 September 2015, the amount of Euro 24,609 thousands (31 December 2014: Euro 16,650 thousands) resources received from other credit institutions as collateral for these operations.

The balance Deposits from other financial institutions includes emissions at fair value according to internal valuation methodologies, considering mainly market's observed data, with amount of Euro 72,373 thousands (31 December 2014: Euro 61,009 thousands). Financial liabilities included in this balance are revaluated against results, according to the accounting policy described in note 1 d), having recognised a gain, at 30 September 2015, in the amount of Euro 216 thousands (31 December 2014: a loss of Euro 2,270 thousands) related to fair value variations associated to the Group credit risk, as referred in notes 6 and 23.

The loan obtained from BEI is collateralised by bonds of Italian, Spanish, Portuguese and Greek states in the amount of Euro 700,449 thousand (31 December 2014: Euro 420,000 thousand), recorded in the caption Financial assets available for sale.

As at 30 September 2015, the caption Deposits from credit institutions abroad – Term deposits in the amount of Euro 4,390 thousands (31 December 2014: Euro 11,180 thousands), refers to borrowing operations carried out by the Group with an international financial institution, related with the Credit Support Annex (“CSA”).

The resources mentioned above, under the CSA with the international financial institution, are remunerated at Eónia rate, however, since these rates have presented negative values, and with a 0% floor application there has not been paid/received interests.

36 Deposits from customers

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2015			Dec 2014		
	Non-interest bearing	Interest bearing	Total	Non-interest bearing	Interest bearing	Total
Deposits repayable on demand	2 828 510	76 330	2 904 840	2 583 829	208 825	2 792 654
Term deposits	-	9 511 543	9 511 543	-	11 398 222	11 398 222
Saving accounts	-	107 211	107 211	-	110 992	110 992
Other resources	30 107	-	30 107	12 771	-	12 771
Adjustments arising from hedging operations	(34)	-	(34)	20	-	20
	2 858 583	9 695 084	12 553 667	2 596 620	11 718 039	14 314 659

In the terms of Ordinance no. 180/94, of 15 December, the deposit guarantee fund was established to guarantee the reimbursement of funds deposited in credit institutions. The criteria to calculate the annual contributions to the referred fund are defined by Regulation no. 11/94 of Bank of Portugal, of 29 December.

The caption Time deposits includes deposits at fair value, measured in accordance with internal evaluation techniques considering, mainly, observable market inputs, in the amount of Euro 73,481 thousands (31 December 2014: Euro 95,657 thousands). Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d), as at 30 September 2015, a gain in an amount of Euro 54 thousands (31 December 2014: gain of Euro 5,343 thousands) was recorded, regarding the fair value variations resulting from the Group's credit risk, as referred in notes 6 and 23.

37 Debt securities issued

This balance Debt securities issued is analysed as follows:

(Thousands of Euro)

	Sep 2015	Dec 2014
Euro Medium Term Notes (EMTN)	69 184	153 224
Bonds	1 504 153	1 974 524
Covered bonds	520 121	-
Commercial paper	4 408	21 576
	2 097 866	2 149 324
Fair value adjustments	(1 288)	(2 799)
	2 096 578	2 146 525

The balance Debt securities issued includes issues at fair value, according with internal valuation techniques and considering, mainly, observable market data. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d). As at 30 September 2015 a loss in the amount of Euro 1,511 thousands (31 December 2014: a loss in an amount of Euro 4,148 thousands) was recognised regarding the fair value variations resulting from the Group's credit risk, as referred in notes 6 and 23.

As at 30 September 2015, the caption Euro Medium Term Notes (EMTN) and Cash bonds includes the amount of Euro 69,191 thousands and Euro 34,943 thousands respectively (31 December 2014: Euro 153,223 thousands and Euro 43,586 thousands) related to debt securities issued recognised at the balance sheet at fair value through profit or loss, as referred in note 23.

During the period of nine months of 2015, the Group issued Euro 28,100 thousands of Cash bonds (31 December 2014: Euro 528,247 thousands) and performed the refund of Euro 480,208 thousands (31 December 2014: Euro 416,950 thousands). Additionally, the Group performed the refund of Euro 81,950 thousands of Euro Medium Term Notes (31 December 2014: Euro 105,000 thousand).

In 2014, Group proceed to the issuance of Euro 45,350 thousand of Commercial paper, and reimbursed Euro 259,590 thousand.

Under the Issuance of covered bonds Program, with a maximum amount of Euro 5,000,000 thousands, the Group proceeded to the emissions which totalised Euro 2,000,000 thousands. As at 30 September 2015, 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	1 000 277	December 2009	December 2016	Trimestral	Euribor 3M + 0.75%	Baa1/BB+/A
Covered bonds - 3S	500 000	501 927	November 2010	November 2015	Trimestral	Euribor 3M + 2.5%	Baa1/BB+/A
Covered bonds - 4S	500 000	500 081	May 2013	May 2017	Mensal	Euribor 1M + 0.75%	Baa1/BB+/A
	2 000 000	2 002 285					

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

As at 30 September 2015 the amount of credits that collateralise these issues amounts to Euro 2,722,501 thousands (31 December 2014: Euro 2,711,971 thousands), according to note 22.

During the period of nine months of 2015, the Group disposed Euro 520,000 thousands of covered bonds – 2ª series.

As at 30 September 2015, bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 0.73% and 13.39% (31 December 2014: 1.06% and 12.16%).

