Caixa Económica Montepio Geral

REPORT AND ACCOUNTS

FIRST HALF 2011

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GOVERNING BODIES

GOVERNING BODIES

The members of the bodies elected for 2010-2012 are as follows:

GENERAL MEETING BOARD

Chairman	Member no. 33 151-5	VITOR JOSÉ MELÍCIAS LOPES *University professor*
1st Secretary	Member no. 31 560-9	ANTÓNIO PEDRO DE SÁ ALVES SAMEIRO *Lawyer*
2nd Secretary	Member no. 45 139-8	ANTÓNIO DIAS SEQUEIRA *Economist*
Substitute	Member no. 48 385-8	MARIA LEONOR LOUREIRO GONÇALVES DE OLIVEIRA GUIMARÃES *Lawyer*
Substitute	Member no. 45 553-0	JOSÉ LUÍS ESPARTEIRO DA SILVA LEITÃO *Economist*

BOARD OF DIRECTORS

Chairman	Member no. 38 670-6	ANTÓNIO TOMÁS CORREIA *Lawyer*
Members	Member no. 28 745-2	JOSÉ DE ALMEIDA SERRA *Economist*
	Member no. 59 784-1	RUI MANUEL SILVA GOMES DO AMARAL *Economist*
	Member no. 31 399-9	EDUARDO JOSÉ DA SILVA FARINHA *Economist*
	Member no. 467 785-1	ÁLVARO CORDEIRO DÂMASO *Lawyer*

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Members	Member no. 281 904-8	GABRIEL JOSÉ DOS SANTOS FERNANDES *Economist*
	Member no. 31 269-9	JOSÉ MOREIRA VENÂNCIO *Degree in Banking Accountancy and Law*
Substitute	Member no. 51 323-6	JOSÉ GOMES HONORATO FERREIRA *Economist*
	Member no. 28 116-0	VITOR MANUEL DO CARMO MARTINS *Economist*

GENERAL BOARD

Members	Member no. 71 464-0	MARIA MANUELA DA SILVA *Economist*
	Member no. 29 676-0	MANUEL DA COSTA BRAZ *Retired army officer*
	Member no. 49 005-8	ANTÓNIO AUGUSTO ALMEIDA *Economist*
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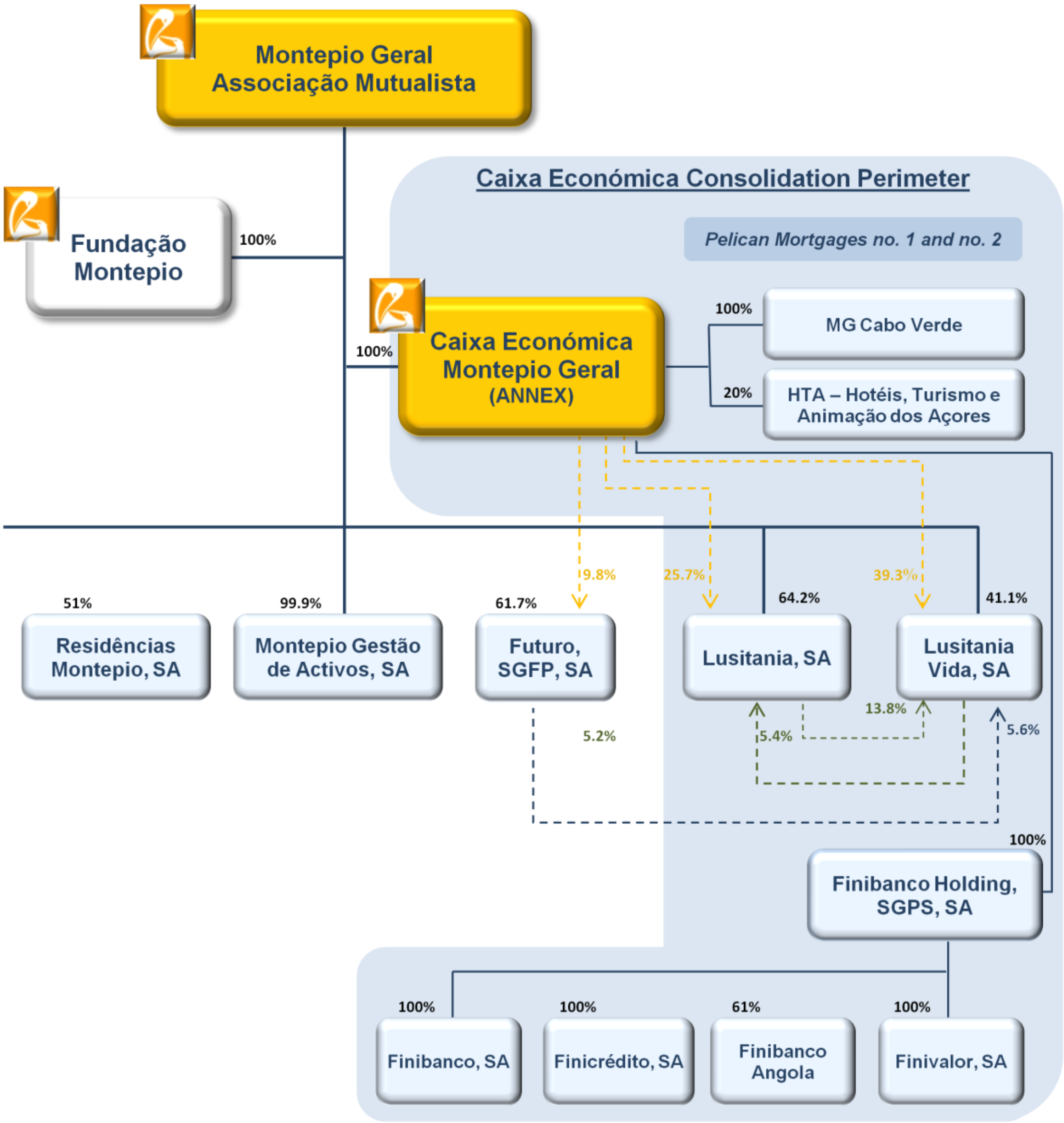
	Member no. 32 368-8	ARMANDO AUGUSTO PINTO DA SILVA *Lawyer*
	Member no. 104 943-7	EUGÉNIO ÓSCAR GARCIA ROSA *Economist*
	Member no. 44 630-3	ALBERTO JOSÉ DOS SANTOS RAMALHEIRA *Economist*
	Member no. 37 305-2	JOSÉ CARLOS CORREIA MOTA ANDRADE *Civil engineer*
	Member no. 31 000-2	ANTÓNIO FERNANDO MENEZES RODRIGUES *Economist*
	Member no. 28 346-9	MANUEL DUARTE CARDOSO MARTINS *Retired Montepio director*
	Member no. 31 807-5	JOSÉ JOAQUIM ROSA *Degree in Bank Management*
	Member no. 37 711-3	NORBERTO DA CUNHA JUNQUEIRA FERNANDES FÉLIX PILAR *Economist*

I – REPORT

1. Consolidation perimeter and main indicators

Consolidation perimeter



Grupo Montepio's primary goal is the creation of value for members. On 31 March, after the takeover of Finibanco Holding, SGPS, SA from Montepio Geral Associação Mutualista (MGAM), the consolidation perimeter of Caixa Económica Montepio Geral (CEMG) comprised the following companies:

- Domestic business:
    - Lusitania, Companhia de Seguros, SA (consolidation by equity method);
    - Lusitania Vida, Companhia de Seguros, SA (consolidation by equity method);
    - HTA Hotéis, Turismo e Animação dos Açores, SA (consolidation by equity method);

- Finibanco Holding, SGPS, SA (full consolidation).

- Non-domestic business:
  - Banco Montepio Cabo Verde, IFI, SA (full consolidation)
  - Finibanco Angola, SA (full consolidation).

It also includes the Pelican Mortgages no. 1 and no. 2 loan securitisation vehicles (full consolidation).

Main indicators

(thousand euros)

INDICATORS	Dec.10	June 10	June 11 (a)
• BUSINESS ACTIVITY			
Net Assets	18 249 290	17 668 715	21.679.562
Equity (Capital, Reserves and Profits)	995 478	977 274	1.119.483
Total Loans to Customers	15 040 645	15 012 227	17.426.767
Total Deposits	10 021 794	9 329 242	12.579.081
• PROFITABILITY			
Net Profit	51.407	30.596	5.068
Banking Income / Average Net Assets	2,36%	2,46%	2,27%
Cash-Flow / Average Net Assets	1,10%	1,16%	0,90%
Net Profit / Average Net Assets (ROA)	0,29%	0,35%	0,05%
Net Profit / Average Net Equity (ROE)	5,18%	6,27%	0,89%
• CREDIT RISK			
Ratio of Credit overdue more than 90 days	3,24%	3,43%	3,24%
Ratio of Credit in default (b)	3,82%	4,04%	4,08%
Total Credit Provisions/Ratio of Credit overdue more than 90 days	107,21%	96,61%	121,80%
- EFFICIENCY			
Operating Costs/Average Net Assets	1,38%	1,41%	1,47%
Running Costs + Depreciation/Banking Income (cost-to-income) (b)	58,68%	57,40%	65,00%
- LIQUIDITY			
Leverage Ratio (c)	148,12%	159,38%	135,56%
Assets Eligible for Refinancing by ECB	3.433.820	2.077.953	2.901.361
- SOLVENCY			
Solvency Ratio	12,8%	12,6%	12,9%
Tier I	9,1%	8,8%	9,0%
Core Tier I	9,3%	8,9%	9,0%
- DISTRIBUTION NETWORK AND EMPLOYEES (Units)			
Branches			
Domestic Network	329	327	503
International Network – Angola			7
Representative Offices	6	6	6
Employees – Staff			
Domestic Activity	2.896	2.941	4 124
			96

a) Includes the effect of the takeover of Finibanco Holding, SGPS, S.A. This fact should be taken into account in comparisons made.

(b) According to Instruction No. 16/2004 of Bank of Portugal (BdP)

(c) Ratio calculated as defined for that purpose by BdP.

2. Overview of Activity

Macroeconomic framework

In the first half of 2011, the world economic situation continued to show slight indications of recovery, with the first signs dating back to the second half of 2009. These signs are not only tenuous, but are also still imbalanced, as demonstrated by the less robust performance of the developed markets compared to the highly dynamic behaviour of most of the emerging and developing economies. At the beginning of June, the International Monetary Fund's forecasts were practically unchanged for 2011 (+4.3%) and 2012 (+4.5%). Nonetheless, the fact that business activity in the United States was not as strong as expected and the renewed volatility in the financial markets added increased risks to macroeconomic forecasts.

The United States

GDP in the United States is expected to have grown at an annualised rate of less than 1% in the first six months, while outlook at the beginning of the year was that the economy might grow slightly above its potential, estimated at between 2.5% to 2.8% by the Federal Reserve. This lack of vitality is associated with a number of temporary shocks: i) extreme weather conditions, which particularly affected the construction industry, ii) an interruption in the supply of auto parts due to the earthquake in Japan and iii) rising fuel prices. Household consumption was seriously affected by the last two factors and so after growing at an annualised rate of 3.6%, it slowed down to 2.1% in the first quarter of 2011 and practically stagnated in the second.

As a result of the slowdown in business activity and fears as to the sustainability of public finances in Europe and the United States (confirmed by the downgrade of the US debt by rating agency Standard & Poor's in early July), share prices fell in May and June. This had a negative wealth effect and impacted on consumer and entrepreneur confidence and therefore on investment and the creation of jobs. Even though part of the economic slowdown was temporary, additional fears arising from persistently low consumer confidence and the deceleration in job creation have been fuelling the negative feedback effects on growth. This posed a central risk to the acceleration of growth in the second half of the year and fear of loss of vitality in the economy might become a self-realising prophecy. It is essential for the virtuous circle of employment, spending, profits and employment again not to be broken, otherwise the economy may go back to an economic equation similar to that of summer 2010, though with fewer degrees of freedom because the rise in inflation has taken away room for manoeuvre for unconventional measures to stimulate the economy.

Year-on-year inflation rose from 1.5% in December 2010 to 3.6% in June 2001, reflecting the rise in prices of energy and most raw materials. Furthermore, the rise in prices of some imported goods and the interruption in supplies from Japan had an impact on the acceleration in core inflation (i.e. excluding food and energy), which went from 0.8% to 1.6% in the same period. Annualised growth accelerated in the last three months to 2.9% in June.

Angola*

Angola's economy is expected to have grown 7.8% this year, according to IMF estimates and its growth rate has speeded up after a two-year slowdown from a 13.8% growth in GDP in 2008 to 2.4% and 1.6% in 2009 and 2010 respectively. Next year, the IMF expects even higher growth (10.5%), partly due to the expected start-up of the liquefied natural gas project. According to the IMF, however, there may be another slowdown in upcoming years to growth of around 6% to 6.5%. Where prices are concerned, it forecasts a rise in inflation to an average of 14.6% in 2011 after it accelerated from 13.7% to 14.5% in 2010, due to rises in fuel prices after a reduction in subsidies, the depreciation of the country's currency and failures in supply due to delays in the import of goods, the source of around 90% of consumer goods. The IMF expects inflation to begin to fall in 2012.

Euro area

The first half of 2011 witnessed the consolidation of economic recovery in the euro area and also the intensification of geographical differences, as Germany proved to be the driving force of growth while the countries were especially penalised by ongoing budget consolidation processes. After the first quarter in which GDP rose 0.8% successively and recovered the vigour lost in the last quarter of 2010, when business suffered particularly from the cold spell in some countries, the economy showed natural deceleration in the second quarter to a growth of only 0.2%. This slowdown occurred at the same time as additional risks of poor growth due to the sovereign debt crisis.

The unemployment rate went down from 10% at the end of 2010 to 9.9% in June, remaining close to the maximum of 10.2% in July 1998 and a year ago. This continues to show a market under serious pressure and considered geographical divergences. The unemployment rate in Germany is at its lowest since 1992, while at the other extreme it has been at its highest in Spain since at least 1983.

The year-on-year inflation rate rose considerably from 2.2% in December 2010 to 2.7% in June. Its core component went from 1% to 1.6% and was therefore in line with its historical average and justified fears of inflation on the part of the European Central Bank (ECB). The ECB showed growing concern for second-round effects, although it still feels that inflationary pressure is essentially the result of temporary factors, such as a rise in commodity prices and the effects of austerity measures taken by some member countries in terms of taxation on goods and services to combat the sovereign debt crisis. The ECB began tightening monetary policy in April when it raised the interest rate on the main Eurosystem refinancing operations, the refi rate by 25 basis points (bps) to 1.25%. This was the first rise since July 2008 after it had remained at an all-time low since May 2009. More recently, in July, the ECB raised the refi rate to 1.5%, as announced at its June meeting.

*After the takeover of Finibanco Angola, SA, Montepio's international distribution network included seven branches in Angola.

Portugal

Business activity in Portugal was counter-cyclical to the euro area. GDP fell 0.6% in the first quarter of 2011, after a similar fall at the end of 2010. It stagnated in the second quarter. This reduction in activity in the first six months essentially reflected the austerity measures taken by the government at the beginning of the year, including tax increases and pay cuts for civil servants.

In mid-April, Portugal submitted a formal request for financial assistance to the European Commission, ECB and IMF (known as the Troika), as a result of growing difficulties in obtaining finance from public and private agents. These difficulties took the form of significant increases in interest rate spreads on sovereign debt and were the result of a combination of economic and financial developments. At an economic level, the country showed very modest growth and a substantial slowdown in potential output in the last ten years. The labour market was unable to create jobs in net terms and showed signs of considerable segmentation, while the unemployment rate rose persistently.

The country's poor economic performance was compounded by an ongoing increase in the economy's borrowing and a reduction in savings, which led to a serious deterioration in its international investment position. Furthermore, in financial terms, public finances deteriorated considerably resulting in growing concerns about their sustainability.

In addition to the acceleration in inflation and the rise in interest rates, there was an announcement of a vast number of measures in the economic and financial adjustment programme agreed upon with the Troika. This resulted in deterioration in domestic demand growth prospects.

This adjustment programme covers the period from 2011 to 2014 and entails finance totalling 78 billion euros. Its aim is to put the Portuguese economy back on track in terms of sustained growth in a climate of financial stability and restored confidence of the international financial markets. The programme focuses on three main areas: i) a number of significant structural reforms designed to increase growth potential, create jobs and improve the economy's competitiveness, ii) a credible budget consolidation strategy based on structural measures and greater budgetary control over the state's obligations and iii) efforts to guarantee ordered deleveraging of the financial sector, by means of market mechanisms supported by a support fund for the recapitalisation of the banks.

According to Statistics Portugal, the unemployment rate in the second quarter of 2011 was 12.1%, which was 0.3 p.p. lower than in the previous quarter, though this reduction was mainly seasonal. Although changes in the method for gathering information make it impossible to conduct a direct comparison with previous data, the unemployment rate in the first half year is expected to be the highest since at least 1977 (start of the long quarterly series from Banco de Portugal - BdP). The labour market situation is therefore still one of the main constraints on the economy and this market can be expected to deteriorate further as a result of correction of the country's macroeconomic imbalances.

Inflation, measured by the year-on-year variation in the consumer price index, rose considerably from 2.5% in December 2010 to 3.4% in June. This essentially reflected prices of commodities and budget consolidation measures, to be precise, the impact of VAT increases in mid-2010 and early 2011 and a substantial rise in the prices of some regulated goods and services. The rise in inflation can be considered largely temporary and the BdP Summer Economic Bulletin forecast average annual inflation of 3.4% for this year but expecting a return to more modest levels (+2.2%). There will be growth more in line with the usual macroeconomic determinants in a context of virtual stabilisation of oil prices and moderate growth in the price of non-energy imports and wage costs.

The BdP drew an unfavourable scenario that was quite similar to that of the Troika for future economic activity. The central bank forecasts a contraction of 2% in 2011 and 1.8% in 2012, reflecting a general, accentuated reduction in public and private domestic demand in spending and investment. Net exports will be the only component to make a favourable contribution to the growth of the economy in this timeframe, as they benefit from the global economic recovery and a reduction in imports.