38 Financial liabilities relating to transferred assets

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2015	Dec 2014
Pelican Mortgages No. 3	126 332	163 650

39 Provisions

This balance is analysed as follows:

(Thousands of Euro)

	Sep 2015	Dec 2014
Provisions for other liabilities and charges	14 404	20 329

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

(Thousands of Euro)

	Sep 2015	Sep 2014
Balance on 1 January	20 329	8 014
Charge for the period	5 380	1 390
Write-back for the period	(10 529)	(2 059)
Transfers	(776)	(834)
Balance on 30 September	14 404	6 511

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

40 Other subordinated debt

As at 30 September 2015, the main characteristics of Other subordinated debt, are analysed as follows:

(Thousands of Euro)

Issue	Issue date	Maturity	Issue amount	Interest rate	Book value
CEMG/06	Apr. 2006	Apr. 2016	50 000	Euribor 3 months+0.95%	26 149
CEMG/08 1.ª série	Feb.2008	Feb.2018	150 000	Euribor 6 months+1.5%	120 758
CEMG/08 3.ª série	Jul.2008	Jul.2018	150 000	Euribor 6 months+1.5%	120 419
CEMG/08 2.ª série	Jun.2008	Jun.2018	28 000	Euribor 12 months+1.5%	18 085
FNB 08/18 1ª/2ª Série	Dec.2008	Dec.2018	10 363	Euribor 6 months+1.75% (iv)	9 593
FNB Grandes empresas 07/16_ 1ª série	May2007	May2016	6 450	Max.(0;6.0%*(1-n/8)) (i)	4 745
FNB Grandes empresas 07/16 2ª/3ª série	Jun.2011	Jun.2016	30 250	Max.(0;6.0%*(1-n/8)) (i)	18 680
Ob. Cx Subordinadas Finicrédito	Nov.2007	Nov.2017	16 550	Base rate+0.90% (barrier level)	16 131
					334 560
				Adjustments arising from hedging operations	(3 517)
					331 043

As at 31 December 2014, the main characteristics of Other subordinated debt are presented as follows:

(Thousands of Euro)

Issue	Issue date	Maturity	Issue date	Interest rate	Book value
CEMG/06	Apr. 2006	Apr. 2016	50 000	Euribor 3 months+0.95%	26 154
CEMG/08 1.ª série	Feb.2008	Feb.2018	150 000	Euribor 6 months+1.5%	121 330
CEMG/08 2.ª série	Jun.2008	Jun.2018	28 000	Euribor 12 months+1.5%	18 179
CEMG/08 3.ª série	Jul.2008	Jul.2018	150 000	Euribor 6 months+1.5%	121 031
FNB 08/18 1ª/2ª Série	Dec.2008	Dec.2018	10 363	Euribor 6 months+0.15% (iv)	9 681
FNB Grandes empresas 07/16 2ª/3ª série	Jun.2011	Jun.2016	22 602	Max.(0;6.0%*(1-n/5)) (i)	19 397
FNB Grandes empresas 07/16_ 1ª série	May2007	May2016	1 745	Max.(0;6.0%*(1-n/5)) (i)	4 863
FNB Indices estratégicos 07/17 1ª série	May2007	Jun.2015	13 207	6.25%*VN Min.(quote) (ii)	10 257
FNB Indices estratégicos 07/17 2ª/3ª série	Jun.2011	Jun.2015	26 629	6.25%*VN Min.(quote) (ii)	31 107
FNB Rendimento Seguro 05/15	Jun.2005	Jun.2015	238	6.25%*VN Min.(quote) (iii)	236
Ob. Cx Subordinadas Finicrédito	Nov.2007	Nov.2017	16 550	Base rate+0.90% (barrier level)	16 190
					378 425
				Adjustments arising from hedging operations	(5 146)
					373 279

References:

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

Coupon	Interest rate/range
1st Coupon	5.5%
2nd Coupon	5.5%
3rd Coupon	Max [0; 6.0% * (1-n/3)]
4th Coupon	Max [0; 6.0% * (1-n/4)]
5th Coupon	Max [0; 6.0% * (1-n/5)]
6th Coupon	Max [0; 6.0% * (1-n/6)]
7th Coupon	Max [0; 6.0% * (1-n/7)]
8th Coupon	Max [0; 6.0% * (1-n/8)]
9th Coupon	Max [0; 6.0% * (1-n/9)]

Notes:

Where *n* is the accumulated number of reference entites in which a credit event occurs in the merged entity.

If there is a merger of two or more reference entities and occur a Credit Event in the merged company, will be counted as many Credit Events as the number of merged companies.

(ii) Interest will be paid annually and will be equal to:

Coupon	Interest rate/range
1st year	5.5% * nominal value
2nd year	5.5% * nominal value
3rd year and following	6.25% * nominal value if Min (SDk/SD0-SXk/SX0; HSk/HS0- SXk/SX0) > Barrier k ***

*** if not = 0%, where:

Barrier 3 = Barrier to be applied on 3rd coupon = 0%;
Barrier 4 = Barrier to be applied on 4th coupon = 1%;
Barrier 5 = Barrier to be applied on 5th coupon = 2%;
Barrier 6 = Barrier to be applied on 6th coupon = 3%;
Barrier 7 = Barrier to be applied on 7th coupon = 4%;
Barrier 8 = Barrier to be applied on 8th coupon = 5%;
Barrier k = Barrier to be applied on **k**th coupon;
SDk – Closing of Eurostoxx Select Dividend (Bloomberg: SD3E) on observation date K (K=1 a 6)
SD0 – Closing of Eurostoxx Select Dividend (Bloomberg: SD3E) at beginning date
SXk – Closing of Eurostoxx 50 Total Return (Bloomberg: SX5T) on observation date K (K=1 a 6)
SX0 – Closing of Eurostoxx 50 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) Interest will be paid semi-annually, with a minimum of 1% and at maximum of 5%, and will be calculated according to the following formula (annual percentage 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 cupon:

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

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

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

As at 30 September 2015, the balance Other subordinated debt includes debt securities valued at fair value in accordance with internal valuation techniques considering, mainly, observable market data. Financial liabilities are revalued against income statement, as referred in the accounting policy presented in note 1 d). As at 30 September 2015 the negative amount of Euro 1,629 thousands (31 December 2014: negative amount of Euro 3,014 thousands) was recognised, regarding the fair value variations resulting from the Group's credit risk, as referred in notes 6 and 23.

As at 30 September 2015, the balance of other subordinated debt at the balance sheet at fair value through profit or loss amounts to Euro 15,684 thousands (31 December 2014: Euro 69,631 thousands), as referred in note 23.

As at 30 September 2015, the subordinated debt bears postponed interest every three and six months and are set between 0.5% and 2.00% (31 December 2014: 0.8% and 2.03%).

41 Other liabilities

This balance is analysed as follows:

	(Thousands of Euro)	
	Sep 2015	**Dec 2014**
Creditors		
Suppliers	7 239	23 481
Other creditors	130 344	81 419
Administrative public sector	17 388	20 907
Holiday pay and subsidies	43 202	36 541
Other costs	3 388	2 876
Deferred income	1 346	5 025
Other sundry debtors	60 259	199 469
	263 166	369 718

As at 30 September 2015, the balance Other sundry liabilities includes the amount of Euro 30,569 thousands (31 December 2014: Euro 89,053 thousands), related with net liabilities recognised in the statement of financial position, which represent the difference between the costs with pensions, health benefits and death subsidy and the assets.

As at 30 September 2015, the balance Other sundry liabilities includes the amount of Euro 14,462 thousands (31 December 2014: Euro 68,208 thousands), engaged to balances of banking and financial transactions pending settlement.

Additionally, as at 30 September 2015, this caption includes the amount of Euro 27,749 thousands (31 December 2014: Euro 21,489 thousands), related to holidays, holidays subsidy and Christmas subsidy.

42 Institutional capital

CEMG's institutional capital, which is fully paid, amounts to Euro 1,500,000 thousands, fully belonging to *Montepio Geral – Associação Mutualista*.

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

On 26 September 2013, following the General Assembly deliberation, CEMG increased the share capital of *Caixa Económica Montepio Geral* in the amount of Euro 100,000 thousands, by cash transfer.

On 20 December 2012, following the General Assembly deliberation, CEMG increased the share capital of *Caixa Económica Montepio Geral* in the amount of Euro 50,000 thousands, by cash transfer.

43 Participation fund

The CEMG participation fund has a total nominal value of Euro 400,000 thousands.

Following the decision of the General Shareholders Meeting, held in 28 October 2013, it was issued in 17 December 2013 share instruments representative of Fundo de Participação da *Caixa Económica Montepio Geral*, with a total notional of Euro 200,000 thousands, in cash.

As a consequence of the Executive Board of Directors decision on 29 April 2015, the resolution of the General Assembly on 30 April 2015 and the resolution of the Assembly of the Participation Units holders of CEMG Participation Funds, where was considered the withdrawal of the preference right attributed to the participation units holders of the CEMG Participation Fund held in 5 June 2015, at 26 June 2015 the entity issued representatives units of the CEMG Participation Fund with a nominal value of Euro 200,000 thousands, in cash, through a private offer, fully subscribed by *Montepio Geral – Associação Mutualista.*

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

Thus, as at 30 September 2015, CEMG has 400,000,000 participation units issued (31 December 2014: 200,000,000 participation units) with the nominal value of 1 Euro, which are issued in its nominative form. The face value of the units is 400,000 thousand Euros.

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

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

So, the classification as Share capital results from the fact that the investor, as owner of the issued security, is exposed to the risk of share instruments of CEMG, as he may not receive an equal amount to the acquisition amount.

44 Other equity instruments

This caption includes the issuance of Euro 15.000 thousands occurred in the first quarter of 2010 Perpetual Subordinated Securities Interest conditioners made by Montepio Investimento, S.A. (previously designated as Finibanco, S.A.), and in connection with the acquisition of Montepio Holding, S.G.P.S., S.A. (previously designated as Finibanco Holding, S.G.P.S., S.A.), and its subsidiaries, was integrated in CEMG responsibilities, as described in note 1 a).

In case of purchase of subordinated perpetual securities, they are cancelled from equity and the difference between the purchase value and its book value is recognised in profit or loss.

During 2013, the Group repurchased perpetual subordinated instruments in the amount of Euro 6,727 thousands. After this operation, the balance Other equity instruments amounts to Euro 8,273 thousands.

Payment

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

1st to 4th coupon: 7.00%;

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

Payment interest limitations

The Issuer will be prevented from making interest payment:

- And even the extent of competition in which the sum of the amount payable by the interest this issue with the amount of dividends paid or deliberate and guaranteed payments relating to any preference shares that are likely to be issued, exceed Distributable Funds of the Issuer, or

- Is in compliance with the Regulatory capital requirements regulation or the extent and up to competition in its payment implies that is in default with that regulation.

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

Preventing 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.

During the nine months of 2015, the interest paid regarding this issue amounted to Euro 758 thousands.

In 2014, the amount of interest to pay exceeds the “Distributable Funds of the Issuer”, and therefore CEMG did not pay interest for this issue.

Reimbursement

These values are perpetual securities and are only refundable under the terms of early repayment provided below.

By agreement of Bank of Portugal, the issuer may reimburse, in whole or in part, from the 10th date of payment of interest, including (5th year).