This is thus a recessive picture resulting basically from a need to step up the consolidation of the country's public finances and gradually deleverage the private sector, including the financial system. The IMF's basic macroeconomic scenario while the agreement is in effect points to a 1.3% reduction in credit to the private sector this year and 0.5% in 2012. It will only begin to grow again in 2013 and will only exceed growth in nominal GDP in 2016. In order to achieve these goals, the BdP expects gradual, ordered deleveraging of the banking sector, which will ensure that its financing structure is more stable and less dependent on the international wholesale debt markets and finance from the Eurosystem. This process will limit economic agents' access to credit and place an additional constraint on growth in economic activity, especially purchase of lasting consumer goods and private investment.

Financial markets

In the first half of the year, market sentiment fluctuated as a result of two basic, interconnected issues: the sovereign debt crisis and expectations for the world economy. At first, there was a reduction in aversion to risk thanks to macroeconomic data pointing to further economic recovery and the fact that the sovereign debt crisis was relatively controlled due to the agreement on the European Financial Stabilisation Mechanism. Portugal was an exception and most of its assets remained under pressure.

In the second phase, which lasted practically until the end of June, risk levels rose and caused falls in share indices. Growth prospects for the global economy deteriorated due to a number of factors: i) sharp rises in commodity prices associated with growing consumption by emerging economies and the conflicts in North Africa and the Middle East, ii) the catastrophe in Japan, which caused delays in deliveries of raw materials all over the world, iii) fears of a hard landing for the emerging economies, particularly China, due to counter-cyclical measures and iv) the dissipation of monetary policy stimuli for the western economies.

Where the sovereign debt crisis was concerned, even after Portugal received assistance, the danger of the unsustainability of Greece's public finances persisted and the possibility of a new aid package was put forward (after that agreed upon in May 2010). Towards the end of the quarter, there was some consensus as to the need for non-state companies to participate in a possible restructuring of the country's debt. Furthermore, even the tranches of the previous package were in jeopardy because of public protests and opposition from non-government parties to approving the new austerity measures. In the last week of June, market sentiment recovered after the Greek parliament managed to approve the new measures, which released the funds from the previous package and paved the way for approval a new one.

Throughout the six month period share prices rose against the end of 2010, benefiting from two sets of quarterly results that continued to be a positive surprise to share analysts and the above-mentioned developments in the final week, in which the western markets rose the most. In the United States, the Dow Jones index gained 7.2%, S&P 500 5% and NASDAQ 4.5% in the first half of 2011. In Europe, the sovereign debt crisis had its negative effects and Eurostoxx 50 rose only 2% and the PSI-20 suffered losses (-3.5%). The impact of the rise in commodity prices on consumers' real disposable income was felt particularly in the emerging economies and contributed to the 1.6% fall in the Shanghai Composite.

Where the benchmark public debt was concerned, the short and long segments of the yield curve behaved differently. At first, yields in the long segment rose in most countries, showing some distance from the growing pressure around the peripheral debt. The spread in Italy and Spain actually went down in relation to the German debt. Nonetheless, as fears of default by Greece increased, there was a growing demand for refuge assets, which caused an appreciation in debt securities of benchmark countries and a resulting fall in yields. At the end of June, 10-year bund yields rose 6 bps, while those of treasury bills fell 13 bps. In the short segment, yields distanced themselves more, essentially reflecting expectations with regard to monetary policy in the euro and dollar areas. Therefore, two-year treasury bill yields fell around 14 bps, reflecting expectations that the Fed would keep interest rates at current levels for several months, particularly after the American economy began to show signs of loss of momentum. On the other hand, in the euro area bund yields went up 75 bps in a half year in which the ECB raised the refi rate by 25 bps to 1.25% (after raising it to 1.5% in January), because of the performance of the region's core economies and the increase in inflationary pressure. This behaviour was also visible in the **interbank money market**, where the Libor dollar rates fell 5 or 6 bps in all maturities, in reflection of the expectations of the Fed's reference interest rate for the next 12 months. Euribor rose considerably, 54 bps in three months.

The euro appreciated against the three main currencies in the **exchange market**. It showed an upward trend for most of the six-month period, as it benefited from investors' expectations as to the monetary policy squeeze by the ECB. Nonetheless, gains were mitigated in the last two months by fears about the situation in Greece. The highest rises were against the dollar (+8.6%) and yen (+7.7%), reflecting expectations as to maintenance of highly accommodating monetary policies in the two economies. The euro appreciated 5.4% against the pound sterling.

The **public debt** of the so-called peripheral countries suffered considerably, though it evolved differently. The spreads of Spain and Italy's 10-year yields against the German yield ended the six months practically unaltered, although this changed in early July as pressure from the markets increased substantially and forced their governments to introduce new austerity measures. The spreads on the debts of Greece (+381 bps) and Ireland (+258 bps) were also coordinated and began an upward movement in mid-April, when the market began to fear default by Greece taking the other assisted countries with it. Finally, the spread on the Portuguese debt was the one that grew most, 423 bps to 787 bps. The national debt initially came under pressure for the country to seek international aid, but it was in the second quarter that it rose most due to contagion from the situation in Greece.

Private debt improved in some segments during the period. The five-year Itraxx index, which sets the standard for the euro area of investment grade CDS (credit default swaps) and whose liquidity is much higher than the spot market making it the benchmark for the credit market, remained practically unchanged at 106 bps. Within it, financial companies' situation improved, with the spread going down 43 bps to 120 bps, but remaining above the figure for the other sectors, thereby increasing persisting fear about the financial system. The speculative grade index, Itraxx Crossover (five years), fell 39 bps to 397 bps, reflecting a reduction in aversion to risk and an improvement in companies' financial situation. Companies are usually more sensitive to the economic cycle, as the world economy continued to grow at a good pace, thereby favouring robust growth in profits.

Commodities rose in the first half of 2011 and the composite Reuters/Jefferies CRB and S&P GSCI indices went up 1.6% and 5.9%. They showed an upward trend until the end of April, driven by positive macroeconomic data and a reduction in supply of some goods due to the earthquake in Japan and the conflicts in the Middle East and North Africa. Gains were limited by heavy losses at the beginning of May, when the market discounted the effect of expectations as to a slowdown in the global economy. In addition, at the end of the period, there was the sovereign debt crisis and fears of contagion from a default by Greece spreading to the commodities market, with the exception of gold, which continued to benefit from higher uncertainty and appreciated 5.7% from January to June.

3. Important events: takeover of Finibanco Holding, SGPS, S.A. and merge with Finibanco, S.A.

As planned and opportunely communicated to the market, on 31 March 2011, CEMG purchased 100% of the share capital of Finibanco – Holding, SGPS from Montepio Geral - Associação Mutualista, following the takeover bid in 2010. The idea was to consolidate the activities and operations of the Finibanco-Holding, SGPS, S.A. subsidiaries in its activities, operations and networks.

After this takeover, CEMG owned all the share capital and voting rights of Finibanco, S.A., Finicrédito – Instituição Financeira de Crédito, S.A. and Finivalor – Sociedade Gestora de Fundos Mobiliários, S.A. plus a 61% holding and voting rights in the Angolan company Finibanco Angola, S.A..

As a result of the takeover, on 4 April 2011 all the assets and liabilities of Finibanco, S.A. were transferred to CEMG, with the exception of the real estate belonging to Finibanco, S.A., which it acquired as repayment for own credit and fixed and moveable asset leasing agreements in which Finibanco, S.A. is the lessor.

This operation not only made it possible to extend the consolidation perimeter but also CEMG 's commercial coverage, by means of a distribution network with another 174 branches and new operating conditions in a variety of financial service areas contributing to the implementation of its strategy.

On 4 April we began the project to incorporate the branches of Finibanco, S.A. into CEMG and the associated processes for the integration of the portfolios of assets and liabilities transferred, called the single bank project. In addition to changing the image of all Finibanco, SA branches on that day, the project involved several tasks and stages, such as in-house and customer communication, the integration of products and tariffs, operating and information systems, and accounting, prudential reporting and functional and risk management processes.

The single bank project proceeded in the first half of the year and should be completed on schedule by year end.

The other Finibanco Holding, SGPS, SA companies taken over by CEMG: Finicrédito, Finivalor and Finibanco Angola are not included in the projects and will keep their image.

The main impacts of the takeover of Finibanco were increases in deposits and credit portfolios and growth in operating expenditure due to the ongoing integration process.

	CEMG Value	Contribution from FNB Value	%
Total Loans to Customers (million euros)	17.426.767	2.589.086	14,9%
Total Deposits (million euros)	12.579.081	2.238.501	17,8%
Leverage Ratio	135,56%		-11,9 p.p.
Ratio of Credit Overdue more than 90 days	3,2%		0,3 p.p.
Operating Costs (million euros)	153.771	28.639	18,6%

4. Performance of Montepio Group companies

Mutual and banking activity

In the first six months, Montepio Associação Mutualista continued its 2011-2013 Strategic Plan, which is based on five guidelines:

The first guideline focuses on speeding up the growth of mutual loan activities by converting the customers of the different group companies into members, thereby taking advantage of the companies' different channels of distribution.

The second is to foster member loyalty and retain the capital invested. The goal of increasing revenue per member, stabilising capital flows and member management and boosting association activities will play an essential role in achieving this purpose.

The third guideline is aimed at improving quality of service, which will be decisive for the previous aspects. We expect to achieve improvements in transaction and management systems in general and interfaces with group companies in particular and to introduce quality of service meters in distribution channels.

The fourth guideline is intended to develop and diversify our products. Continuing our policy of fully meeting members' needs in the field of mutual loans, we will continue to invest in the management of social facilities and the provision of health and care services and to pursue our policy of complementary benefits and positive discrimination of members in the Montepio Group's conditions.

The fifth guideline refers to an improvement in management and our internal control system, which entails ongoing modernisation and optimisation of AM's organisation and financial and prudential management in the fields of liquidity and solvency, in line with the strict requirements governing financial and banking institutions.

Considering these five guidelines, Associação Mutualista maintains its strategy of growth, better capacity for responding to members and active participation in the development of mutual loans and the social economy in Portugal.

We have 489,280 members, a year-on-year increase of 8%. There was a 7% rise in the number of mutual loan subscriptions reflecting great customer loyalty and a taste for mutual solutions.

Members' savings grew an impressive 46.3%, which shows how suited the products of Associação Mutualista are to society's needs in a particularly difficult context.

The net assets of Associação Mutualista totalled 2,832,200,000 euros, which represents 4.7% growth. Equity, comprising own funds, technical surpluses, reserves and profits, totalled 412.8 million euros (up 1.4%).

The profits of Associação Mutualista increased 13% to 43.3 million euros in the first half of 2011.

The priorities for Caixa Económica are an increase in the amount of customer savings attracted, a reduction in market funding by speeding up the diversification of our credit portfolio, diversifying our customer, market and risk profile and diversifying bank product sources and structure, a decrease in the progression on non-performing loans, an increase in credit recovery, containment of operating costs, greater efficiency and containment of the deterioration in the financial intermediation rate.

With these priorities in mind, work in the first six months was aimed at the incorporation of the assets of Finibanco Holding, SGPS and the minimisation of the impacts on our activity of the adverse scenario, by seeking appropriate levels of solidity, liquidity and profitability and ensuring more sustainable generation of value for members.

Fundação Montepio and social responsibility

The Montepio Group has been stepping up its work in the field of social responsibility through its foundation, Fundação Montepio, which is the vehicle for social support projects and the development of the social economy on the basis of its strategic guidelines.

The support provided by Fundação Montepio to the most vulnerable sectors aimed at inclusion and social cohesion is very important in a particularly difficult socioeconomic framework.

The Financial Education Programme has continued in 2011, as we believe that education and training play an essential role in the prevention of social exclusion.

For the fourth year running, the *Frota Solidária* Project distributed more than 20 vehicles to private charities with money from its tax allocation.

Montepio continued to organise seminars and conferences in partnership with other organisations and the media in order to foster the social economy and tertiary sector and strengthen its role in society.

In the first half of the year, we also organised corporate volunteer campaigns as part of the Montepio Volunteer Programme that has been in place since 2006.

Insurance

In the first six months of 2011, non-life insurance increased its market share to 6% from 5.8% in June 2010. Lusitania Mar's share went up to 13% from 7.9% in the same period.

Where life insurance is concerned, the Montepio Group operates through Lusitania Vida, a company that complements its mutual products in the areas of welfare and savings and the products offered by Lusitania, by selling mixed solutions that generate substantial revenue. Its market share increased from 0.9% in June 2010 to 1.6% in June 2011.

5. Distribution channels and human resources

Distribution channels

The takeover of Finibanco Holding, SGPS enabled CEMG to increase its distribution channel network in Portugal and expand to new international markets, such as Angola.

At the end of June 2011, CEMG had a domestic network of 503 branches, as opposed to 327 in June 2010, complemented by 236 promoters in the Montepio-Lusitania Assurfinance project. Montepio's international network now includes seven branches in Angola, after the takeover of Finibanco Angola, SA, in addition to an international financial institution in Cape Verde and six agencies.

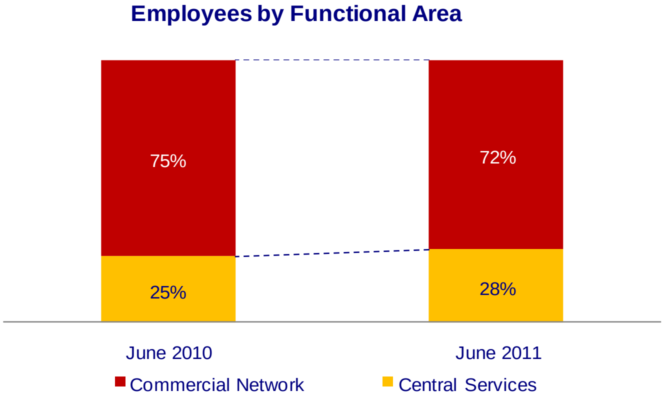
Our remote distribution channels have helped to increase the efficiency of distribution and customer service. The total number of operations processed in complementary channels reached 71%. At the end of June 2011, we had 1,043 ATMs in operation, 201 of which from Finibanco. This allowed CEMG to increase its market share in this business to 7.44% (+1.56 p.p.), reinforced by its own Chave 24 network. Our public website (www.montepio.pt) continues to have an increasing number of visits, at around 15 million since June 2010. The new Montepio website was launched on 19 June and boasts a completely revamped digital image, more functions and services and greater proximity to users. The Montepio24 Particulares service, which includes the Net24, Phone24, Netmóvel24 and SMS24 services, had 579,000 subscribers at the end of June 2011, a year-on-year growth of 6%, while the Montepio24 Empresas service reached 55,000 in the same period, reflecting a significant 16% growth. In the Finidirecto service resulting from the merger with Finibanco, the number of subscribers grew 9% to 66,000.

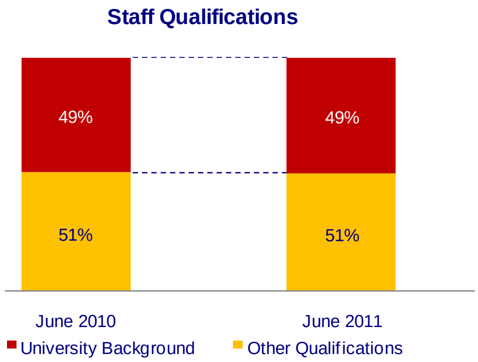
Our automatic payment terminals have played a fundamental role in attracting and retaining customers in the small business segment and increasing average current-account balance. At the end of June 2011, CEMG supported 14,566 terminals representing a market share of 5.19%.

Human resources

At the end of June 2011, Caixa Económica had 4,124 employees, including 1,299 from Finibanco.

In June 2011, the consolidation perimeter of Caixa Económica included Finibanco Holding, SGPS with its 266 employees, 96 of whom belong to Banco Finibanco Angola.





Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made.

Over 70% of Caixa Económica employees were working in the commercial network and 49% had degrees in June 2011, after the inclusion of employees from Finibanco.

In accordance with the training priorities set for 2011, activity in the first half of the year focused on induction training for the former Finibanco employees, developing skills associated with legal and regulatory obligations and contributing to the growth of mutual activity.

Around 43,000 hours of assisted training were given to 3,296 participants and involved an investment of around 126,500 euros. The following were the most important courses:

- Mutual loans: Mutual loans – Montepio solutions, Social economy - cooperatives, mutual loans and solidarity
- Credit: Risk Europe 2011 Conference, Credit management and recovery, Return on loans – return on venture capital, Economic and financial analysis of companies and Bank guarantees and derivatives
- Customer relations management: Family companies - creating long-term value
- Control and security: Integration of information systems and business support, Knowing euro coins, Knowing euro notes, MoneyGram - fraud prevention, Preventing money laundering and the funding of terrorism, Bank security and Corporate compliance
- Behaviour: Positive change – the power of optimism in change and wellbeing, Behavioural standards in retail banking, Expomanagement - inspiring leaders and Sign language

6. Activities and main business areas

6.1 Products and services by segment

Continuing its existing strategy, CEMG aimed its range of products and services at attracting more customers' savings and diversifying its credit portfolio to adapt it to its strategic segments, with special focus on private customers, small businesses, micro-companies, small and medium-sized enterprises (SMEs) and third sector organisations.

On taking over Finibanco Holding, SGPS, SA, CEMG increased its business portfolio and set business monitoring strategies, considering the following operational segments:

- Private customers
- Corporate banking
- Third sector

Plans of activity were drafted for each segment in order to achieve our overall goal of deleveraging lending (by attracting more deposits) and reducing the exposure of total credit (by reducing the real estate sector).

Private customers

In the first half of 2011, our strategy for this segment, whose portfolio grew 1.5% year-on-year, focused on attracting deposits, thereby encouraging households to save, and retaining customers through cross-selling.

In addition, continuing the previous year's strategy, we introduced *Solução Montepio Viva* for the 55+ segment, in order to retain customers and make CEMG their main bank. This solution complements our *Soluções Consigo e Valor* range available in our private customer segment portfolio. We also introduced Depósito Montepio Poupança VIVA to complement *Solução Montepio Viva*.

In the first half of 2011 we offered a stable, diversified range of resources that helped achieve high growth levels. We sold financial investments in the form of particularly medium-term deposits (two to four years).

We introduced two-year term deposits for customers preferring shorter maturities, such as Montepio Poupança Hoje, the first product sold at the branches acquired from Finibanco Holding, SGPS, SA.

We released the one-year term deposit Depósito Poupança Activa, which can be renewed for a further year, in order to encourage small and medium-sized savings in regular monthly payments.

We continued to promote the monthly series of three year Montepio Aforro Prémio and Montepio Aforro Mais, deposits which had already been sold in 2010. The three-year Depósito Montepio Somar é Ganhar deposit was introduced for cross-selling.

We also offered investments of four years or more for greater stability of our portfolio, including Montepio Super Poupança 2011 and Montepio Capital Certo (five to eight years).

Following up on the work started in 2010, we continued to encourage the use of remote channels by offering exclusive products for these channels, such as Conta Montepio 24, Super Depósito Net and Super Depósito Net Plus, whose pricing policy was constantly reviewed. We also introduced Depósito Net Crescente (three months) for the affluent segment.

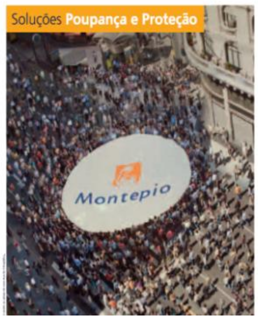
Montepio continues to play an important role in financial education and as a promoter of savings in campaigns during the celebration of Universal Children's Day:

- New Depósito a Prazo Super Poupança Bué, a two-year term deposit with special conditions for children and young people aged 0 to 17
- A special star among children, the Panda, was used to complement campaigns from previous years, with Montepio's famous money box, took pride of place in 2011.

On 1 June, we began the campaign *Tu podes ser super a poupar. O Panda ensina-te* (You can be a super saver. Panda shows you how)

In terms of advertising, in the first half of 2011, most of our campaigns focused on attracting resources, with special focus on:

	MONTEPIO POUPANÇA HOJE This deposit was extremely important, as it was the first product advertised in the network of 510 CEMG branches.

	MONTEPIO SUPER POUPANÇA This was the first resource-attraction campaign in 2011 with above-the-line advertising. It used not only branches bit also TV radio, internet and press. In this campaign, spontaneous recognition *(*Publivaga/Marktest*)* of the Montepio brand went from 0.8% the week before to 2.8% in the week that the TV spot was screened.
	SOLUÇÕES POUPANÇA E PROTECÇÃO THE FIRST MAJOR MULTI-MEDIA CAMPAIGN IN 2011 This campaign focused on different moments: - The takeover and merger with Finibanco -A new line of advertising based on the strategic idea of highlighting mutual activity as a driver of communication of Montepio's brand and products - A new layout of adverts using stairs as a symbol of growth (values that grow with you) - The release of the Associação Mutualista brochure on MGAM, mutual activity, and the advantages of being a member, available at branches

Our range of equity investment funds remained the same in the first half of 2011 and consisted of a portfolio of 17 funds managed by our subsidiary Montepio Gestão de Activos – SGFI.

After the incorporation of the business of Finibanco Holding, SGPS, the Finipredial fund was included in the Montepio Group's range of real estate investment funds.

Montepio, in partnership with the insurance companies Lusitania and Lusitania Vida, reformulated the Montepio Mais policy and changed its name to Montepio Protecção Mais. It is an eight-year policy that is quick and easy to subscribe and combines protection and saving.

At the end of June 2011, Montepio had a portfolio of 219,567 active credit cards, 14,449 of which resulted from the transfer of Finibanco credit cards to Montepio. The use of cards grew 9.5% year-on-year and billing rose 8.8%. In May, we released Cartão ORIGEM. This card not only has all the advantages of a credit card, but also has a loyalty programme that allows customers using it to earn points that they exchange for rewards.

The launch of this card involved a mailing to all Cartão MEGA cardholders informing them that it had been replaced. A catalogue provided information about the card and its loyalty programme. For the first time, our mailing was produced with 100% recyclable materials and to prove it Montepio has the Ecological Stamp of Merit on all of its letterheads for the first time.

Greater selectivity in granting new loans and a substantial fall in demand, justified by the retraction of the credit market, led to fewer contracts than in 2010.

A new line of credit was introduced, however, in partnership with Mobilidade Positiva. It is called Montepio Mais Mobilidade, which includes insurance and is unique on the market.

Corporate banking

In the first half of 2011, Montepio maintained its commitment to supporting companies and business and its customer portfolio grew 4.1%. We restructured and consolidated our range of products for this segment in order to provide better quality of service.

In the area of resources, we began to sell series of financial investments in the form of term deposits, such as Montepio Mais Negócios and Montepio Aforro Negócios, which were rethought for shorter maturities to meet companies' needs.

We set up a special line of credit to finance companies' investments in energy efficiency and renewable energy in order to foster the environmental sustainability of economic activities, in line with Montepio's social responsibility concerns.

In the existing economic scenario, Montepio continued to support micro-, small and medium-sized enterprises. There was growth in loans granted to companies outside the construction sector as we pursued our strategy of diversifying our credit portfolio.

The country's difficult economic situation warranted new initiatives to support the business world and Montepio came on board immediately. We signed agreements to set up the national Export Investe and Açores Investe II lines of credit and Apoio à Reestruturação da Dívida Bancária das Empresas dos Açores II, the last two for the Azores.

In terms of advertising strategy, we continued our partnership with *Diário Económico* newspaper by holding a conference entitled *Winning with Renewable Energy* in Porto. It was attended by more than 220 participants and:

- Presented relevant issues for the corporate segment
- Encouraged contact with the Montepio brand
- Publicised Montepio's products

Banking for the third sector

Montepio continued to be the partner bank of private charities in the third sector. Due to its mutual origins, Montepio understands and support the social goals of these institutions.

In the first half of the year, we improved our range of products and held a conference *Volunteering – what economic value?* in Lisbon in April, in partnership with *Diário Económico* newspaper.

At the same time, Montepio also sponsored a number of events, such as:

- CNIS congress on Portugal's charitable route
- A conference entitled *Economics, Demographics and Sustainability*, organised by the OJE in partnership with the APFN (Associação Portuguesa das Famílias Numerosas)
- A conference entitled Volunteering, by *DN/Notícias Magazine*.

All these events provided an opportunity for contact with our brand, debates on matters of importance to the segment and publicity for Montepio's products, especially the Seguro Montepio Voluntariado insurance policy.

6.2 Business activity

Customers' resources

In the first half of 2011, we made considerable efforts to attract resources, resulting in a portfolio of 13,745,000,000 euros, against 10,269,000,000 in the first half of 2010. This growth occurred in a context of very low reference rates and considerable competition in prices, retention and attraction of deposits.

In response to these challenges, we diversified our range of products, especially for private customers. This enabled Montepio to continue to stand out as a savings institution.

Customer resources rose 33.9%, an increase of 3,476,000,000 euros compared to June 2010. Excluding the business generated by the network incorporated after the takeover of Finibanco, our portfolio of customer resources rose 10.6%, which shows that this acquisition fulfilled Montepio's strategy of deleveraging its portfolio, demonstrated by an improvement in its transformation ratio, which was 135.6%, as opposed to 159.4% in the same period in 2010.

(thousand euros)

	Dec.10	June 10	June 11	Change	
	Value	Value	Value	Value	%
Private and Small Business Deposits	**7.785.112**	**7.650.937**	**9.828.333**	**2.177.396**	**28,5**
of which:					
Private Individuals	7.112.017	6.634.019	9.204.838	2.570.819	38,8
Corporate Deposits	**1.851.556**	**1.318.942**	**2.244.536**	**925.594**	**70,2**
Other Segment Deposits	**385.126**	**359.363**	**506.212**	**146.849**	**40,9**
Instruments placed with Customers	**888.405**	**939.646**	**1.165.895**	**226.249**	**24,1**
TOTAL	**10.910.199**	**10.268.888**	**13.744.976**	**3.476.088**	**33,9**

Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made.

Customer credit

Our portfolio of credit to customers totalled 17,427,000,000 euros, which was 16.1% more than the 15,012,000,000 in June 2010.

If we discount the effect of the business generated by the Finibanco network, our credit portfolio shrank 1.2%, as a result of a high degree of selectivity and lower demand from private customers.

Due to our strategy of reducing the exposure of our credit portfolio to the real estate sector, there was a 0.5% reduction in home loans against the same period in 2010.

(thousand euros)

	Dec.10	June 10	June 11	Change	
	Value	Value	Value	Value	%
Private and Small Businesses					
Total Customer Credit	**10.127.908**	**10.260.070**	**10.573.540**	**313.470**	**3,1**
Private Individuals	**9.835.409**	**9.982.472**	**10.272.898**	**290.426**	**2,9**
of which:					
Housing	8.485.379	8.623.587	8.577.409	-46.178	-0,5
Personal	433.297	426.303	476.772	50.469	11,8
Small Businesses	**292.499**	**277.598**	**300.642**	**23.044**	**8,3**
For Memory:					
Guarantees	**19.381**	**18.743**	**23.173**	**4.430**	**23,6**

Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made.

Our portfolio of credit to the company segment increased 39.1% to 6,543,000 euros. Thanks to our strategy of diversifying business activities, our portfolio of credit to the construction industry represented 31.9% of the credit portfolio as opposed to 35.5% in 2010.

Credit for investment continued to be the pillar of Montepio's work in supporting the Portuguese business world in export and low-risk segments, with a year-on-year variation of 40.7%. Credit for investment also entailed support for SMEs in lines under agreements with the state aimed at growth in exports and the economy.

(thousand euros)

	Dec.10	June 10	June 11	Change	
	Value	Value	Value	Value	%
Corporate Banking					
Total Corporate Credit	**4.860.447**	**4.704.766**	**6.543.279**	**1.838.513**	**39,1**
of which:					
Construction	1.509.342	1.670.149	2.090.218	420.069	25,2
Investment	1.814.127	1.697.780	2.388.014	690.234	40,7
For Memory:					
Guarantees	339.660	340.032	434.065	94.033	27,7

Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made.

Disintermediation resources

Disintermediation resources grew 21.9% driven mainly by the performance of medium- and long-term products, such as real estate investment funds. This growth was boosted by the Finipredial investment fund, which had a portfolio of 293,000,000 euros at the end of June 2011.

(thousand euros)

	Dec 10		June 10		June 11		Change	
	Value	%	Value	%	Value	%	Value	%
Securities Investment Funds	**291.425**	**29,9**	**332.404**	**31,9**	**335.459**	**26,5**	**3.055**	**0,9**
Treasury Funds	146.276	15,0	186.136	17,9	140.246	11,1	-45.890	-24,7
Bond Funds	5.576	0,6	6.236	0,6	23.769	1,9	17.533	281,2
Share Funds	68.327	7,0	69.025	6,6	89.378	7,0	20.353	29,5
Funds of Funds	71.246	7,3	71.007	6,8	81.342	6,4	10.335	14,6
Personal Equity Plan Funds					724	0,1	724	-
Real Estate Investment Funds de	**251.469**	**25,9**	**269.541**	**25,9**	**533.009**	**42,0**	**263.468**	**97,7**
Open Pension Funds	**213.637**	**22,0**	**204.284**	**19,6**	**198.434**	**15,6**	**-5.850**	**-2,9**
Capitalisation Insurance	**215.638**	**22,2**	**234.977**	**22,6**	**201.999**	**15,9**	**-32.978**	**-14,0**
TOTAL	**972.169**	**100,0**	**1.041.206**	**100,0**	**1.268.901**	**100,0**	**227.695**	**21,9**

Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made.

Mutual products

At the end of June, Associação Mutualista had 489,280 members, who were subscribers and beneficiaries of medium- and long-term mutual savings and welfare solutions. This was 8% more than in 2010. Funds under management totalled 2,480,000,000 euros, which was 5% up on the previous year. This reflects the high growth rate of most mutual products.

Of our capitalisation products, retirement capital and issues of Montepio Capital Certo series continued to dominate and represented 74.5% of the total. Retirement savings products also showed a good performance, as they increased 14.5% year-on-year. This reflects the efforts of our commercial network to raise the awareness of customers of working age of the need to save to boost their pensions.

(thousand euros)

	Dec.10		June 10		June 11		Change	
	Value	%	Value	%	Value	%	Value	%
Capitalisation Mutual Schemes	**1.877.800**	**77,9**	**1.836.248**	**77,8**	**1.940.049**	**78,2**	**103.801**	**5,7**
Retirement Capital and Montepio Capital Certo	1.789.308	74,2	1.756.694	74,4	1.850.330	74,5	93.636	5,3
Collective Schemes	8.623	0,4	8.778	0,4	8.708	0,4	-70	-0,8
Retirement Savings	79.869	3,3	70.776	3,0	81.011	3,3	10.235	14,5
Protection Mutual Schemes	**533.503**	**22,1**	**526.058**	**22,2**	**540.232**	**21,8**	**14.174**	**2,7**
TOTAL	**2.411.303**	**100,0**	**2.362.306**	**100,0**	**2.480.281**	**100,0**	**117.975**	**5,0**

7. Risk management

Developments

A number of measures were taken to control and manage credit risk, including:

- Participation in the stress testing exercise under Banco de Portugal Instruction 4/2011
- Reporting and controlling the main risks: credit, market, counterparty and operational
- Involvement in regular updates of our credit tariff
- Monthly meetings of the Risk and Internal Control Committee

Work was also done to integrate risk analysis, decision and management processes and structures after the CEMG takeover of Finibanco, S.A. and its subsidiaries. We segmented risk office and credit analysis functions by setting up separate departments, the Risk Department and Credit Analysis Department.

Credit risk

Analysis of credit operations is based on the mandatory use of risk assessment models developed internally and in compliance with the New Basel Agreement.

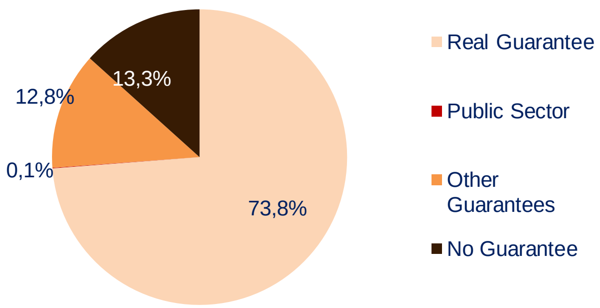
Thus, credit operations decision-making is governed by a series of policies based on scoring models for private customers and rating models for corporate segments.

In loans to companies, there was higher exposure to customers with a higher internal risk rating than in 2010. Around 62% of our portfolio is still classified in low or very low risk classes, however.

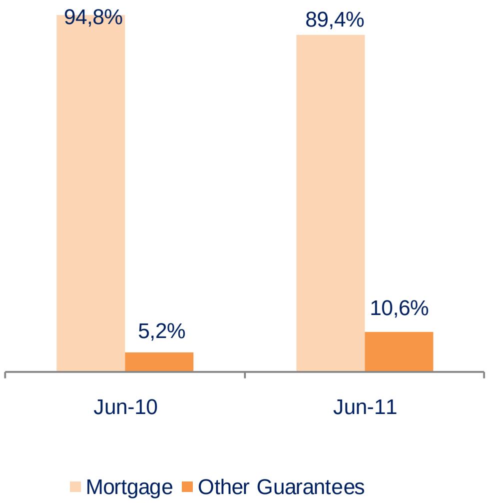
The breakdown of operations by risk class (reactive scoring) in 2011, was similar to that of the previous year and concentrated in the low and medium risk classes. In the mortgage segment with mid-level scoring there was a slight improvement against last year (from 4.21 to 4.19), while the mid-level scoring for personal loans rose a little (from 3.78 to 3.81). There was also an improvement in the loan to value (LTV) of the mortgage segment. The average value of our active portfolio went down from 70.1% in June 2010 to 68.8% in June 2011.

Although overdue credit and interest totalled 661.1 million euros, the risk was still low, as a result of the types of guarantee provided, since credit backed by a real guarantee accounted for 73.8% of the total. Excluding the effect of the takeover of Finibanco, the total amount of overdue credit and interest went down 14.1%.

Breakdown of Portfolio by type of Guarantee – June 2011



Type of Real Guarantee



Credit and interest overdue for more than three months accounted for 85.4% of the total and 564.6 million euros. It represented 3.2% of our gross credit portfolio, as opposed to 3.4% in June 2010. The overall non-performing loan ratio according to Banco de Portugal Instruction 16/2004 was 4.1%.

At the end of June, credit risk impairment totalled 687.8 million euros. Coverage of the credit and interest rate balance overdue for more than three months by impairment was 121.8% (+25.2 p.p.), while credit and interest overdue for more than 12 months were covered 147.9% (+34.7%).

DEVELOPMENT OF MAIN OVERDUE CREDIT AND INTEREST INDICATORS

(thousand euros)

Indicators	Dec.10	June10	June11	Change	
				Value	%
Gross Customer Credit	**15.040.645**	**15.012.227**	**17.426.767**	**2.414.540**	**16,1**
Overdue Credit and Interest	**577.490**	**600.874**	**661.062**	**60.188**	**10,0**
Credit overdue more than 3 months	486.740	514.413	564.644	50.231	9,8
Credit overdue more than 12 months	430.425	439.112	465.164	26.052	5,9
Impairment for Credit Risks	**521.811**	**496.964**	**687.759**	**190.795**	**38,4**
Ratio of Credit Overdue as % of Total Credit					
Ratio of Credit and Interest Overdue more than 3 months	3,2	3,4	3,2	-0,2p.p.	
Ratio of Credit and Interest Overdue more than 12 months	2,9	2,9	2,7	-0,2p.p.	
Ratio of defaulting Credit (a)	3,8	4,0	4,1	0,1p.p.	
Ratio of defaulting Credit Net of Provisions (a)	1,4	1,7	1,1	-0,6p.p.	
Overdue Credit Coverage by Impairment (%)					
Credit Overdue more than 3 months	107,2	96,6	121,8	25,2p.p.	
Credit Overdue more than 12 months	121,2	113,2	147,9	34,7p.p.	

(a) According tp BdP Instruction no.16/2004.

Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made

Concentration risk

There was growth in levels of sectoral and geographical concentration, particularly after the incorporation of the Finibanco, S.A. credit portfolio.

There were further positive changes in terms of the sectoral concentration, which went down from 24.8% to 17.2% from June 2010 to June 2011. The weight of the construction sector in our portfolio of loans to companies was reduced.

Where geographical concentration is concerned, the Lisbon and Porto districts still carry the most weight in our credit portfolio. After the incorporation of the Finibanco, SA portfolio, exposure in Lisbon fell 0.6 p.p. to 36.2% from June 2010 to June 2011, while it increased 1.8 p.p. to 16.7% in Porto.