In case of continued occurrence of an event of Disqualification as Core Capital, even before the expiration of five years from its issuance, and in agreement with Bank of Portugal, these Securities are redeemable at the option of the Issuer, at any time.

In the disqualification event as Core Capital is defined as a change in any legal document or its official interpretation implies these securities values may no longer be classified as Core Capital of the Issuer.

45 Treasury stock

This balance records units representatives of CEMG’s Participation Fund, which are owned by *Montepio Investimento, S.A.* entity that is included on the consolidation perimeter.

As at 30 September 2015 this entity owned 31,580,918 units (31 December 2014: 3,280,322 units), with an average unit cost of Euro 0.718 (31 December 2014: Euro 0.895) and a nominal value of Euro 31,581 thousand (31 December 2014: Euro 3,280 thousand).

These participation units are owned by *Montepio Investimento, S.A.* entity included in the consolidation perimeter under the established limits in CEMG statutes and by the Commercial Companies Code.

46 General and special reserve

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 and under the CEMG statutes, the general reserve should be charged, annually, at least, in a minimum of 20% of the profit for the year. 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 CEMG statutes, the special reserve should be charged, annually, 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 balance is analysed as follows:

(Thousands of Euro)

	Sep 2015	Dec 2014
Revaluation reserves		
Available for sale financial assets		
Gross amount	(40 000)	69 609
Tax	14 157	(22 308)
Exchange differences on consolidation	(16 322)	2 019
Others	(3 159)	(30 804)
	(45 324)	18 516
Other reserves and retained earnings		
General reserve	187 532	187 532
Special reserve	68 273	68 273
Deferred tax reserve	40 188	42 178
Retained earnings	(660 862)	(446 455)
	(364 869)	(148 472)

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

The revaluation reserves regarding available for sale financial assets can be analysed as follows:

(Thousands of Euros)

	Sep 2015	Dec 2014
Amortised cost of available-for-sale financial assets, net of impairment		3 575 865
Accumulated impairment recognised		(55 763)
Amortised cost of available-for-sale financial assets, net of impairment	-	3 520 102
Market value of available-for-sale financial assets		3 589 711
Net unrealised gains/ (losses) recognised in the fair value reserve	-	69 609

48 Distribution of profit

In 2015 and 2014, CEMG has not distributed profits.

49 Non-controlling interests

This balance is analysed as follows:

(Thousands of Euro)

	Statement of Financial Position		Income Statement	
	Sep 2015	Dec 2014	Sep 2015	Sep 2014
Finibanco Angola S.A.	12 485	13 610	1 671	1 941
Banco Terra, S.A.	12 606	12 830	(1 838)	-
	25 091	26 440	(167)	1 941

The movements of this balance are analysed as follows:

(Thousands of Euro)

	Sep 2015	Dec 2014
Opening balance	26 440	11 035
Exchange differences	(19 157)	862
Dividends	-	(2 469)
Others	17 975	15 436
	25 258	24 864
Net income attributable to non-controlling interest	(167)	1 576
Closing balance	25 091	26 440

			Percentage held for non-controlling interests	
Name	Head Office	Segment	Sep 2015	Dec 2014
Finibanco Angola, S.A.	Luanda	Bank	18.43%	18.43%
Banco Terra, S.A.	Maputo	Bank	55.87%	55.87%

50 Obligations and future commitments

Obligations and future commitments are analysed as follows:

(Thousands of Euro)

	Sep 2015	Dec 2014
Guarantees granted	534 060	534 775
Guarantees received	31 154 154	31 702 268
Commitments to third parties	1 417 400	1 256 209
Commitments from third parties	123 442	94 206
Assets transferred in securitised operations	175 936	191 970
Securities and items held for safekeeping on behalf of customers	7 191 338	8 456 178
	40 596 330	42 235 606

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

(Thousands of Euro)

	Sep 2015	Dec 2014
Guarantees granted		
Guarantees	471 409	487 896
Open documentary credits	62 222	46 451
Guarantees and indeminities (counter)	429	428
	534 060	534 775
Commitements to third parties		
Irrevocable commitements		
Irrevocable credit lines	651 194	653 777
Annual contributions to the Guarantee Deposits Fund	22 768	25 314
Potential obligation with the Investor's Indeminity System	1 689	3 217
Revocable commitments		
Revocable credit lines	741 749	573 901
	1 417 400	1 256 209

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.

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.

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 2015 and 31 December 2014, 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 2015 and 31 December 2014, 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.

51 Related parties transactions

The Group related parties, including associated and subsidiary companies presented in Note 27 - Investments in associated companies and others and 53 - Subsidiary companies, as defined by IAS 24 are presented as follows:

Executive Board of Directors
José Manuel Félix Morgado
João Carlos Martins da Cunha Neves
Fernando Ferreira Santo
Luís Gabriel Moreira Maia de Almeida
João Belard da Fonseca Lopes Raimundo
Jorge Manuel Viana Azevedo Pinto Bravo
Luís Miguel Resende de Jesus

Institucional Capital owner
Montepio Geral – Associação Mutualista

Subsidiary companies
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (I.F.I.)
Banco Terra, S.A.
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto
Finibanco Angola, S.A.
Finipredial – Fundo de investimento Imobiliário Aberto
Fundo de Capital de Risco Montepio Crescimento
Montepio - Capital de Risco, Sociedade Capital de Risco, S.A.
Montepio Arrendamento - Fundo de Investimento Imobiliário Fechado
Montepio Arrendamento II - Fundo de Investimento Imobiliário Fechado
Montepio Arrendamento III - Fundo de Investimento Imobiliário Fechado
Montepio Crédito - Instituição Financeira de Crédito, S.A.
Montepio Holding, S.G.P.S., S.A.
Montepio Investimento, S.A.
Montepio Recuperação de Crédito, ACE
Montepio Valor – Sociedade Gestora de Fundos de Investimento, S.A.
PEF - Fundo de Investimento Imobiliário Fechado
Polaris-Fundo de Investimento Imobiliário Fechado
Pelican Mortgages No. 1 PLC
Pelican Mortgages No. 2 PLC

Associated companies
HTA – Hotéis, Turismo e Animação dos Açores, S.A.
Montepio Seguros, S.G.P.S., S.A.
Iberpartners Cafés, S.G.P.S., S.A.
Montepio - Gestão de Activos Imobiliários, A.C.E.
Pinto & Bulhosa, S.A.
NAVISER - Transportes Marítimos Internacionais, S.A.

Other related parties
Bem Comum, Sociedade de Capital de Risco, S.A.
Bolsimo – Gestão de Ativos, S.A.
Civilcentro - Construções do Centro, Lda.
Clínica CUF Belém, S.A.
Clínica de Serviços Médicos Computorizados de Belém, S.A.
Empresa Gestora de Imóveis da Rua do Prior S.A
Finibanco Vida – Companhia de Seguros de Vida, S.A.
Fundação Montepio Geral
Fundo de Pensões Montepio
Futuro – Sociedade Gestora de Fundos de Pensões, S.A.
Germont – Empreendimentos Imobiliários, S.A.
Leacock Seguros, Lda.
Lestinvest, S.G.P.S., S.A.
LYKEION, Centro de Conhecimento Unipessoal, Lda.
Lusitania Vida, Companhia de Seguros, S.A.
Lusitania, Companhia de Seguros, S.A.
Moçambique Companhia de Seguros, S.A.R.L.
Montepio Geral Investimentos Imobiliários, S.A.
Montepio Gestão de Activos - Sociedade Gestora de Fundos de Investimento, S.A.
Montepio Imóveis – Sociedade Imobiliária de Serviços Auxilares, S.A.
Montepio Mediação – Sociedade Mediadora de Seguros, S.A.
Nebra Energias Renovables, S.L.
N Seguros, S.A.
Nova Câmbio - Instituição de Pagamento, S.A.
Residências Montepio, Serviços de Saúde, S.A.
SAGIES - Segurança e Higiene no Trabalho, S.A.
SIBS – S.G.P.S., S.A
SILVIP - Sociedade Gestora de Fundos de Investimento Imobiliários, S.A.
Sociedade Portuguesa de Administrações, S.A.
UNICRE - Instituição Financeira de Crédito, S.A.

52 Segmental reporting

The segmental reporting is presented in accordance with IFRS 8. In compliance with Group's management model, the disclosed segments corresponds to the segments used for management purposes by the Executive Board of Directors. The Group develops banking activities and financial services in Portugal and abroad, with a special focus in Retail Banking, Corporate and Institutional Banking businesses.

During 2013 period, the Group adopted IFRS 8 – Operating Segments, for the disclosure of the financial information by operating segments, using new criteria in the preparation of this information.

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

Products and services include the entire offer implicit to financial activity, such as deposit caption, 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 422 branches in Portugal, and with a branch in Cape Verde, one financial institution in Angola with 21 branches, one financial institution in Mozambique with 9 branches and 6 representation offices.

When evaluating the performance by business area, the Group considers the following operating segments:

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

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

3) Other Segments, which includes all the entities that are not included in the other segments, namely the operations and management referring to Securities' own Portfolio and Applications in Credit Institutions. Each segment comprises the Group's structures that are directly or indirectly dedicated, as well as autonomous units of the Group which activity is connected to one of the above segments.

Despite the fact that the Group has its activity in Portugal, geographically it has some international role, developed by: (i) *Finibanco Angola, S.A.*, (ii) *Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.* (IFI) and (iii) *Banco Terra, S.a.*, which by geographical criteria, results can be distinguished in Portugal (Domestic Area) from Cape Verde, Angola and Mozambique (International Area).

Operating 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 Banking

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

In Angola and Mozambique the Group is represented by a universal bank with national framework which offers a wide range of financial products and services to retail and corporate.

Corporate and Institutional Banking

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 emphasised 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.

The Corporate and Institutional Banking business includes the Companies in Portugal segment which operates in the cross-selling Group's scope, as a distribution channel of products and services from other companies of the Group.

Other segments

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

Allocation criteria of the activity and results to the operating segments

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

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

Measurement of profit or loss from operating segments

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

Autonomous Operating Segments

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

Group structures dedicated to the segment

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

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

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

(ii) The allocation of a commercial margin to mass-products, established in a high level when the products/segments 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.

Investments in associated companies consolidated under the equity method are included in Other 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

The Group operates in the Portuguese market and in markets with higher growth prospects. Therefore, segment information is present in Portugal, Angola, Mozambique and Cape Verde, being the segment represented by Portugal the activity developed by *Caixa Económica Montepio Geral* in Portugal, by *Montepio Investimento, S.A*., *Montepio Crédito - Instituição Financeira de Crédito, S.A*. and by *Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A*. The segment Angola includes the activity developed by *Finibanco Angola, S.A.*; the segment Mozambique corresponds to *Banco Terra, S.A.* activity; and Cape Verde segment includes the activity of *Banco Montepio Geral - Cabo Verde*, *Sociedade Unipessoal, S.A. (IFI).*

The patrimonial and financial elements related to the international area are presented in the financial statements of that unit with the respective consolidation and elimination adjustments.