The individual concentration risk, which measures the risk of significant exposure to a single counterparty or group of related counterparties, rose slightly from 0.18% to 0.19% in the 100 greatest exposures between June 2010 and June 2011.

Financial asset risk

Montepio's portfolio of securities increased by 409.4 million euros to over 3.9 billion euros in the first half of 2011. This was due to bonds, which increased 374.4 billion euros. The portfolio structure remained much the same as in December 2010.

Securities portfolio by type of asset

(thousand euros)

Type of Assets	Dec 10		June 11		Change	
	Value	%	Value	%	Value	%
Bonds	3.299.320	92,6	3.673.692	92,5	374.372	11,3
Commercial Paper	247.025	7,0	279.876	7,1	32.851	13,3
Shares	15.198	0,4	17.342	0,4	2.144	14,1
Total	**3.561.543**	**100,0**	**3.970.910**	**100,0**	**409.367**	**11,5**

Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made.

The credit risk of our securities portfolio remained under control and the main bond component, accounting for 91.5%, was concentrated in investment grade rating classes (excluding securitisations and mortgage bonds). Exposure to Portuguese public debt securities predominated.

Bond portfolio by rating
(Excluding securitisations and mortgage bonds)

(thousand euros)

Rating Grades	Dec 10		June 11		Change	
	Value	%	Value	%	Value	%
AAA	42.810	2,2	56.004	2,4	13.194	30,8
AA+	92.046	4,8	5.982	0,3	-86.064	-93,5
AA	55.607	2,9	127.894	5,5	72.287	130,0
AA-	60.700	3,1	67.282	2,9	6.582	10,8
A+	1.211.724	62,8	40.214	1,7	-1.171.510	-96,7
A	113.439	5,9	79.029	3,4	-34.410	-30,3
A-	98.213	5,1	56.939	2,5	-41.274	-42,0
BBB+	78.026	4,0	1.543.437	66,8	1.465.411	1878,1
BBB	35.982	1,9	45.047	2,0	9.065	25,2
BBB-	34.059	1,8	91.733	4,0	57.674	169,3
BB+	58.668	3,0	37.112	1,6	-21.556	-36,7
BB	2.725	0,1	5.236	0,2	2.511	92,1
BB-	12.642	0,7	25.214	1,1	12.572	99,4
CCC	0	0,0	32.549	1,4	32.549	-
NR	33.017	1,7	96.429	4,2	63.412	192,1
Total	**1.929.658**	**100,0**	**2.310.101**	**100,0**	**380.443**	**19,7**

Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made.

Liquidity risk

Montepio has focused on maintaining appropriate liquidity levels by diversifying sources of finance and favouring stable resources from retail customers.

At the end of June, a reduction our pool of assets eligible for refinancing at the European Central Bank to 2.9 billion euros against the end of 2010 was mainly due to:

- a fall in price of securitisations and Portuguese public debt instruments
- an increase in haircuts of most of our assets
- loss of eligibility of debt securities issued by Portuguese banks following the fall in ratings in the first half of 2011;
- partial allocation of the pool to repo operations with external counterparties

Increased difficulty in access to external funding resulted in greater recourse to refinancing operations in the Eurosystem, which totalled 2.22 billion euros on 30 June. Taking account of the 500 billion euro amortisation in the Montepio EMTN programme in January 2011, it was possible not to concentrate all our liquidity needs in refinancing operations and to find alternative solutions.

Caixa Económica has been making contacts in order to diversify its sources of finance and reduce its involvement with the ECB with regard to Eurosystem facilities. It performed repo operations totalling around 320 million euros with external counterparties.

Pool of Assets Eligible for ECB Refinancing

(thousand euros)

Item	Dec 10		June 10		June 11		Change	
	Value	%	Value	%	Value	%	Value	%
1 - Pool of Eligible Assets	3.433.820	100,0	2.077.953	100,0	2.901.361	100,0	823.408	39,6
2 - Pool Use	1.540.000	44,8	900.000	43,3	2.220.000	76,5	1.320.000	146,7
3 - Pool of Available Assets (1 - 2)	**1.893.820**	**55,2**	**1.177.953**	**56,7**	**681.361**	**23,5**	**-496.592**	**-42,2**

Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made

There was little activity in the interbank money market and it focused mainly on Portugal and very short maturities of up to one week. Although Portugal's increased risk affected business with other jurisdictions, CEMG was able to keep up lines with foreign counterparties, which had not been used as at 30 June 2011. CEMG's position at the end of June 2011 was a net balance of 170 million euros in surplus investments at an average rate of 2.25%, which was one percentage point higher than the ECB refi rate (1.25%).

In the gradual deleveraging process since 2008, CEMG has been developing a policy based on growth in customers' deposits, especially small and medium-sized savings, while reducing its loan portfolio.

Thanks to this strategic priority we were again able to reduce year-on-year transformation into credit of customers' deposits and resources (including securities placed with customers) by 23.8 p.p. and 20.7 p.p. respectively.

Transformation of deposits into credit (%)

	Dec 10	June 10	June 11	Change
	Value	Value	Value	Value
Net Customer Credit (1) / Total Customer Deposits	**148,1**	**159,4**	**135,6**	**-23,8 p.p.**
Net Customer Credit (1) / Total Customer Resources (2)	**136,0**	**144,8**	**124,1**	**-20,7 p.p.**

Nota: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made.

CEMG has shown positive, dynamic gaps in liquidity with positive accumulated mismatches for the different timeframes up to 12 months, which has resulted in a balanced liquidity situation. At the end of June, the dynamic accumulated liquidity mismatch up to the following 12 months plus net assets was 843 million euros.

Dynamic liquidity gaps as at 30 June 2011

(million euros)

Position on reference data + Forecast Values	Time Periods				
	On sight and up to 1 week	Over 1 week and up to 1 month	Over 1 month and up to 3 months	Over 3 month and up to 6 months	Over 6 month and up to 12 months
Accumulated *Mismatches*	984	981	388	467	843

Interest rate risk

We abide by the recommendations of the Bank for International Settlements when identifying, measuring and controlling the interest rate risk of Montepio's banking portfolio and the ALCO – Assets & Liabilities Committee regularly monitors exposure to this risk.

In June 2011, our 12-month accumulated repricing gap was estimated at 2.2 billion euros (1.3 billion euros in December 2010) with an expected impact on net interest income of +21.9 million euros (+12 million euros in December 2010) in the event of a sudden change in interest rates of +100 bps.

Operating risk

Operating risk consists of the risk of losses resulting from defects or failures in in-house procedures, human resources and systems or external factors.

In the first half of 2011, we continued the ongoing improvement process by identifying, monitoring, mitigating and reporting this type of risk.

In terms of exposure, the losses during the six months fell around 13.8% year-on-year. Events associated with external fraud were the most substantial.

Stress tests

In the first quarter of 2011, CEMG participated in new stress tests of its balance sheet and results considering a long scenario of deleveraging of the banking system. CEMG's exercises considered several extreme situations in terms of credit risk, interest rates, liquidity conditions and operational risk and confirmed that it had appropriate levels of equity. These exercises also included an analysis of its pension fund and examined the effect of a combined movement in interest rates, change in share prices and alterations in real estate market prices.

The different adverse scenarios for the banking sector analysed last year with reference to December 2010 involved individual shocks in the above-mentioned risks and showed negative impacts on solvency ratios between 0.01 and 1.09 percentage points, which was above the acceptable minimum levels.

In addition to stress tests and sensitivity analyses reported to Banco de Portugal every six months, CEMG regularly conducts further stress tests, the results of which are presented and discussed by the ALCO. These tests provide an analytical view of CEMG's liquidity position and profits for the year when subjected to unfavourable scenarios involving, for example, interest rates, credit spreads, reimbursement of deposits, ECB evaluation margins of eligible assets and Caixa Económica's rating. The results of the analyses showed conformity with strategies and ensure compliance with solidity and sustainability levels.

8. Solidity and financial analysis

CEMG's performance in the first half of 2011 was highly affected by internal and external factors.

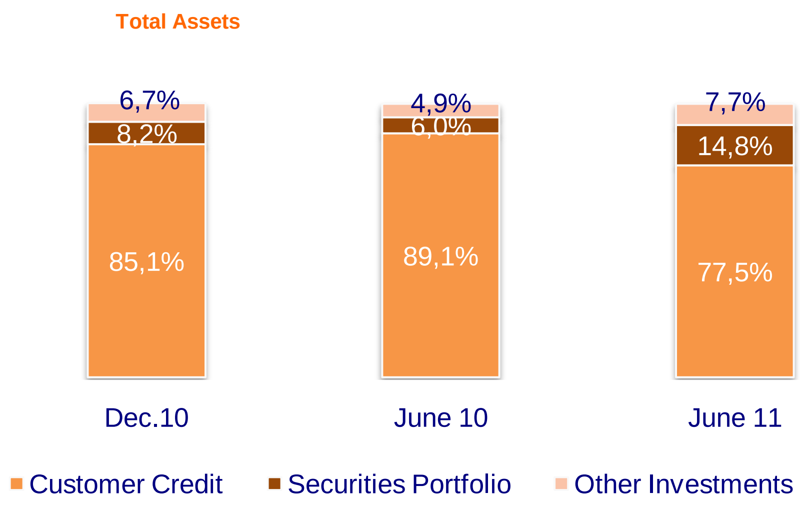
At an external level, the main factors were the exacerbation of the sovereign debt crisis in the entire euro area, the Portuguese government's austerity measures and the acceleration of inflation which further reduced households' real income.

In Portugal, there was the impact of the integration of Finibanco, which involved different stages and tasks and resulted in added costs in the second quarter.

Balance sheet

Assets

In the aforementioned context of instability, in the first half of 2011 CEMG confirmed the aptness of its strategy and the importance of its role in the Portuguese financial and banking sector, which was reflected in the growth of its business and improvement in its asset liquidity profile. Net assets grew 22.7% to 21.68 billion euros.



Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made

Cash and investments at credit institutions totalled 838 million euros and accounted for 3.9% of total assets, as opposed to 2% in the same period in 2010.

The weight of credit to customers (net) on assets went down from 82.3% in June 2010 to 77.4% at the end of the first half of 2011.

Liabilities and equity

Liabilities increased 23.2% to 20.56 billion euros. This was due especially to a 33.9% growth in customers' resources, particularly 34.8% in deposits from customers and credit institutions (+3.25 billion euros). In contrast, there was a 31% reduction in resources from financial markets in subordinated or unsubordinated syndicated loans and debt certificates (-1.422 billion euros).

(thousand euros)

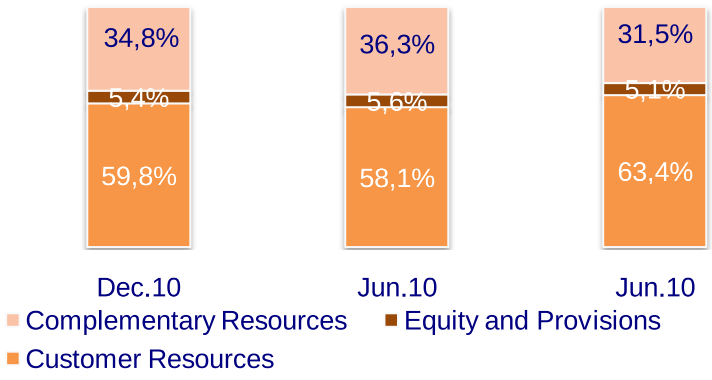
Item	Dec.10		June 10		June 11		Change	
	Value	%	Value	%	Value	%	Value	%
1 - Customer Resources	**10.910.199**	**59,8**	**10.268.888**	**58,1**	**13.744.976**	**63,4**	**3.476.088**	**33,9**
Customer and Credit Institution Deposits	10.021.794	54,9	9.329.242	52,8	12.579.081	58,0	3.249.839	34,8
Instruments placed with Customers (Cash Bonds)	888.405	4,9	939.646	5,3	1.165.895	5,4	226.249	24,1
2 - Complementary Resources	**6.342.302**	**34,8**	**6.421.133**	**36,3**	**6.825.793**	**31,5**	**404.660**	**6,3**
Credit Institution and Central Bank Resources	1.964.609	10,8	1.064.350	6,0	2.757.346	12,7	1.692.996	159,1
Subord., Non-subord., and Syndicated Loans and Debt Certificates	3.721.753	20,4	4.587.375	26,0	3.165.321	14,6	-1.422.054	-31,0
Financial Liabilities associated with Transferred Assets	387.183	2,1	414.093	2,3	461.187	2,1	47.094	11,4
Other Liabilities	268.757	1,5	355.315	2,0	441.939	2,1	86.624	24,4
3 - Equity and Provisions	**996.789**	**5,4**	**978.694**	**5,6**	**1.108.793**	**5,1**	**130.099**	**13,3**
TOTAL LIABILITIES AND EQUITY	**18.249.290**	**100,0**	**17.668.715**	**100,1**	**21.679.562**	**100,0**	**4.010.847**	**22,7**

Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made.

In accordance with our strategy, funding of activity continued to be sourced mostly from customers' resources, which increased to 63.4% of assets and equity (against 58.1% in June 2010), while additional resources from markets went down to 31.5%. Particularly important in customers' resources were deposits, at 58%, while cash bonds placed by the commercial network accounted for 5.4% and contributed to the stability of resources thanks to their nature as savings, as they are products with longer maturities (two to five years).

Equity and provisions increased to 1.109 billion euros at the end of June 2011, as opposed to 979 million in June 2010. Associação Mutualista raised its share capital by 345 million euros in order to main the solidity levels of Caixa Económica.

Liabilities and Equity



Analysis of return

Net profit

At the end of June, our consolidated net profit totalled 5.1 million euros, equivalent to an ROE of 0.89%.

(thousand euros)

	Dec.10		June 10		June 11		Change	
	Value	%	Value	%	Value	%	Value	%
Net Interest Income	270.948	64,2	129.140	60,1	158.342	66,9	29.202	22,6
Net Commissions from Services provided to Customers	73.970	17,5	34.858	16,2	43.725	18,5	8.867	25,4
Commercial Banking Income	**344.918**	**81,7**	**163.998**	**76,4**	**202.067**	**85,4**	**38.069**	**23,2**
Markets Profit (a)	66.854	15,8	45.420	21,1	35.876	15,1	-9.544	-21,0
Return on Financial Shareholdings	474	0,1	429	0,2	430	0,2	1	0,2
Profit on Sale of Real Estate for Debt Recovery	-2.411	-0,6	-1.551	-0,7	-1.952	-0,8	-401	-25,9
Other Profits	12.477	3,0	6.500	3,0	139	0,1	-6.361	-97,9
Banking Income	**422.312**	**100,0**	**214.796**	**100,0**	**236.560**	**100,0**	**21.764**	**10,1**
Personnel Costs	143.457	34,0	74.184	34,5	92.486	39,1	18.302	24,7
General and administrative expenses	83.495	19,8	39.279	18,3	48.843	20,6	9.564	24,3
Depreciation	20.850	4,9	9.837	4,6	12.442	5,3	2.605	26,5
Operating Costs	**247.802**	**58,7**	**123.300**	**57,4**	**153.771**	**65,0**	**30.471**	**24,7**
Gross Profit	**174.510**	**41,3**	**91.496**	**42,6**	**82.789**	**35,0**	**-8.707**	**-9,5**
Net Provisions and Impairment	**125.057**	**29,7**	**60.770**	**28,3**	**76.838**	**32,5**	**16.068**	**26,4**
Credit	112.992		53.709		61.615		7.906	14,7
Securities	2.152		1.169		6.770		5.601	479,1
Other	9.913		5.892		8.453		2.561	43,5
Membership and Joint Ventures Proceeds (net worth)	**1.954**		**-130**		**-950**		**-820**	-630,8
Net Profit before Tax	**51.407**	**12,2**	**30.596**	**14,2**	**5.001**	**2,1**	**-25.595**	**-83,7**
Tax								
Current					**-3.219**		**-3.219**	
Deferred					**4.256**		**4.256**	
Minority Interests					**-970**		**-970**	
Net Profit for the Year	**51.407**	**12,2**	**30.596**	**14,2**	**5.068**	**2,1**	**-25.528**	**-83,4**

Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made.

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

The performance of commercial banking income, which grew 23.2% in a period of recession and less lending contributed positively to the net profit for the period.

On the other hand, the following negative impacts occurred:

- A 21% reduction in market profits influenced by a poorer performance of profits on the sale of financial assets available for sale
- A 24.7% increase in operating costs resulting from the cost of integrating Finibanco, contributions from early retirements and an increase in costs from enrolling employees in social security
- A 26.4%, increase in provisions and impairments against the same period in 2010

The levels of return attained were below those of the previous year, i.e. Return on Assets (ROA) was 0.05% (0.29% in 2010) and Return on Equity (ROE) was 0.89 % (5.18% in 2010).

	Dec.10	June 10	June 11	Change	
	Value	Value	Value	Value	%
Return Ratios					
Return on Assets (ROA)	0,29%	0,35%	0,05%	-0,30 p.p.	
Return on Equity (ROE)	5,18%	6,27%	0,89%	-5,38 p.p.	
Total Cash-Flow (thousand euros)	**197.314**	**101.203**	**94.348**	**-6.855**	**-6,8**
Depreciation	10,6%	9,7%	13,2%	3,5 p.p.	
Net Provisions and Impairment	63,4%	60,1%	81,4%	21,3 p.p.	
Profit for the Year	26,1%	30,2%	5,4%	-24,8 p.p.	

Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made.

Net interest Income

In the first half of 2011, bank intermediation was especially affected by unfavourable market conditions, fierce competition to attract customers' resources and lower economic growth and demand for credit.

Net interest income totalled 158 million euros and was 22.6% up (+29 million euros) on June 2010.

(million euros)

	June 10			June 11		
	Average Value	**Average rate**	**Income/Costs**	**Average Value**	**Average rate**	**Income/Costs**
Financial Assets	**17.194**	**2,03%**	**350**	**19.902**	**5,29%**	**522**
Customer Credit	15.078	1,41%	213	16.675	3,74%	309
Other Investments	2.116	2,19%	46	3.227	5,46%	87
Swaps			91			126
Financial Liabilities	**16.530**	**1,33%**	**221**	**19.076**	**3,85%**	**364**
Deposits	9.241	0,84%	78	11.575	2,33%	134
Other Liabilities	7.289	1,06%	77	7.501	3,15%	117
Swaps			66			113
Financial Intermediation Rate		**1,51%**	**129**		**1,60%**	**158**
Euribor 3M – average for period		**0,47%**			**1,15%**	

Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made.

There was a 3.26 p.p increase in the average interest rate of financial assets, which was higher than the average rate on financial liabilities (+2,52 p.p.). There was a 1.49 p.p. increase in the average interest rate on deposits due to strong competition. Interest rates on assets were influenced the structure of the credit portfolio acquired from Finibanco SA. Average Euribor in the period rose from 0.47% to 1.15% (+0.68 p.p.), which resulted in the financial intermediation rate going up from 1.51% to 1.6%.

Customer services

Earnings from the provision of services to customers rose 25.4% to 44 million euros against the same period in 2010. This rise was influenced by the acquisition of Finibanco's assets, though it is important to note their weight in CEMG's total assets (13.9%).

This performance was achieved by diversification and innovation, ongoing improvements in quality standards and the excellence of our products and services.

The guideline of continuing efforts to keep customers has resulted in greater customer loyalty and contributed to growth in CEMG's return.

Market profits

In the first half of 2011, there was low liquidity in the financial markets and the ratings of some euro area countries were downgraded. CEMG worked with caution and integrity and took a relatively conservative stance that resulted in market profits totalling 35.9 million euros (-21%), influenced by profits from assets and liabilities measured at fair value (-5.9 million euros) and financial assets available for sale (-6.5 million euros).

(thousand euros)

	Dec.10	June 10	June 11	Change	
	Value	Value	Value	Value	%
Profit on Assets and Liabilities recorded at Fair Value through Profit or Loss	**45.857**	**31.968**	**26.104**	**-5.864**	**-18,3**
Financial assets and liabilities held for trading	46.665	33.085	25.459	-7.626	-23,0
Financial assets and liabilities at fair value through profit or loss	-240	-28	-175	-147	525,0
Hedging derivatives	-1.996	-1.503	-213	1.290	-85,8
Other financial operations	1.428	414	1.033	619	149,5
Profit on Sale of Financial Assets Available for sale	**12.692**	**8.980**	**2.517**	**-6.463**	**-72,0**
Profit on Exchange Rate Revaluation	**2.344**	**1.175**	**2.742**	**1.567**	**133,4**
Profit on Sale of Bonds	**-759**	**-400**	**-330**	**70**	**-17,5**
Other Profits	**6.656**	**3.659**	**4.713**	**1.054**	**28,8**
Return on Shares	**64**	**38**	**130**	**92**	**242,1**
TOTAL	**66.854**	**45.420**	**35.876**	**-9.544**	**-21,0**

Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made.

Operating costs

This includes personnel costs, administrative expenditure and depreciation for the period and totalled 153.8 million euros, which was up 24.7%. This performance was influenced by the impact of the costs of integrating Finibanco SA, which involved a number of stages and tasks, such as changing the image of all its branches in early April, improving communication with customers, integrating products, tariffs, operating and information systems, risk management processes, accounting and prudential reporting. However, there was a favourable contribution from our cost management policy of strict containment.

Furthermore, there was a 24.7% rise in personnel costs, due to a 2.6 million euro increase in expenses for early retirements and higher costs resulting from the enrolment of employees in social security, which resulted in an increase of 8.4 million euros.

The cost-to-income ratio (weight of operating costs in banking income) was 65%, as opposed to 57.4% at the end of June 2010m, as a result of a rise in operating costs (+24.7%) higher than growth in banking income (+10.1%).

(thousand euros)

	Dec.10		June 10		June 11		Change	
	Value	%	Value	%	Value	%	Value	%
Personnel Costs	143.457	57,9	74.184	60,2	92.486	60,1	18.302	24,7
General and administrative expenses	83.495	33,7	39.279	31,8	48.843	31,8	9.564	24,3
Running Costs	**226.952**	**91,6**	**113.463**	**92,0**	**141.329**	**91,9**	**27.866**	**24,6**
Depreciation	20.850	8,4	9.837	8,0	12.442	8,1	2.605	26,5
Operating Costs	**247.802**	**100,0**	**123.300**	**100,0**	**153.771**	**100,0**	**30.471**	**24,7**
Banking Income	**422.312**		**214.796**		**236.560**		**21.764**	**10,1**
RATIOS								
Personnel Costs / Banking Income	34,0%		34,5%		39,1%		4,6 p.p.	
General and administrative expenses / Banking Income	19,8%		18,3%		20,6%		2,3 p.p.	
Depreciation / Banking Income	4,9%		4,6%		5,3%		0,7 p.p.	
Cost-to-Income (Operating Costs / Banking Income)	**58,7%**		**57,4%**		**65,0%**		7,6 p.p.	
Efficiency Ratio (Operating Costs / Banking Income)	53,7%		52,8%		59,7%		6,9 p.p.	

Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made.

Depreciation totalled 12.4 million euros, representing an increase of 26.5%, essentially as a result of investments in technology that had an impact on computer hardware.

Provisions and impairment

In the first half of 2011, we continued to make improvements in risk analysis processes and credit recovery structures and some developments in the areas of information and control, in order to reduce the progression of defaults arising from the adverse situation affecting economic agents.

(thousand euros)

	Dec.10		June10		June 11		Change	
	Value	%	Value	%	Value	%	Value	%
Net Provisions and Impairments of Credit	**112.992**	**90,4**	**53.709**	**88,4**	**61.615**	**80,2**	**7.906**	**14,7**
Setting up provisions and impairments	525.339		265.702		248.011		-17.691	-6,7
Recovery of provisions and impairments	412.347		211.993		186.396		-25.597	-12,1
Net Impairment of Securities	**2.152**	**1,7**	**1.169**	**1,9**	**6.770**	**8,8**	**5.601**	**479,1**
Setting up impairments	3.514		1.371		7.702		6.331	461,8
Recovery of impairments	1.362		202		932		730	361,4
Net Provisions and Impairment of Others Assets	**9.913**	**7,9**	**5.892**	**9,7**	**8.453**	**11,0**	**2.561**	**43,5**
Setting up provisions and impairments	14.535		8.169		8.933		764	9,4
Recovery of provisions and impairments	4.622		2.277		480		-1.797	-78,9
Total Net Provisions and Impairment	**125.057**	**100,0**	**60.770**	**100,0**	**76.838**	**100,0**	**16.068**	**26,4**
Setting up provisions and impairments	543.388		275.242		264.646		-10.596	-3,8
Recovery of provisions and impairments	418.331		214.472		187.808		-26.664	-12,4

Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made.

The following factors were relevant in the overall rise in provisions and impairment (+16.1 million euros):

- An increase in credit provisions and impairment (7.9 million euros) to meet the higher risk in some segments
- A 5.6 million euro increase in net impairment of securities due to lower prices and deterioration in the quality of some issuers
- 2.6 million euro growth in impairment for other assets due to older properties

Pension fund

At the end of June, the pension fund's assets totalled 612.8 million euros, remaining more or less at the level of coverage of minimum liabilities at 97.4%, after improving from 88.9%.

(thousand euros)

		Dec.10 Value	June 10 Value	June 11 Value
1	**Total liabilities**			
	Current staff	341.688	332.211	424.735
	Retired staff	255.452	248.769	264.323
	Total 1	**597.140**	**580.980**	**689.058**
2	**Non-required or deferred liabilities**			
	Exemption on financing	16.040	15.380	**19.954**
	Application of IAS	19.061	19.061	**20.761**
	Impact on Mortality Table	17.434	23.972	**19.545**
	Total 2	**52.535**	**58.413**	**60.260**
3	**Minimum liabilities to be financed (1-2)**	**544.605**	**522.567**	**628.798**
4	**Value of Fund Assets**	**545.097**	**505.664**	**612.755**
5	**Coverage of:**			
	Minimum Liabilities (4/3)	100,1%	96,8%	97,4%
	Total Liabilities (4/1)	91,3%	87,0%	88,9%
6	**Adjustments to Fund in year with impact on value:**			
6.1	Contributions (+)	48.750	12.309	120
6.2	Actual return on assets (+)	9.812	-2.545	-8.329
6.3	Overheads (-)			
6.4	Pensions paid (-)	18.348	8.983	9.718
6.5	**Total 6 (6.1+6.2-6.3-6.4)**	**40.214**	**781**	**-17.927**

Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made.

When calculating pension fund liabilities, Montepio took the following assumptions into account:

- discount rate of 5.5%
- salary growth rate of 3%
- pension growth rate of 2%
- continued use of the TV 88/90 mortality table for men and women.

Liabilities totalled 689.1 million euros and grew at a rate of 18.6%. The parcel of non-required or deferred finance liabilities (IAS, 8 to 10 years and 24-year mortality table) totalled 60.3 million euros, which reflects the total value of mandatory minimum liabilities to be finances subtracted from total liabilities, to the amount of 628.8 million euros.

Solvency

Caixa Económica's capital increased 385 million euros as a result of a transfer from Associação Mutualista in order to maintain appropriate capital levels and reinforce its solidity.

At the end of June 2011, our consolidated solvency ratio was 12.9%, which was 0.3 p.p. higher than in June 2010. Our core capital ratio was 9% (8.9% in June 2010).

Equity and Solvency Ratio

(thousand euros)

Item	Dec 10	June 10	June 11	Change	
	Value	Value	Value	Value	%
1. Total Equity	**1.324.048**	**1.278.221**	**1.698.424**	**420.203**	**32,9**
(+) Institutional Capital	*800.000*	*760.000*	*1.145.000*	*385.000*	*50,7*
(+) Reserves and Profits	*219.334*	*225.345*	*206.094*	*-19.251*	*-8,5*
(-) Regulatory Deductions	*79.675*	*90.477*	*161.110*	*70.633*	*78,1*
1.1 (=) Base Equity	**939.658**	**894.867**	**1.189.984**	***295.117***	**33,0**
(+) Supplementary Equity	388.952	389.540	523.247	*133.707*	34,3
(-) Other deductions	4.562	6.186	14.807	*8.621*	139,4
2. Minimum Required Equity	**824.313**	**814.792**	**1.053.621**	**238.829**	**29,3**
3. Assets and similar items weighted for risk (2 x 12.5)	**10.303.907**	**10.184.896**	**13.170.263**	**2.985.367**	**29,3**
4. Ratios					
Solvency (1/3)	12,8%	12,6%	12,9%	0,3 p.p.	
Tier 1 (1.1/3)	9,1%	8,8%	9,0%	0,2 p.p.	
Core Capital	9,3%	8,9%	9,0%	0,1 p.p.	

Note: June 2011 includes the effect of the takeover of FNB. This fact should be taken into account in comparisons made.

9. Ratings

On 5 April 2011, following the downgrade of Portugal's rating, Fitch Ratings decided to also lower the ratings of Caixa Económica Montepio Geral:

- Short-term senior debt: B from F2;
- Medium- and long-term senior debt: BB from BBB+
- Individual debt: C/D from C
- Subordinated debt: BB- from BBB.

The outlook for these classifications changed to "stable" and they were no longer on “negative watch”.

The agency's main reasons for this revision, besides the reduction in Portugal's rating, were the Portuguese banks’ greater difficulty in access to finance on the capital, the resulting increase in dependency on the European Central Bank and a prospect of a higher business risk due to the serious recession.

On 6 April 2011, Moody's Investors Service downgraded the ratings of the main Portuguese banks. After this, the classifications of Caixa Económica Montepio Geral's finance instruments were as follows:

- Short-term senior debt: NP from P-3
- Medium- and long-term senior debt: Ba1 from Baa3
- Individual debt: Ba2 from Ba1
- Subordinated debt: Ba3 (the same)

The outlook for these ratings went from "stable" to "on review for downgrade".

The government's lower capacity to support the banking system following the downgrade of Portugal's rating announced by Moody's on 15 March 2011 and the low financial solidity of most Portuguese banks were the main causes for these changes.

On 27 June 2011, DBRS Inc. gave ratings to Caixa Económica Montepio Geral for the first time. It rated medium- and long-term senior debt at BBB (low) and short-term senior debt at R-2 (low). It gave fixed-Lower Tier II debt a rating of BB (high).

According to DBRS, these ratings reflect the important presence and expansion of the Montepio Group in Portugal in terms of range of products, customers and geographical coverage, boosted by the recent takeover of Finibanco Holding, SGPS, S.A.. They also reflect the greater pressure to which Caixa Económica Montepio Geral is subject due to the current limitations on access to finance on capital markets and the potentially negative impact that the present economic scenario may have in terms of profitability of business. The ratings remained trend negative.

Montepio's current ratings are therefore as follows:

Rating Agency	Short-Term	Long-Term	Outlook
Fitch Ratings	B	BB	Stable
Moody's	NP	Ba1	Negative
DBRS	R-2 (*low*)	BBB (*low*)	Negative

10. Main risks and uncertainties for the second half of 2011

We expect the context of exceptional adversity and extreme difficulty to continue in the second half of the year in a framework of great risk and uncertainty for financial institutions. Responses have been defined and measures are being taken to mitigate their negative effects.

In addition to the economic difficulties that have determined such an unfavourable scenario, business activity in the first half of 2011 was affected by exceptionally adverse circumstances associated with the deterioration of the country's financial conditions exacerbated by contagion from the sovereign debt crisis experienced by other euro area partners, sharp downgrades in Portugal's ratings for non investment grade and, as a result, downgrades in credit institutions' ratings also.

These conditions made access to funding from the financial markets almost impossible and this had repercussions on credit institutions' growth capacity and normal operation and resulted in the government asking for international financial aid from the IMF, European Financial Stabilisation Fund and the European Financial Stability Facility (European Union and European Central Bank).

In order to obtain this aid, the Portuguese government and the IMF, EC and ECB (the troika) signed a Memorandum of Understanding setting out the general economic policy conditions for the assistance. They would remain in effect for the next three years in order to balance public accounts and create the right conditions for employment and economic growth.

The measures laid down to preserve the stability and liquidity of the financial sector were gradual deleveraging, a reduction in recourse to refinancing from the ECB and higher levels of solvency in core tier 1 in order to fulfil the new capital requirements set out in the financial assistance programme for Portugal.

Measures were also defined to strengthen the regulation and supervision of banks, the restructuring, reorganisation and winding-up of credit institutions and the reinforcement of the Deposit Guarantee Fund and the law on the insolvency of companies and individuals.

In order to implement these measures, Banco de Portugal asked the eight main banking groups in Portugal to provide statistics on non-performing loans and calculations of new indicators in this field, a deleveraging and funding and capital plan to be in effect from the second half of 2011 to the end of 2015.

The goals and conditions laid down point to an accentuated slump in the whole banking sector in the second half of the year, with tighter restrictions, greater spreads and less credit along with stiff competition in attracting customers' deposits and increases in capital to offset the reduction in refinancing from the ECB and funding from the financial markets.

At the same time, expectations of an exacerbation of the country's economic recession will result in an increase in credit impairment, lower profits and return.

As part of its diversification strategy, CEMG has achieved substantial reductions in leverage since 2008 by decreasing its exposure to property, mortgage and construction loans, which has resulted in slight, but progressive reductions in its credit portfolio, while deposits have increased considerably. We expect to step up this policy and focus management on improving efficiency by rationalising costs and achieving savings in synergies aimed at better service and a distinctive relationship with members and customers.

II – STATEMENT OF COMPLIANCE OF FINANCIAL INFORMATION

This statement has been drafted in accordance with Securities Code (CMVM) article 246 (1) c).

The Board of Directors is responsible for drawing up the annual report, preparing the financial statements and ensuring they provide a true and fair view of the institution's financial position and the results of its activities, as well as for adopting suitable accounting policies and criteria and maintaining an appropriate internal control system that prevents and detects possible errors and irregularities.

We confirm to the best of our knowledge and belief that:

- all the individual and consolidated financial information in the accounting documents on the first six months of 2011 was prepared in accordance with applicable accounting standards and gives a true, appropriate picture of the institution's assets and liabilities, financial situation and profits

- the report gives an accurate indication of the institution's business, performance and position and describes the main risks and their prospects, as required by law.