The report by operating segments as at 30 September 2015, is presented as follows:

(Thousands of Euro)

Income Statement	**Retail**	**Corporate and Institutional**	**Operations between segments**	**Total**
Interest and similar income	130 278	254 426	113 260	497 964
Interest and similar expense	151 957	35 663	127 966	315 586
Net interest income	(21 679)	218 763	(14 706)	182 378
Dividends from equity instruments	-	-	1 470	1 470
Fees and commissions income	63 197	36 335	757	100 289
Fees and commissions income	(13 157)	(433)	(11 230)	(24 820)
Net gains/ (losses) arising from assets and liabilities at fair value	-	-	9 384	9 384
Net gains/ (losses) arising from available-for-sale financial assets	-	-	102 066	102 066
Net gains arising from foreign exchange differences	13 451	-	-	13 451
Net gains/ (losses) from sale of other financial assets	-	-	(18 191)	(18 191)
Other operating income	6 276	639	6 165	13 080
Total operating income	48 088	255 304	75 715	379 107
Staff costs	98 431	31 010	22 673	152 114
General and administrative expenses	55 078	16 925	14 746	86 749
Depreciation and amortisation	12 612	3 875	3 376	19 863
Total operating costs	166 121	51 810	40 795	258 726
Total of provisions and impairment	47 616	138 783	27 115	213 514
Operating profit	(165 649)	64 711	7 805	(93 133)
Equity accounting earnings	-	-	(3 894)	(3 894)
Income before taxes and non-controlling interests	(165 649)	64 711	3 911	(97 027)
Current taxes	-	-	1 256	1 256
Deferred taxes	-	-	36 143	36 143
Non-controlling interests	-	-	(167)	(167)
Consolidated profit for the period related to the institutional capital and the participation fund	(165 649)	64 711	41 477	(59 461)
Net assets	12 406 791	4 640 869	4 777 197	21 824 857
Liabilities	10 184 559	3 473 517	6 734 652	20 392 728
Investments in associates	-	-	20 957	20 957

The report by operating segments as at 30 September 2014, is presented as follows:

(Thousands of Euro)

Income statement	Retail	Corporate and institutional	Operations between segments	Total
				Restated
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 commisions income	78 444	19 141	5 640	103 225
Fees and commisions expense	(10 716)	(1 326)	(13 435)	(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	17 054	-	-	17 054
Net gains/ (losses) from sale of other financial assets	-	-	(21 338)	(21 338)
Other operating income	4 249	377	(12 125)	(7 499)
Total operating income	213 674	214 070	268 230	695 974
Staff costs	112 833	21 589	9 720	144 142
General and administrative expenses	69 059	12 384	1 232	82 675
Depreciation and amortisation	21 853	3 473	(2 138)	23 188
Total operating costs	203 745	37 446	8 814	250 005
Total of provisions and impairment	47 999	302 549	42 587	393 135
Operating profit	(38 070)	(125 925)	216 829	52 834
Equity accounting earnings	-	-	1 279	1 279
Income before taxes and non-controlling interests	(38 070)	(125 925)	218 108	54 113
Current taxes	-	-	(54 584)	(54 584)
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)	(125 925)	183 912	19 917
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
Investment in associates			30 802	30 802

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

Geographical segments

The Group operates with special emphasis in markets such as Portugal, Angola, Cape Verde and Mozambique. Considering this, the geographical segments information is structured in: (i) Domestic Area, including Portugal activity and (ii) International Area, including Angola, Cape Verde and Mozambique, regarding the operations developed by *Finibanco Angola, S.A.*, by *Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.* and *Banco Terra, S.A.*

At 30 September 2015, the net contribution of the main geographical segments is presented as follows:

(Thousands of Euro)

Income statement	Domestic	International	Adjustments	Consolidated
Interest and similar income	458 367	57 499	(17 902)	497 964
Interest and similar expense	301 401	32 087	(17 902)	315 586
Net interest income	156 966	25 412	-	182 378
Dividends from equity instruments	1 470	-	-	1 470
Fees and commisions income	95 179	5 503	(393)	100 289
Fees and commisions expenses	(24 482)	(731)	393	(24 820)
Net gains/ (losses) arising from assets and liabilities at fair value through profit and loss	8 619	765	-	9 384
Net gains/ (losses) arising from available-for-sale financial assets	102 066	-	-	102 066
Net gains arising from foreign exchange differences	2 085	11 366	-	13 451
Net gains from sale of other financial assets	(18 210)	19	-	(18 191)
Other operating income	13 077	390	(387)	13 080
Total operating income	336 770	42 724	(387)	379 107
Staff costs	142 425	9 689	-	152 114
General and administrative expenses	75 450	11 686	(387)	86 749
Depreciation and amortisation	17 850	2 013	-	19 863
Total operating costs	235 725	23 388	(387)	258 726
Loans impairment	191 676	10 941	-	202 617
Other assets impairment	9 396	(67)	-	9 329
Other financial assets impairment	6 717	-	-	6 717
Other provisions	(5 009)	(140)	-	(5 149)
Operating profit	(101 735)	8 602	-	(93 133)
Equity accounted earnings	(3 894)	-	-	(3 894)
Income before taxes and non-controlling interests	(105 629)	8 602	-	(97 027)
Current taxes	3 387	(2 131)	-	1 256
Deferred taxes	36 143	-	-	36 143
Non-controlling interests	-	-	167	167
Consolidated profit for the period related to the institutional capital and the participation fund	(66 099)	6 471	167	(59 461)

(Thousands of Euro)