THE BOARD OF DIRECTORS

Maria Helena Martins Cardoso

António Tomás Correia - Chairman

José de Almeida Serra

Rui Manuel Silva Gomes do Amaral

Eduardo José da Silva Farinha

Álvaro Cordeiro Dâmaso

III – FINANCIAL STATEMENTS, NOTES AND AUDIT REPORTS

Balance sheets and income statements

CONSOLIDATED BALANCE SHEET OF CAIXA ECONÓMICA AT 30 JUNE 2011 AND 31 DECEMBER 2010

(thousand euros)

	2011			2010
	Gross Assets	Impairment and Depreciation	Net Assets	Net Assets
ASSETS				
Cash and deposits at central banks	400 791		400 791	240 024
Deposits with other credit institutions	112 947		112 947	74 353
Financial assets held for trading	139 681		139 681	124 589
Other financial assets at fair value through profit or loss	3 685		3 685	3 952
Available-for-sale financial assets	3 020 485	17 899	3 002 586	2 430 568
Other loans and advances to credit institutions	324 166	136	324 030	338 662
Customer Credit	17 479 815	687 759	16 792 056	14 554 133
Investments held to maturity	48 314		48 314	58 144
Hedging derivatives	6 730		6 730	7 734
Non-current assets held for sale	282 331	47 262	235 069	162 374
Investment property	19 309		19 309	
Other tangible assets	326 249	175 785	150 464	89 287
Intangible assets	120 195	40 053	80 142	18 254
Investments in associates and subsidiaries excluded from consolidation	58 794	341	58 453	37 060
Current tax assets	2 538		2 538	
Deferred tax assets	4 933		4 933	
Other assets	297 872	38	297 834	110 156
TOTAL ASSETS	**22 648 835**	**969 273**	**21 679 562**	**18 249 290**
LIABILITIES				
Resources from central banks			2 220 044	1 540 266
Financial liabilities held for trading			71 270	47 615
Resources from other credit institutions			992 208	901 742
Resources from customers and other loans			12 609 862	10 007 563
Debt securities issued			3 426 188	3 836 243
Financial liabilities associated with transferred assets			461 187	387 183
Hedging derivatives			6 102	6 894
Provisions			4 310	1 311
Deferred tax liabilities			1 084	
Other subordinated liabilities			493 346	380 986
Other liabilities			274 478	144 009
TOTAL LIABILITIES			**20 560 079**	**17 253 812**
EQUITY				
Share capital			1 145 000	800 000
Other capital instruments			15 000	
Revaluation reserves			- 287 740	- 75 623
Other reserves and retained earnings			232 274	219 694
Profit for the period			5 068	51 407
Minority interests			9 881	
TOTAL EQUITY			**1 119 483**	**995 478**
TOTAL EQUITY AND LIABILITIES			**21 679 562**	**18 249 290**

THE CHIEF ACCOUNTANT

Maria Helena Martins Cardoso

THE BOARD OF DIRECTORS

António Tomás Correia - Presidente

José de Almeida Serra

Rui Manuel Silva Gomes do Amaral

Eduardo José da Silva Farinha

Álvaro Cordeiro Dâmaso

CONSOLIDATED INCOME STATEMENT AT 30 JUNE 2011 AND 30 JUNE 2010

(thousand euros)

	2011	2010
Interest and similar income	524 152	357 240
Interest and similar expenses	365 810	228 100
NET INTEREST INCOME	**158 342**	**129 140**
Dividends from equity instruments	561	467
Fees and commissions income	52 819	42 126
Fees and commissions expenses	9 094	7 268
Profit on assets and liabilities at fair value through profit or loss	26 104	31 968
Profit on available-for-sale financial assets	2 517	8 980
Profit on currency revaluations	2 742	1 175
Profit on sale of other assets	-12.431	-1.986
Other operating profits	15 000	10 194
BANKING REVENUE	**236 560**	**214 796**
Staff costs	92 486	74 184
General administrative overheads	48 843	39 279
Depreciation and amortisation	12 442	9 837
Provisions net of write-backs and deletions	519	25
Impairment of credit net of reversals and recoveries	61 622	53 691
Impairment of other financial assets net of reversals and recoveries	6 770	1 169
Impairment of other assets net of reversals and recoveries	7 927	5 885
Profit on associates and joint ventures (equity method)	-950	-130
PROFIT BEFORE TAX AND MINORITY INTERESTS	**5 001**	**30 596**
Tax		
Current	-3.219	
Deferred	4.256	
Minority Interests	-970	
CONSOLIDATED PROFIT FOR THE PERIOD	**5 068**	**30 596**

THE CHIEF ACCOUNTANT

Maria Helena Martins Cardoso

THE BOARD OF DIRECTORS

António Tomás Correia - Presidente

José de Almeida Serra

Rui Manuel Silva Gomes do Amaral

Eduardo José da Silva Farinha

Álvaro Cordeiro Dâmaso

INDIVIDUAL BALANCE SHEET AT 30 JUNE 2011 AND 31 DECEMBER 2010

(thousand euros)

	2011			2010
	Gross Assets	Impairment and Depreciation	Net Assets	Net Assets
ASSETS				
Cash and deposits at central banks	350 923		350 923	240 024
Deposits with other credit institutions	79 973		79 973	58 405
Financial assets held for trading	113 036		113 036	124 589
Other financial assets at fair value through profit or loss	3 685		3 685	3 952
Available-for-sale financial assets	5 708 744	25 121	5 683 623	5 256 811
Other loans and advances to credit institutions	594 619	136	594 483	338 662
Customer credit	16 763 090	533 742	16 229 348	14 352 766
Investments held to maturity	48 263		48 263	58 093
Hedging derivatives	6 730		6 730	7 734
Non-current assets held for sale	242 896	47 262	195 634	162 374
Other tangible assets	287 565	167 977	119 588	89 188
Intangible assets	148 061	37 648	110 413	18 254
Investments in subsidiaries, associates and joint ventures	384 547		384 547	43 297
Current tax assets	9		9	0
Other assets	291 144		291 144	129 871
TOTAL ASSETS	**25 023 285**	**811 886**	**24 211 399**	**20 884 020**
LIABILITIES				
Resources from central banks			2 220 044	1 540 266
Financial liabilities held for trading			79 633	47 538
Resources from other credit institutions			1 406 099	1 262 546
Resources from customers and other loans			12 259 863	9 654 340
Debt securities issued			3 182 842	3 578 677
Financial liabilities associated with transferred assets			3 081 982	3 182 375
Hedging derivatives			6 102	6 894
Provisions			121 857	101 499
Other subordinated liabilities			471 401	380 986
Other liabilities			252 772	134 880
TOTAL LIABILITIES			**23 082 595**	**19 890 001**
EQUITY				
Share capital			1 145 000	800 000
Equity instruments			15 000	
Revaluation reserves			- 285 292	- 74 569
Other reserves and retained earnings			240 989	227 097
Profit for the period			13 107	41 491
TOTAL EQUITY			**1 128 804**	**994 019**
TOTAL EQUITY AND LIABILITIES			**24 211 399**	**20 884 020**

THE CHIEF ACCOUNTANT

Maria Helena Martins Cardoso

THE BOARD OF DIRECTORS

António Tomás Correia - Presidente

José de Almeida Serra

Rui Manuel Silva Gomes do Amaral

Eduardo José da Silva Farinha

Álvaro Cordeiro Dâmaso

INDIVIDUAL INCOME STATEMENT AT 30 JUNE 2011 AND 30 JUNE 2010

(thousand euros)

	2011	2010
Interest and similar income	508 698	346 994
Interest and similar expenses	360 528	218 149
NET INTEREST INCOME	**148 170**	**128 845**
Dividends from equity instruments	1.785	2.104
Fees and commissions income	50.066	42.126
Fees and commissions expenses	8.144	7.268
Profit on assets and liabilities at fair value through profit or loss	27.216	31.638
Profit on available-for-sale financial assets	2.726	8.334
Profit on currency revaluations	711	1.137
Profit on sale of other assets	-2.244	-1.986
Other operating profits	12.346	10.194
BANKING REVENUE	**232 632**	**215 124**
Staff costs	89 651	73 731
General administrative overheads	45 256	39 251
Depreciation and amortisation	12 040	9 835
Provisions net of write-backs and deletions	-735	-1.388
Value corrections associated with customer credit and receivables from other debtors (net of write-backs and deletions)	58 629	60 620
Impairment of other financial assets net of reversals and recoveries	6 757	1 169
Impairment of other assets net of reversals and recoveries	7 927	5 885
PROFIT FOR THE PERIOD	**13 107**	**26 021**

THE CHIEF ACCOUNTANT

Maria Helena Martins Cardoso

THE BOARD OF DIRECTORS

António Tomás Correia - Presidente

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Rui Manuel Silva Gomes do Amaral

Eduardo José da Silva Farinha

Álvaro Cordeiro Dâmaso

Notes to the financial statements and limited review reports

Caixa Económica Montepio Geral

Interim Consolidated Financial Statements

30 June, 2011 and 2010

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

August 2011
This report contains 117 pages

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LIMITED REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL INFORMATION ISSUED BY THE CMVM REGISTERED AUDITOR

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

INTRODUCTION

1. In accordance with the Stock Exchange Code ("Código dos Valores Mobiliários" or "CVM"), we present our Limited Review Report, on the interim consolidated financial information for the six months period ended 30 June, 2011 of **Caixa Económica Montepio Geral**, which comprise the consolidated Balance sheet as at 30 June 2011 (showing total assets of 21,679,562 thousand Euros and total equity of 1,119,483 thousand Euros, including a consolidated net profit of 5,068 thousand Euros) the consolidated statements of income, of cash flows, of changes in equity and of comprehensive income for the six months period then ended and the corresponding notes to the accounts.

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

RESPONSIBILITIES

3. The Board of Directors is responsible for:

a) the preparation of the consolidated financial information that present fairly the financial position of all the groups of companies included in the consolidation, the consolidated results of its operations, consolidated cash flows, changes in equity and its comprehensive income;

b) the historical financial information prepared in accordance with the IAS 34 – Interim Financial Reporting, to be complete, true, current, clear, objective and lawful as required by the Stock Exchange Code ("Código dos Valores Mobiliários");

c) the adoption of adequate accounting policies and criteria;

d) the maintaining of an appropriate system internal control; and

e) the communication of any relevant matter that may have influenced the activity of the group of companies included in the consolidation, financial position or results of the CEMG.

4. Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the "Código dos Valores Mobiliários" in order to issue a professional and independent opinion based on our work.

SCOPE

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

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

- the reability of the assertions included in the consolidated financial information;
- the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
- the application of the going concern principle;
- the presentation of the consolidated financial information;
- if the consolidated financial information is complete, true, current, clear, objective and lawful; and

b) substantive tests on material non current transactions.

6. Our review also included the verification that the consolidated financial information included in the interim Report of the Board of Directors is consistent with the remaining documents mentioned above.

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

OPINION

8. Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the interim consolidated individual financial information of **Caixa Económica Montepio Geral** as at 30 June 2011, the consolidated results of its operations, consolidated cash flows, changes in equity and its comprehensive income in the six months period ended at 30 June 2011, is not free of material misstatements that affects its compliance with IAS 34 - Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 16 August 2011
KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (no. 189)
represented by

Vitor Manuel da Cunha Ribeirinho
(Statutory Auditor no. 1081)

Caixa Económica Montepio Geral

Consolidated Income Statement
for the six months period ended at 30 June 2011 and 2010

(Amounts expressed in thousands of Euro)

	Notes	June 2011	June 2010
Interest and similar income	3	524,152	357,240
Interest and similar expense	3	365,810	228,100
Net interest income		158,342	129,140
Dividends from equity instruments	4	561	467
Fee and comission income	5	52,819	42,126
Fee and comission expense	5	(9,094)	(7,268)
Net gains/(losses) arising from assets and liabilities at fair value through profit or loss	6	26,104	31,968
Net gains/(losses) arising from available-for-sale financial assets	7	2,517	8,980
Net gains arising from foreign exchange differences	8	2,742	1,175
Net gains from sale of other financial assets		(12,431)	(1,986)
Other operating income	9	11,993	9,014
Total operating income		233,553	213,616
Staff costs	10	92,486	74,184
General and administrative expenses	11	48,843	39,279
Depreciation and amortisation	12	12,442	9,837
Total operating costs		153,771	123,300
Loans impairment	13	58,628	52,511
Other assets impairment	14	14,684	7,054
Other provisions	15	519	25
Operating profit		5,951	30,726
Share of profit of associates under the equity method	16	(950)	(130)
Profit before income tax		5,001	30,596
Taxes			
Current		(3,219)	0
Deferred		4,256	0
Non-controlling interests		(970)	
Consolidated net income		5,068	30,596

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

See accompanying notes to the interim individual financial statements

Caixa Económica Montepio Geral

Consolidated Balance Sheet as at 30 June 2011 and 31 December 2010

(Amounts expressed in thousands of Euro)

	Notes	June 2011	December 2010
Assets			
Cash and deposits at central banks	17	400,791	240,024
Loans and advances to credit institutions repayable on demand	18	112,947	74,353
Other loans and advances to credit institutions	19	324,030	338,662
Loans and advances to customers	20	16,792,056	14,554,133
Financial assets held for trading	21	145,563	130,865
Other financial assets at fair value through profit or loss	22	3,685	3,952
Financial assets available-for-sale	23	3,002,586	2,430,568
Hedging derivatives	24	1,955	2,810
Current income tax assets		2,538	-
Deferred income tax assets	37	4,933	-
Held-to-maturity investments	25	48,314	58,144
Investments in associated companies and others	26	58,453	37,060
Non-current assets held for sale	27	235,069	162,374
Investment property	28	19,309	-
Property and equipment	29	150,464	89,287
Goodwill and Intangible assets	30	80,142	18,254
Other assets	31	296,727	108,804
Total Assets		21,679,562	18,249,290
Liabilities			
Deposits from central banks	32	2,220,044	1,540,266
Deposits from other credit institutions	33	992,208	901,742
Deposits from customers	34	12,609,862	10,007,563
Debt securities issued	35	3,426,188	3,836,243
Financial liabilities held for trading	21	77,152	53,891
Hedging derivatives	24	1,120	1,408
Provisions	36	4,310	1,311
Deferred income tax liabilities	37	1,084	-
Other subordinated debt	38	493,346	380,986
Other liabilities	39	734,765	530,402
Total Liabilities		20,560,079	17,253,812
Equity			
Share capital	40	1,145,000	800,000
Other capital instruments	41	15,000	-
Fair value reserves	43	(296,188)	(85,706)
Other reserves and retained earnings	42 e 43	240,722	229,777
Profit for the period		5,068	51,407
Non-controlling interests	43	9,881	-
Total Equity		1,119,483	995,478
		21,679,562	18,249,290

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

See accompanying notes to the interim individual financial statements

Caixa Económica Montepio Geral

Consolidated Statement of Cash Flows
for the six months period ended at 30 June 2011 and 2010

(Amounts expressed in thousands of Euro)

	June 2011	June 2010
Cash flows arising from operating activities		
Interest income received	515,929	343,733
Commission income received	52,083	42,001
Interest expense paid	(304,533)	(213,375)
Commission expense paid	(8,212)	(6,655)
Payments to employees and suppliers	(123,301)	(111,752)
Recovered from charged-off loans	3,008	1,180
Other payments and receivables	145,978	80,483
Taxes	(3,849)	-
	277,103	135,615
(Increase) / decrease in operating assets		
Loans and advances to credit institutions and customers	(2,352,351)	356,223
Other assets	(222,495)	(72,699)
	(2,574,846)	283,524
(Increase) / decrease in operating liabilities		
Deposits from central banks	900,000	900,000
Deposits from clients	2,549,288	184,374
Deposits from credit institutions	(130,094)	(544,913)
	3,319,194	539,461
	1,021,451	958,600
Cash flows arising from investing activities		
Dividends received	561	467
(Acquisition) / sale of trading financial assets	(23,391)	(122,420)
(Acquisition) / sale of other financial assets at fair value through profit or loss	267	121
(Acquisition) / sale of available for sale financial assets	(789,258)	(741,126)
(Acquisition) / sale of hedging derivatives	213	1,514
(Acquisition) / sale of held to maturity investments	9,160	(24,397)
(Acquisition) / sale of shares in associated companies	(80,796)	931
Deposits owned with the purpose of monetary control	(110,378)	119,388
Proceeds from sale of fixed assets	62,191	607
Acquisition of fixed assets	(3,281)	(11,954)
	(934,712)	(776,869)
Cash flows arising from financing activities		
Dividends paid	(23,085)	(20,300)
Proceeds from issuance of share capital	360,000	-
Proceeds from issuance of bonds and subordinated debt	248,011	(27,534)
Reimbursement of bonds and subordinated debt	(599,669)	(111,071)
Increase / (decrease) in other (sundry) liabilities	16,985	1,668
	2,242	(157,237)
Net changes in cash and equivalents	88,981	24,494
Cash and equivalents balance at the beginning of the period	169,994	168,998
Cash (note 17)	95,641	99,128
Loans and advances to credit institutions repayable on demand (note 18)	74,353	69,870
Cash and equivalents balance at the end of the period	258,975	193,492

See accompanying notes to the interim individual financial statements

Caixa Económica Montepio Geral

Consolidated Statement of Changes in Equity
for the six months period ended at 30 June 2011 and 2010

(Amounts expressed in thousands of Euro)

	Total equity	Share capital	Other capital instruments	General and special reserves	Other reserves	Fair value reserves	Retained earnings	
Balance on 1 January 2010	986,214	760,000	-	225,876	14,115	(28,600)	14,823	-
Other movements recognised directly in Equity:								
Changes in fair value	(20,020)	-	-	-	-	(20,020)	-	-
Profit for the period	30,596	-	-	-	-	-	30,596	-
Total gains and losses recognised in the period	10,576	-	-	-	-	(20,020)	30,596	-
Dividends paid (note 45)	(20,300)	-	-	-	-	-	(20,300)	-
Equity method	784	-	-	-	1,489	-	(705)	-
Reserves constitution								
General reserve (note 42)	-	-	-	7,635	-	-	(7,635)	-
Special reserve (note 42)	-	-	-	1,889	-	-	(1,889)	-
Balance on 30 June 2010	977,274	760,000	-	235,400	15,604	(48,620)	14,890	-
Changes in fair value								
IAS 19 adjustments	(37,086)	-	-	-	-	(37,086)	-	-
Profit for the period	20,811	-	-	-	-	-	20,811	-
Total gains and losses recognised in the period	(16,275)	-	-	-	-	(37,086)	20,811	-
Equity method	(5,521)	-	-	-	(5,521)	-	-	-
Increase in share capital (note 40)	40,000	40,000	-	-	-	-	-	-
Balance on 31 December 2010	995,478	800,000	-	235,400	10,083	(85,706)	35,701	-
Other movements recognised directly in Equity:								
Changes in fair value	(210,482)	-	-	-	-	(210,482)	-	-
Profit for the period	5,068	-	-	-	-	-	5,068	-
Total gains and losses recognised in the period	(205,414)	-	-	-	-	(210,482)	5,068	-
Dividends paid (note 45)	(23,085)	-	-	-	-	-	(23,085)	-
Equity method	(1,765)	-	-	-	(1,635)	-	(130)	-
Goodwill	(15,612)	-	-	-	-	-	(15,612)	-
Increase in share capital (note 40)	345,000	345,000	-	-	-	-	-	-
Other capital instruments (note 41)	15,000	-	15,000	-	-	-	-	-
Non-controlling interests	9,881	-	-	-	-	-	-	9,881
Reserves constitution								
General reserve (note 42)	-	-	-	8,345	-	-	(8,345)	-
Special reserve (note 42)	-	-	-	2,075	-	-	(2,075)	-
Balance on 30 June 2011	1,119,483	1,145,000	15,000	245,820	8,448	(296,188)	(8,478)	9,881

Caixa Económica Montepio Geral

Consolidated Statement of the Comprehensive Income
for the six months period ended at 30 June 2011 and 2010

(Amounts expressed in thousands of Euro)

	Note	June 2011	June 2010
Fair value reserves			
Available-for-sale financial instruments	40	(210,482)	(48,620)
Profit for the period		5,068	30,596
Total comprehensive income for the period		(205,414)	(18,024)

FINANCIAL STATEMENTS

- NOTES TO THE FINANCIAL STATEMENTS
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Caixa Económica Montepio Geral

Notes to the Interim Consolidated Financial Statements
30 June 2011

1 Accounting policies

1.1 Basis of presentation

Caixa Económica Montepio Geral ("CEMG") is a credit institution held by Montepio Geral – Associação Mutualista, established on 24 March, 1844, and authorised to operate in accordance with Decree-Laws no. 298/92 of 31 December, and no. 136/79 of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. However, CEMG is authorised to carry out banking operations in addition to those mentioned in its by-laws, if previously authorised by the Bank of Portugal. This fact conducts to the practice of banking operations in general.