Statement of Financial Position	Domestic	International	Adjustments	Consolidated
Cash and cash deposits	530 118	80 143	-	610 261
Loans and advances to credit institutions repayable on demand	225 087	51 947	(52 498)	224 536
Other loans and advances to credit institutions	221 587	460 431	(510 463)	171 555
Loans and advances to customers	14 303 159	294 234	-	14 597 393
Financial assets held for trading	58 842	-	-	58 842
Financial assets available-for-sale	3 468 340	11 767	-	3 480 107
Hedging derivatives	46	-	-	46
Held-to-maturity investments	6 417	145 509	-	151 926
Investments in associated companies and others	77 912	-	(56 955)	20 957
Non-current assets held for sale	841 942	547	-	842 489
Investments properties	717 255	-	-	717 255
Other tangible assets	51 584	36 067	-	87 651
Intangible assets	62 533	6 307	3 279	72 119
Current tax assets	2 238	3 853	-	6 091
Deferred tax assets	427 347	-	-	427 347
Other assets	354 076	2 209	(3)	356 282
Total Assets	21 348 483	1 093 014	(616 640)	21 824 857
Deposits from central banks	2 981 917	-	-	2 981 917
Deposits from credit institutions	2 448 626	46 006	(529 254)	1 965 378
Deposits from customers	11 654 384	901 692	(2 409)	12 553 667
Debt securities issued	2 096 578	-	-	2 096 578
Financial liabilities associated to transferred assets	126 332	-	-	126 332
Financial liabilities held for trading	57 841	-	-	57 841
Hedging derivatives	757	-	-	757
Non-current liabilities available-for-sale	77	-	-	77
Provisions	13 597	807	-	14 404
Equity instruments	-	3 700	(3 700)	-
Current tax liabilities	1 341	227	-	1 568
Other subordinated debt	330 946	27 695	(27 598)	331 043
Other liabilities	251 020	12 149	(3)	263 166
Total Liabilities	19 963 416	992 276	(562 964)	20 392 728
Institutional capital	1 500 000	103 105	(103 105)	1 500 000
Participation fund	400 000	-	-	400 000
Other equity instruments	8 273	-	-	8 273
Own securities	(31 581)	-	-	(31 581)
Revaluation reserves	(26 100)	(19 224)	-	(45 324)
Other reserves and retained earnings	(399 426)	10 386	24 171	(364 869)
Consolidated profit for the period related to the institutional capital and the participation fund	(66 099)	6 471	167	(59 461)
Total equity attributable to institutional capital and participation fund shareholders	1 385 067	100 738	(78 767)	1 407 038
Non-controlling interests	-	-	25 091	25 091
Total Equity	1 385 067	100 738	(53 676)	1 432 129
Total Liabilities and Equity	21 348 483	1 093 014	(616 640)	21 824 857

As at 30 September 2014, the net contribution of the main geographical segments is presented 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 commisions income	95 752	7 989	(516)	103 225
Fees and commisions 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	(5 902)	(1 014)	(583)	(7 499)
Total operating income	661 406	35 151	(583)	695 974
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 financial assets impairment	33 912	-	-	33 912
Other assets impairment	9 042	302	-	9 344
Other provisions	(1 122)	453	-	(669)
Operating profit	38 463	14 371	-	52 834
Equity accounting earnings	1 279	-	-	1 279
Income before taxes and non-controlling interests	39 742	14 371	-	54 113
Current taxes	(51 129)	(3 455)	-	(54 584)
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	10 942	10 916	(1 941)	19 917

As at 31 December 2014, the net contribution of the main geographical segments is presented as follows:

(Thousands of Euro)

Statement of Financial Position	Domestic	International	Adjustments	Consolidated
Cash and deposits from central banks	203 339	81 474	-	284 813
Loans and advances to credit institutions repayable on demand	213 493	12 996	(9 446)	217 043
Other loans and advances to credit institutions	509 231	636 827	(599 896)	546 162
Loans and advances to customers	14 910 081	316 142	-	15 226 223
Financial assets held for trading	86 581	-	-	86 581
Financial assets available-for-sale	3 573 610	16 101	-	3 589 711
Hedging derivatives	60	-	-	60
Held-to-maturity instruments	17 333	102 768	-	120 101
Investments in associated companies and others	77 709	-	(53 059)	24 650
Non-current assets held for sale	799 416	323	-	799 739
Investment properties	715 737	-	-	715 737
Other tangible assets	56 494	42 437	-	98 931
Intangible assets	59 031	3 743	3 280	66 054
Current tax assets	2 327	337	-	2 664
Deferred tax assets	355 881	-	-	355 881
Other assets	328 154	10 970	-	339 124
Total Assets	21 908 477	1 224 118	(659 121)	22 473 474
Deposits from central banks	2 496 886	-	-	2 496 886
Deposits from other credit institutions	1 631 391	19 219	(580 454)	1 070 156
Deposits from customers	13 265 134	1 049 669	(144)	14 314 659
Debt securities issued	2 146 525	-	-	2 146 525
Financial liabilities associated to transferred assets	163 650	-	-	163 650
Financial liabilities held for trading	85 292	-	-	85 292
Hedging derivatives	656	838	-	1 494
Provisions	19 220	1 109	-	20 329
Current tax liabilities	16 865	97	-	16 962
Other subordinated debt	373 450	24 873	(25 044)	373 279
Other liabilities	351 830	17 888	-	369 718
Total Liabilities	20 550 899	1 113 693	(605 642)	21 058 950
Institutional capital	1 468 908	40 089	(8 997)	1 500 000
Participation fund	200 000	-	-	200 000
Other equity instruments	8 273	-	-	8 273
Own securities	(3 280)	-	-	(3 280)
Revaluation reserves	19 391	(875)	-	18 516
Other reserves and retained earnings	(138 762)	31 620	(41 330)	(148 472)
Consolidated profit for the period related to the institutional capital and the participation fund	(196 952)	13 151	(3 152)	(186 953)
Total equity attributable to the institutional capital and participation fund shareholders	1 357 578	83 985	(53 479)	1 388 084
Non-controlling interests	-	26 440	-	26 440
Total Equity	1 357 578	110 425	(53 479)	1 414 524
Total Liabilities and Equity	21 908 477	1 224 118	(659 121)	22 473 474