During the year 2010, Montepio Geral – Associação Mutualista, sole shareholder of CEMG, acquired 100% of the capital of Finibanco Holding, S.G.P.S., S.A. through a public offer of acquisition valued at Euro 34,250,000.

At 31 March 2011, Montepio Geral – Associação Mutualista sold its shareholding in Finibanco Holding, S.G.P.S., S.A. to CEMG (see note 26). Once the consolidated financial statements of CEMG as at 30 June 2011 include the effect of this acquisition, this should be considered for comparison purposes.

In accordance with Regulation (EC) no. 1606/2002, of 19 July 2002, from the European Council and Parliament, and its adoption into Portuguese Law through Decree-Law no. 35/2005, of 17 February 2005 and Regulation no. 1/2005 from the Bank of Portugal, CEMG is required to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted 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.

These interim consolidated financial statements for the six months period ended 30 June 2011 were prepared in accordance with the IFRS effective and adopted by the EU until 30 June 2011. The accounting policies applied by the CEMG in the preparation of its interim consolidated financial statements as at and for the six month period ended 30 June 2010 are consistent with the ones used in the preparation of the annual consolidated financial statements as at and for the year ended 31 December 2011.

These interim consolidated financial statements are expressed in thousands of Euro, rounded to the nearest thousand. 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 amortized 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 and deducted from the actuarial losses not recognised.

The preparation of the interim consolidated financial statements in conformity with IFRS requires the CEMG to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity or where assumptions and estimates are considered to be significant are presented in note 1.23.

These interim consolidated financial statements were approved in the Board of Directors meeting held on 25 August, 2011.

1.2 Basis of consolidation

These interim consolidated financial statements comprise the financial statements of CEMG and its subsidiaries, and the results attributable to CEMG from its associates.

These accounting policies have been consistently applied by CEMG’s companies, during all the periods covered by the interim consolidated financial statements.

Investments in subsidiaries

Subsidiaries are entities over which CEMG exercises control. Control is presumed to exist when CEMG owns more than one half of the voting rights. Additionally, control also exists when CEMG has the power, directly or indirectly, to govern the financial and operating policies of the entity, so as to obtain benefits from its activities, even if its shareholding is equal or less than 50%. Subsidiaries are fully consolidated from the date on which control is transferred to CEMG until the date that control ceases.

Until 31 December 2009, when accumulated losses of a subsidiary attributable to non-controlling interest exceeded the equity of the subsidiary attributable to the non-controlling interest, the excess was attributed to CEMG and was taken to the income statement as incurred. The profits obtained subsequently were recognised by CEMG until the losses attributed to the non-controlling interest, previously recognised, were recovered. From 1 January 2010, accumulated losses of a subsidiary are attributed proportionally to the owners of the parent and to the non-controlling interest even if this results in non-controlling interest having a deficit balance.

After 1 January 2010, in a business combination achieved in stages (step acquisition) where control is obtained, CEMG remeasures its previously held non-controlling interest in the acquire at its acquisition date fair value and recognises the resulting gain or loss in the income statement when determining the respective goodwill. At the time of a partial sale, from which arises a loss of control of a subsidiary, any remaining non-controlling interest retained is remeasured to fair value at the date the control is lost and the resulting gain or loss is recognised against the income statement.

Associates

Associates are entities over which CEMG has significant influence over the company's financial and operating policies but not its control. Generally when CEMG owns more than 20% of the voting rights it is presumed that it has significant influence. However, even if CEMG owns less than 20% of the voting rights, it can have significant influence through the participation in the policy-making processes of the associated entity or the representation in its executive board of directors. Investments in associates are accounted for by the equity method of accounting from the date on which significant influence is transferred to CEMG until the date that significant influence ceases.

After 1 January 2010, in a step acquisition that results in CEMG obtaining significant influence over an entity, any previously held stake in that entity is remeasured to fair value through the income statement when the equity method is first applied.

If CEMG's share of losses of an associate equals or exceeds its interest in the associate, including any long-term interest, CEMG discontinues the application of the equity method, except when it has a legal or constructive obligation of covering those losses or has made payments on behalf of the associate.

Gains or losses on sales of shares in associate companies are recognised in the income statement even if that sale does not result in the loss of significant influence.

Special Purpose Entities ("SPE's")

The CEMG fully consolidates SPE's, specifically created to accomplish a narrow and well defined objective, when the substance of the relationship with those entities indicates that the CEMG exercises control over its activities, independently of the percentage of the equity held. Besides these SPE's resulting from securitization operations, no additional SPE have been identified that would meet the criteria established on SIC 12 as described below.

The evaluation of the existence of control is determined based on the criteria established by SIC 12 – Consolidation of Special Purpose Entities, which can be summarised as follows:

- In substance, the activities of the SPE are being conducted in accordance with the specific needs of the business, so that CEMG obtains the benefits from these activities;
- In substance CEMG has the decision-making powers to obtain the majority of the benefits from the activities of the SPE;
- In substance, CEMG has rights to obtain the majority of the benefits of the SPE, and therefore may be exposed to the inherent risks of its activities;
- In substance, CEMG retains the majority of residual or ownership risks related to the SPE so as to obtain the benefits from its activities.

Goodwill

CEMG recognizes goodwill as the difference between the cost of acquisition at fair value, determined at the acquisition date, of the assets and instruments given and the liabilities incurred or assumed plus any costs directly attributable to the acquisition and the fair value of CEMG's share of identifiable net assets and liabilities acquired.

CEMG recognizes goodwill as the difference between the cost of acquisition of the participation at fair value, including the fair value of any minority interest previosly held, and the fair value attibutable to the assets given and the liabilities assumed. The fair values are established at the acquisition date. The costs directly attributable to the acquisition are recognized at the acquisition date through exercise expenses.

At the acquisition date, the non-controlling interests are measured at their proportionate interest in the fair value of the net identifiable assets acquired and of the liabilities assumed, without the correspondent portion of goodwill. As a result, the goodwill recognised in these consolidated financial statements corresponds only to the portion attributable to the equity holders of the Company.

In accordance with IFRS 3 – Business Combinations, goodwill is recognised as an asset at its cost and is not amortised. Goodwill relating to the acquisition of associates is included in the book value of the investment in those associates determined using the equity method. Negative goodwill is recognised directly in the income statement in the period the business combination occurs.

The recoverable amount of the goodwill recognised as an asset is reviewed annually, regardless of whether there is any indication of impairment. Impairment losses are recognised directly in the income statement.

Transactions eliminated on consolidation

Inter-company balances and transactions, including any unrealised gains and losses on transactions between CEMG's companies, are eliminated in preparing the consolidated financial statements, unless unrealised losses provide evidence of an impairment loss that should be recognised in the consolidated financial statements.

Unrealised gains on transactions between CEMG and its associates are eliminated to the extent of the CEMG's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss.

1.3 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Euro at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the 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 to Euro at the foreign exchange rates ruling at the dates that the fair value was determined. The resulting exchange differences are accounted for in the income statement, except if related to equity instruments classified as available-for-sale, which are accounted for in equity, within the fair value reserves.

1.4 Derivative financial instruments and hedge accounting

Classification

Derivatives for risk management purposes include (i) hedging derivatives and (ii) derivatives used to manage the risk of certain financial assets and financial liabilities designated at fair value through profit or loss that were not classified as being hedging derivatives.

All other derivatives are classified as trading derivatives.

Recognition and measurement

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into (trade date). Subsequent to initial recognition, the fair value of derivative financial instruments is re-measured on a regular basis and the resulting gains or losses on re-measurement are recognised directly in the income statement, except for derivatives designated as hedging instruments. The recognition of the resulting gains or losses of the derivatives designated as hedging instruments depends on the nature of the risk being hedged and of the hedge model used.

Fair values are obtained from quoted market prices, in active markets, if available or are determined using valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

Hedge accounting

i) Classification criteria

Hedge accounting is used for derivative financial instruments designated as hedging instrument, provided the following criteria are met:

- At the inception of the hedge, the hedge relationship is identified and documented, including the identification of the hedged item and of the hedging instrument and the evaluation of the effectiveness of the hedge;

- The hedge is expected to be highly effective, both at the inception of the hedge and on an ongoing basis;

- The effectiveness of the hedge can be reliably measured, both at the inception of the hedge and on an ongoing basis;

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

- For cash flows hedges, the cash flows are highly probable of occurring.

ii) Fair value hedge

In a fair value hedge, the book value of the hedged asset or liability, determined in accordance with the respective accounting policy, is adjusted to reflect the changes in its fair value that are attributable to the risks being hedged. Changes in the fair value of the derivatives that are designated as hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the risk being hedged.

If the hedge no longer meets the criteria for hedge accounting, the derivative financial instrument is transferred to the trading portfolio and the hedge accounting is discontinued prospectively. The cumulative adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to the income statement over the period to maturity.

iii) Hedge effectiveness

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

iv) Embedded derivatives

Derivatives that are embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

1.5 Loans and advances to customers

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

Loans and advances to customers are derecognised from the balance sheet when (i) the contractual rights to receive their cash flows have expired, (ii) the CEMG has transferred substantially all risks and rewards of ownership or (iii) although retaining some but not substantially all of the risks and rewards of ownership, the CEMG has transferred the control over the assets.

Loans and advances to customers are initially recorder at fair value plus transaction costs and are subsequently measured at amortised cost, using the effective interest rate method, less impairment losses.

Impairment

The CEMG’s policy consists in a regular assessment of the existence of objective evidence of impairment within its loan portfolio. Impairment losses identified are recognised in the income statement, and are subsequently reversed through the income statement if, in a subsequent period, the amount of the impairment losses decreases.

A loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, is impaired when: (i) there is objective evidence of impairment as a result of one or more events that occurred after its initial recognition and (ii) that event (or events) 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 – Financial Instruments: Recognition and Measurement, there are two basic methods of calculating impairment losses: (i) individually assessed loans; and (ii) collective assessment.

i) Individually assessed loans

Impairment losses on individually assessed loans are determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the CEMG 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:

- CEMG aggregate exposure to the customer and the existence of overdue loans;
- the viability of the customers' 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 bankruptcy;
- the ranking of all creditor claims;
- the amount and timing of expected receipts and recoveries.

When loans have been individually assessed and no evidence of loss has been identified, these loans are grouped together on the basis of similar credit risk characteristics for the purpose of evaluating the impairment on a portfolio basis (collective assessment). Loans that are assessed individually and found to be impaired are not included in a collective assessment for impairment.

If an impairment loss is identified on an individual basis, the amount of the impairment loss to be recognised is calculated as the difference between the book value of the loan and the present value of the expected future cash flows (considering the recovery period), discounted at the original effective interest rate. The carrying amount of impaired loans is reduced through the use of an allowance account. If a loan has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined under the contract rules.

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

ii) Collective assessment

Impairment losses are calculated on a collective basis in 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 identified ('IBNR') on loans for which no objective evidence of impairment is identified (see previous 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 in historical losses level;
- the estimated period between a loss occurring and that loss being identified.

The methodology and assumptions used to estimate the future cash flows are revised regularly by CEMG 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 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.

1.6 Other financial assets

i) Classification

CEMG classifies its other financial assets at initial recognition in the following categories:

Financial assets at fair value trough profit or loss

This category includes: (i) financial assets held for trading, which are those acquired principally for the purpose of selling in the short term or that are owned as part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking and (ii) financial assets that are designated at fair value through profit or loss at inception.

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.

CEMG classifies, at inception, certain financial assets at fair value through profit or loss when:

- Such financial assets are managed, measured and their performance evaluated on a fair value basis;
- Such financial assets are bring hedged (on an economical basis), in order to eliminate an accounting mismatch; or
- Such financial assets contain an embedded derivative.

Note 22 include a summary of the assets and liabilities that were classified at fair value trough profit or loss at inception.

The structured products acquired by CEMG corresponding to financial instruments containing one or more embedded derivatives meet the above mentioned conditions, and, in accordance, are classified under the fair value through profit or loss category.

CEMG has adopted the Fair Value Option for certain own bond issues, loans and time deposits performed that contain embedded derivatives or with related hedge derivatives.

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.

Held-to-maturity investments

These investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the CEMG's management has the positive intention and ability to hold until its maturity and that are not classified, at inception, as at fair value through profit or loss or as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets (i) intended to be held for an indefinite period of time, (ii) designated as available-for-sale at initial recognition or (iii) that are not classified in the other categories referred to above.

ii) Initial recognition, measurement and derecognising

Purchases and sales of: (i) financial assets at fair value through profit or loss, (ii) held-to-maturity investments and (iii) available-for-sale financial assets are recognised on trade-date – the date on which CEMG commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, in which case these transaction costs are directly recognised in the income statement.

Financial assets are derecognised when (i) the contractual rights to receive their cash flows have expired, (ii) CEMG has transferred substantially all risks and rewards of ownership or (iii) although retaining some but not substantially all of the risks and rewards of ownership, CEMG has transferred the control over the assets.

iii) Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value and gains and losses arising from changes in their fair value are included in the income statement in the period in which they arise.

Available-for-sale financial assets are also subsequently carried at fair value. However, gains and losses arising from changes in their fair value are recognised directly in equity, until the financial assets are derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Foreign exchange differences arising from equity investments classified as available-for-sale are also recognised in equity, while foreign exchange differences arising from debt investments are recognised in the income statement. Interest, calculated using the effective interest rate method and dividends are recognised in the income statement.

Held-to-maturity investments are carried at amortised cost using the effective interest rate method, net of any impairment losses recognised.

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

The fair values of quoted investments in active markets are based on current bid prices. For unlisted securities the CEMG establishes fair value by using (i) valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis and option pricing models and (ii) valuation assumptions based on market information.

Financial instruments whose fair value cannot be reliably measured are carried at cost.

iv) Reclassifications between categories

CEMG only reclassifies non-derivative financial assets with fixed or determinable payments and fixed maturities, from the available-for-sale financial assets category to the held-to-maturity investments category, if it has the intention and ability to hold those financial assets until maturity.

Reclassifications between these categories are made at the fair value of the assets reclassified on the date of the reclassification. The difference between this fair value and the respective nominal value is recognised in the income statement until maturity, based on the effective interest rate method. The fair value reserve at the date of the reclassification is also recognised in the income statement, based on the effective interest rate method.

Financial assets may be reclassified to the (i) held-to-maturity investments category if the entity has the intention and ability to hold those financial assets until maturity and to the (ii) loans and receivables category if the entity has the intention and ability to hold those financial assets for the foreseeable future and if those financial assets are not traded in an active market.

During the six months period ended 30 June 2011 and the year 2010, there were no reclassifications between categories.

v) Impairment

CEMG's assesses periodically whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, the recoverable amount of the asset is determined and impairment losses are recognised through the income statement.

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition, such as: (i) for equity securities, a significant or prolonged decline in the fair value of the security below its cost, and (ii) for debt 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 reliably estimated.

For held-to-maturity investments, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (considering the recovery period) discounted at the financial asset's original effective interest rate. The carrying amount of the impaired assets is reduced through the use of an allowance account. If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For held-to-maturity investments if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the income statement.

If there is objective evidence that an impairment loss on available-for-sale financial assets has been incurred, the cumulative loss recognised in equity – 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 income statement – is taken to the income statement. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through the income statement up to the acquisition cost if the increase is objectively related to an event occurring after the impairment loss was recognised, except in relation to equity instruments, in which case the reversal is recognised in equity.

1.7 Assets sold with a repurchase agreement

The securities sold with a repurchase agreement (repos) with a fixed price or a price that is the selling price plus an inherent rate adjusted with the operation periods, which are not derecognised in the balance sheet. The underlying liability is recognised in Loans and advances to credit institutions or to customers as appropriate. The difference between the selling price and the repurchase price is recognised as interest and is deferred over the useful life of the agreement, using the effective interest rate method.

Securities lent under lending agreements are not derecognised of the balance sheet, being classified and measured in accordance with the accounting policy described in note 1.6.

1.8 Financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or another financial asset, independently from its legal form.

Non-derivatives financial liabilities include deposits from credit institutions and customers, loans, debt securities issued and other subordinated debt.

The financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest method, except for short sales and financial liabilities designated at fair value through profit or loss, which are measured at fair value.

CEMG designates, at inception, certain financial liabilities as at fair value through profit or loss when:

- Such financial liabilities are bring hedged on an economical basis, in order to eliminate an accounting mismatch; or

- Such financial assets contain an embedded derivative.

The structured products issued by the CEMG meet either of the above-mentioned conditions and, in accordance, are classified under the fair value trough profit or loss category.

The fair value of quoted financial liabilities is based on the current price. In the absence of a quoted price, CEMG establishes the fair value by using valuation techniques based on market information, including the own credit risk of the issuer.

If the CEMG repurchases debt issued, it is derecognised from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement.

1.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.10 Non-current assets held for sale

In the scope of its activity, CEMG incurs in the risk from failure of the borrower to repay all the amounts due. In case of loans and advances with mortgage collateral, CEMG acquires the asset held as collateral in exchange from loans. In accordance with the requirements of Regime Geral das Instituições de Crédito e Sociedades Financeiras (RGICSF), banks are prevented from acquiring property that is not essential to their daily operations (article 112.º of the DL 298/92 of 31 of December and subsequent amendments) being able to acquire, however, property in exchange for loans. This property must be sold within 2 years, period that may be extended by written authorization from the Bank of Portugal and in conditions to be determined by this authority (art.114º).

It is CEMG's objective to immediately dispose all property acquired in exchange for loans. This property is classified as non-current assets held-for-sale and is initially recognised at the lower of its fair value less costs to sell and the carrying amount of the loans. Subsequently, this property is measured at the lower of its carrying amount and the corresponding fair value less costs to sell and is not depreciated. Any subsequent write-down of the acquired property to fair value is recorded in the income statement.

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

The valuations are performed by independent entities specialized in this type of services. The valuation reports are analysed internally with the gauging of processes adequacy, by comparing the sales values with the revaluated values.