53 Subsidiary and associated companies

As at 30 September 2015, the companies under the full consolidation method in the Group are presented as follows:

Subsidiary company	Head Office	Share Capital	Currency	Activity	Group % of control	Group % of effective participation	Bank % of direct participation
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A.	Praia	8 996 000	Euro	Banking	100.00%	100.00%	100.00%
Montepio Holding, S.G.P.S., S.A.	Porto	175 000 000	Euro	Holding company	100.00%	100.00%	100.00%
Montepio Investimento, S.A.	Porto	180 000 000	Euro	Banking	100.00%	100.00%	-
Montepio Crédito - Instituição Financeira de Crédito, S.A.	Porto	30 000 000	Euro	Finance lease	100.00%	100.00%	-
Montepio Valor - Sociedade Gestora de Fundos de Investimento, S.A.	Porto	1 550 000	Euro	Investment fund management	100.00%	100.00%	-
Montepio Recuperação de Crédito, ACE	Lisboa	-	-	Services	93.00%	93.00%	93.00%
Finibanco Angola, S.A.	Luanda	4 182 000 000	Kwanza	Banking	81.57%	81.57%	-
Banco Terra, S.A.	Maputo	2 386 458 998	Metical	Banking	44.13%	44.13%	-
Montepio Capital de Risco, S.C.R., S.A.	Lisboa	250 000	Euro	Venture capital fund management	100.00%	100.00%	-

As at 30 September 2015, the companies included in the consolidation under the equity method are as follows:

Subsidiary company	Head Office	Share Capital	Activity	% held
Montepio Seguros, S.G.P.S., S.A.	Lisboa	Euros 137 750 000	Insurance	33.65%
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	Ilha de São Miguel	Euros 10 000 000	Tourism	20.00%
Iberpartners Cafés, S.G.P.S., S.A.	Lisboa	Euros 3 400 000	Holding company	29.41%
Montepio Gestão de Activos Imobiliários, A.C.E.	Lisboa	Euros 2 449 707	Real estate holding company	28.50%

The presented percentage reflects the economic interest of the Group.

In addition, the consolidation perimeter of the Group includes the following special purpose entities and investment funds:

Subsidary Company	Establishment Year	Acquisition year	Head office	% of controlling company	Consolidation method
Pelican Mortgages No. 1 PLC	2002	2002	Dublin	100%	Full
Pelican Mortgages No. 2 PLC	2003	2003	Dublin	100%	Full
Finipredial - Fundo de Investimento Imobiliário Aberto	1997	2012	Lisboa	80.56%	Full
Montepio Arrendamento – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2011	2011	Lisboa	100%	Full
Montepio Arrendamento II – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional II (FIIAH)	2013	2013	Lisboa	100%	Full
Montepio Arrendamento III – Fundo de Investimento Imobiliário Fechado para Arrendamento Habitacional (FIIAH)	2013	2013	Lisboa	100%	Full
Polaris - Fundo de Investimento Imobiliário Fechado	2009	2012	Lisboa	100%	Full
PEF - Portugal Estates Fund	2013	2013	Lisboa	100%	Full
Carteira Imobiliária - Fundo Especial de Investimento Imobiliário Aberto (FEIIA)	2013	2013	Lisboa	100%	Full
Fundo de Capital de Risco Montepio Crescimento (FCR)	2015	2015	Lisboa	100%	Full

54 Subsidiaries acquisition

In December 2014, the Group acquired 44.54% share's capital of Banco Terra, S.A. by Euro 14,210 thousands. The acquired vote rights were also 44.54%.

The acquisition cost by the Group was fully paid in cash.

Although this is a commercial bank particularly directed to the development of rural areas, Banco Terra has a diversified offer and is segmented as follows: (i) agro-business, (ii) Small and Medium Enterprises, (iii) Retail and (iv) Micro-economic financial Institutions.

The Group recorded goodwill in the amount of Euro 3,280 thousands with the Banco Terra, S.A. acquisition, according with note 31. This goodwill, mainly results from the expected synergies arising from the Group's internationalization strategy.

Considering the IFRS 10 and the skills allocated to CEMG as part of activity management of Banco Terra, and that comprises the capacity of managing the significant activities, also having the ability to face the powers and responsibilities of Chief Executive Officer, who will be appointed by the Group, to influence other areas, the participation was consolidated by the full method.

On 7 July 2015, the Group increase the share capital of Banco Terra, SA in the amount of Euro 3,896 thousands.

55 Subsidiaries disposals

As at 30 September 2015, the Group owns 81.57% of the subsidiary Finibanco Angola, S.A.

After the balance sheet date, was established an agreement to dispose 1,727,782 shares of *Finibanco Angola S.A.*, which represents 30.57% of the share capital for USD 26,346,178.

The procedures of regulatory and legal compliance required for the completion of this disposal are currently ongoing.

After the completion of the transaction, the Group will continue to hold the control of *Finibanco Angola, S.A*.

56 Subsequent events

After the balance sheet date and before the interim financial statements were authorized for issue, there were no relevant transactions and/or events that deserve relevance disclosure.