1.11 Property and equipment

CEMG's property and equipment are stated at deemed cost less accumulated depreciation and impairment losses. At the transition date to IFRS (1 January 2004), CEMG elected to consider as deemed cost, the revalue amount of property and equipment as determined in accordance with previous accounting policies, which was broadly similar to depreciated cost measured under IFRS, adjusted to reflect changes in a specific price index. The value includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to CEMG. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of Property and equipment is calculated using the straight-line method over their estimated useful lives, as follows:

	Number of years
Land and buildings for own use	50
Works in rented buildings	10
Equipment	4 a 10

When there is an indication that an asset may be impaired, IAS 36 – Impairment of assets requires that its recoverable amount is estimated and an impairment loss recognised when the net book value of the asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is determined as the greater of its net selling price and value in use that is based on the net present value of future cash flows arising from the continuing use and ultimate disposal of the asset.

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

1.12 Intangible assets

The costs incurred with the acquisition, production and development of software are capitalised, as well as the costs incurred by CEMG to acquire and bring to use the specific software. These costs are amortised on the basis of their expected useful lives, which is usually of three years.

Costs that are directly associated with the development of identifiable specific software applications by CEMG, and that will probably generate economic benefits beyond one year, are recognised as intangible assets.

All remaining costs associated with IT services are recognised as an expense when incurred.

1.13 Leases

CEMG classifies its lease agreements as capital lease or operating leases taking into consideration the substance of the transaction rather than its legal form, in accordance with IAS 17 – Leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Operating leases

- As lessee

Payments made by CEMG under operating leases are charged to the income statement in the period to which they relate.

- As lessor

Assets leased out are recorded in the balance sheet, according to the nature of the asset.

Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term.

Costs, including the depreciation, incurred in earning the lease income are recognised on a straight-line basis over the lease term as interest income. The initial direct costs incurred by the lessor, such as negotiating and securing leasing arrangements Initial direct costs incurred by lessor in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The depreciation policy for depreciable leased assets shall be consistent with the lessor’s normal depreciation policy for similar assets, as described in Note 1.10.

CEMG performs impairment testing whenever events or circumstances show that the book value exceeds the recoverable amount and the difference between the book value and recoverable amount is charged in the income statement.

Finance leases

- As lessee

Finance lease contracts are recorded at inception date, both under assets and liabilities, at the cost of the asset leased, which is equal to the present value of outstanding lease instalments. Instalments comprise (i) an interest charge, which is recognised in the income statement and (ii) the amortisation of principal, which is deducted from liabilities. Financial charges are recognised as costs over the lease period, in order to produce a constant periodic rate of interest on the remaining balance of liability for each period.

- As lessor

Assets leased out are recorded in the balance sheet as loans granted, for an amount equal to the net investment made in the leased assets.

Interest included in instalments charged to customers is recorded as interest income, while amortisation of principal, also included in the instalments, is deducted from the amount of the loans granted. The recognition of the interest reflects a constant periodic rate of return on the lessor's net outstanding investment.

1.14 Investment property

CEMG classifies as investment property real state property ownedwith the aim of capital appreciation and/or the obtainment of rents.

Investment property is initially recognised at its production or acquisition cost, including the transaction costs directly attributable. After its initial recognition, investment properties are accounted at cost less depreciation and accumulated impairment losses.

Subsequent costs of investment properties are only added to the cost of the asset if it's likely the increment of future economic benefits compared with the initially recognized.

Investment properties are derecognized at sell or when it’s no longer expected future economic benefits from its detention. On disposal the difference between the net value of the asset sale and the amount recorded is recognized in the income statement at the selling date.

Transferences to and from investment properties are carried out when there is a change in use. In the transfer of investment property to real estate for own use, the estimated cost for subsequent accounting is the fair value at the date of the change of use. If a real estate for own use is reclassified as investment property, CEMG records this asset in accordance with the policy applicable to real estate for own use until the date of its transfer to investment property.

1.15 Employee benefits

Defined benefit plan

CEMG assumed the responsibility to pay its employees pensions on retirement or disabilities, as established in the terms of "Acordo Colectivo de Trabalho do Sector Bancário (ACT)", for employees engaged until 1 March 2009. The new admissions, since that date, are covered by the social security general scheme.

Starting on 1 January 2011, bank employees will be integrated in the General Social Healthcare System which will guarantee protection to the employees for maternity, paternity, adoption and old age issues. The Banks maintain the liability to guarantee the protection in illness, disability, survival and death (Decree-Law nr. 1-A/2011, from 3 January).

The contributive rate will be 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System ('Caixa de Abono de Família dos Empregados Bancários') which will be extinguished by the decree law referred above. As a consequence of this changing the capability to receive pensions by the actual employees will be covered by the General Social Healthcare System regime, considering the service period between 1 January 2011 and the retirement age. The Banks supports the remaining difference for the total pension assured in 'Acordo Colectivo de Trabalho'.

CEMG's pension obligations are financed by a fund managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A..

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

The liability with pensions is calculated semi-annually by CEMG, as at 31 December and 30 June for each plan individually, using the projected unit credit method, and is reviewed annually by qualified independent actuaries. The discount rate used in this calculation is determined by reference to interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liabilities. The net obligations are determined after the deduction of the fair value of the assets of the Pensions Plan.

Actuarial gains and losses determined semi-annually and resulting from (i) the differences between financial and actuarial assumptions used and real values obtained and (ii) changes in the actuarial assumptions, are recognised as an asset or liability and are recognised in the income statement using the corridor method defined by IAS 19 – Employees benefits.

This method establishes that the actuarial gains and losses accumulated at the beginning of the semester that exceed the greater of 10% of the pension liabilities or the fair value of the plan assets, as at the beginning of the semester, are charged to the income statement over a period that cannot exceed the average of the remaining working lives of the employees participating in the plan. CEMG determined on the basis of the above criteria to amortise the actuarial gains and losses that fall outside the corridor during a 24 year period. The actuarial gains and losses accumulated at the beginning of the period that are within the corridor are not recognised in the income statement.

At each period, the CEMG recognises as a cost in the income statement a net total amount that comprises (i) the service cost, (ii) the interest cost, (iii) the expected return on plan assets, (iv) a portion of the net cumulative actuarial gains and losses determined using the corridor method, and (v) the effect of curtailment losses related with early retirements, which includes the early amortisation of the respective actuarial gains and losses.

The effect of the early retirements corresponds to the increase in pension liabilities due to retirements before the normal age of retirement, which is 65 years.

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

The CEMG assesses at each reporting date and for each plan separately, the recoverability of any recognised asset in relation to the defined benefit pension plans, based on the expectation of reductions in future contributions to the funds.

Health care benefits

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

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

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

The measurement and recognition of the CEMG's liability with post-retirement healthcare benefits is similar to the measurement and recognition of the pension liability described above.

Variable remunerations to employees and to the Board of Directors (Bonus)

In accordance with IAS 19 – Employees benefits, variable remunerations (bonus) payment to employees and to the Board of Directors, are recognised in the income statement in the period to which they relate.

1.16 Income tax

According to the no. 1 a) of Article 10th, of IRC Legislation, CEMG is exempt from income tax payment (*Imposto sobre o Rendimento das Pessoas Colectivas – IRC*). This exemption was recognised by a regulation issued by the Ministerial Secretary of Fiscal Affairs dated 3 December, 1993, and confirmed by the Law no. 10-B/96 from 23 March, which approved the public budget for the year of 1996.

Income tax for the period comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Income tax recognised directly in equity relating to fair value re-measurement of available-for-sale financial assets and cash flow hedges is subsequently recognised in the income statement when gains or losses giving rise to the income tax are also recognised in the income statement.

Current tax is the tax expected to be paid on the taxable profit for the year, calculated using tax rates enacted or substantively enacted at the balance sheet date at each jurisdiction.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, and is calculated using the tax rates enacted or substantively enacted at the balance sheet date in any jurisdiction and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

1.17 Provisions

Provisions are recognised when (i) CEMG has a present legal or constructive obligation, (ii) it is probable that its payment will be required and (iii) a reliable estimate can be made of the amount of the obligation.

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

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

1.18 Interest income and expense

Interest income and expense are recognised in the income statement under interest and similar income and interest and similar expense for all non-derivative financial instruments measured at amortised cost and for the available-for-sale financial assets, using the effective interest method. Interest income arising from non-derivative financial assets and liabilities at fair value through profit or loss is also included under interest and similar income or interest expense and similar charges, respectively.

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, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is calculated at inception and it is not subsequently revised.

When calculating the effective interest rate, CEMG estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

In case of financial assets or groups of similar financial assets for which an impairment loss was recognised, interest income is calculated using the interest rate used to measure the impairment loss.

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

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

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

For derivative financial instruments, except for derivatives for risk management purposes, the interest component of the changes in their fair value is not separated out and is classified under net gains/(losses) from financial assets and financial liabilities at fair value through profit or loss. The interest component of the changes in the fair value of derivatives for risk management purposes is recognised under interest and similar income or interest expense and similar charges.

1.19 Fee and commission income

Fees and commissions are recognised as follows:

- Fees and commissions that are earned on the execution of a significant act, as loan syndication fees, are recognised as income when the significant act has been completed;

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

- Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recognised as income using the effective interest rate method.

1.20 Dividends from equity instruments

Dividends from equity instruments are recognised when the right to receive payment is established.

1.21 Segmental reporting

Since 1 January 2009, CEMG adopted the IFRS 8 – Operational Segments for purposes of disclosure of financial information by operating segments (see note 47).

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The results of the operating segments are periodically reviewed by Management, for decisions taking purposes. CEMG prepares on a regular basis, financial information regarding the operating segments, which is reported to the Management.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

1.22 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 inception date, including other loans and advances to credit institutions.

Cash and cash equivalents exclude restricted balances with central banks.

1.23 Critical accounting estimates, and judgements in applying accounting policies

IFRS set forth range of accounting treatments and require the Board of Directors to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects CEMG reported results and related disclosure. A broader description of the accounting policies employed by CEMG is shown in notes 1.1 to 1.21 to the consolidated financial statements.

Because in many cases there are other alternatives to the accounting treatment chosen by management, the CEMG's reported results would differ if a different treatment were chosen. The Board of Directors believes that the choices made by it are appropriate and that the consolidated financial statements present the CEMG's financial position and results fairly in all material respects.

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

Impairment of available for sale financial assets

CEMG determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost or when it has identified an event with impact on the estimated future cash flows of the assets. This determination requires judgement based on all available relevant information, including the normal volatility of the financial instruments prices. Considering the high volatility and the reduced markets liquidity, CEMG has considered the following parameters when assessing the existence of impairment losses:

(i) Equity securities: declines in market value above 30% in relation to the acquisition cost or market value below the acquisition cost for a period longer than twelve-months;

(ii) Debt securities: objective evidence of events that have an impact on the estimated future cash flows of these assets.

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

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

Fair value of derivatives

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

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model may have produced different financial results from the ones reported.

Impairment losses on loans and advances to customers

CEMG reviews its loan portfolios to assess impairment losses on a regularly basis, as described in note 1.5.

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

The use of alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the income statement of CEMG.

Held-to-maturity investments

CEMG follows the guidance of IAS 39 – Financial instruments: Recognition and Measurement on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity investments. This classification requires significant judgement.

In making this judgement, CEMG evaluates its intention and ability to hold such investments to maturity. If CEMG fails to keep these investments to maturity other than for 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 not amortised cost.

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

Securitizations and Special Purpose Entities ("SPE's")

CEMG sponsors the formation of Special Purpose Entities (SPE) primarily for asset securitisation transactions and for liquidity purposes.

CEMG does not consolidate SPE that it does not control. As it can sometimes be difficult to determine whether CEMG does control an SPE, it makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question (note 1.2).

The determination of the SPE that needs to be consolidated by CEMG requires the use of estimates and assumptions in determining the respective expected residual gains and losses and which party retains the majority of such residual gains and losses. Different estimates and assumptions could lead CEMG to a different scope of consolidation with a direct impact in net income.

Income taxes

CEMG 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 Tax Authorities are entitled to review the Bank determination of 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. However, the Board of Directors of the Bank and those of its subsidiaries, are confident that there will be no material differences arising from tax assessments within the context of the financial statements.

Pension and other employee's benefits

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

Changes in these assumptions could materially affect these values.

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

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

These balances are analysed as follows:

	Jun 2011 Euro '000	**Jun 2010 Euro '000**
Net interest income	158,342	129,140
Net gains arising from assets and liabilities at fair value through profit and loss and available-for-sale financial assets	28,621	40,948
	186,963	170,088

3 Net interest income

This balance is analysed as follows:

	Jun 2011			Jun 2010		
	Assets / Liabilities at amortised cost and available-for-sale Euro '000	**Assets / Liabilities at fair value through profit or loss Euro '000**	**Total Euro '000**	**Assets / Liabilities at amortised cost and available-for-sale Euro '000**	**Assets / Liabilities at fair value through profit or loss Euro '000**	**Total Euro '000**
Interest and similar income:						
Interest from loans and advances	251,530	-	251,530	216,330	-	216,330
Interest from other assets	4,951	-	4,951	10,929	-	10,929
Interest from deposits with banks	1,046	-	1,046	777	-	777
Interest from available-for-sale financial assets	130,694	-	130,694	32,717	-	32,717
Interest from held-to-maturity financial assets	1,133	-	1,133	1,214	-	1,214
Interest from hedging derivatives	1,632	-	1,632	1,893	-	1,893
Interest from available for trading financial assets	-	124,604	124,604	-	89,440	89,440
Other interest and similar income	8,562	-	8,562	3,940	-	3,940
	399,548	124,604	524,152	267,800	89,440	357,240
Interest and similar expense:						
Interest from deposits	133,835	-	-	67,349	-	67,349
Interest from securities issued	45,751	-	45,751	46,724	-	46,724
Interest from loans	4,387	-	4,387	2,351	-	2,351
Interest from other funding	20,089	-	20,089	23,749	-	23,749
Interest from hedging derivatives	1,218	-	1,218	973	-	973
Interest from available for trading financial assets	-	112,020	112,020	-	64,768	64,768
Other interest and similar expense	48,510	-	48,510	22,186	-	22,186
	253,790	112,020	365,810	163,332	64,768	228,100
Net interest income	145,758	12,584	158,342	104,468	24,672	129,140

4 Dividends from equity instruments

This caption in the amount of Euro 561,000 (31 December, 2010: Euro 538,000) is related to dividends from available-for-sale financial assets.

5 Net fee and commission income

The amount of this account is comprised of:

	Jun 2011 Euro '000	**Jun 2010 Euro '000**
Fee and commission income:		
From banking services	37,174	30,557
From transactions with third parties	4,673	4,502
From commitments to third parties	3,477	2,963
Other fee and commission income	7,495	4,104
	52,819	42,126
Fee and commission expense:		
From banking services rendered by third parties	7,700	6,869
From transactions with securities	243	177
Other fee and commission expense	1,151	222
	9,094	7,268
Net fee and commission income	43,725	34,858

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

The amount of this account is comprised of:

	Jun 2011			Jun 2010		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
	Euro '000	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**
Assets and liabilities held for trading						
Bonds and other fixed income securities						
Issued by public entities	-	-	-	328	1,256	(928)
Issued by other entities	151	-	151	177	256	(79)
Share	270	265	5	54	257	(203)
Participation units	2	19	(17)	-	-	-
	423	284	139	559	1,769	(1,210)
Derivative financial instruments						
Exchange rate contracts	141,563	141,920	(357)	147,360	148,532	(1,172)
Interest rate contracts	241,118	279,649	(38,531)	230,577	195,691	34,886
Credit default contracts	1,425	1,616	(191)	2,886	3,717	(831)
Others	93,272	28,872	64,400	46,514	45,101	1,413
	477,378	452,057	25,321	427,337	393,041	34,296
	477,801	452,341	25,460	427,896	394,810	33,086
Other financial assets at fair value through profit or loss						
Bonds and other fixed income securities						
Issued by other entities	-	175	(175)	-	28	(28)
Financial liabilities						
Other loans and advances to credit institutions	600	76	524	536	262	274
Deposits from customers	896	403	493	298	263	35
Debt securities issued	15	-	15	104	-	104
Other subordinated debt	11,131	11,344	(213)	15,600	17,103	(1,503)
	12,642	11,823	819	16,538	17,628	(1,090)
	490,443	464,339	26,104	444,434	412,466	31,968

7 Net gains arising from available-for-sale financial assets

The amount of this account is comprised of:

	Jun 2011			Jun 2010		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
	Euro '000	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**
Bonds and other fixed income securities						
Issued by public entities	4,716	2,788	1,928	1,87	492	1,380
Issued by other entities	11,595	11,160	435	5,53	670	4,861
Shares	57	1	56	2,66	-	2,660
Other variable income securities	105	7	98	85	6	79
	16,473	13,956	2,517	10,14	1,168	8,980

8 Net gains from foreign exchange differences

The amount of this account is comprised of:

	Jun 2011			Jun 2010		
	Gains	**Losses**	**Total**	**Gains**	**Losses**	**Total**
	Euro '000	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**
Foreign exchange differences	45,906	43,164	2,742	8,329	7,154	1,175

This account is comprised of the results from foreign exchange differences of monetary assets and liabilities in foreign currency in accordance with the accounting policy 1.3.

9 Other operating income

The amount of this account is comprised of:

	Jun 2011 Euro '000	Jun 2010 Euro '000
Other operating income:		
Income from services	3,129	2,517
Reimbursement of expenses	3,086	966
Profits arising from deposits on demand management	3,683	4,031
Repurchase debt	8,505	3,650
Other operating income	2,373	1,135
	20,776	12,299
Other operating expense:		
Indirect taxes	869	58
Donations and quotizations	178	171
Contributions to the Deposit Guarantee Fund	1,078	845
Other operating expenses		2,211
	8,783	3,285
Other net operating income	11,993	9,014

10 Staff costs

The amount of this account is comprised of:

	Jun 2011 Euro '000	Jun 2010 Euro '000
Remunerations	62,055	53,498
Health-care benefits – SAMS	2,592	3,143
Mandatory social security charges	15,791	4,148
Other charges with the pensions fund	10,607	11,831
Other staff costs	1,441	1,564
	92,486	74,184

The health-care benefits – SAMS include the amount of Euro 360,000 (30 June, 2010: Euro 357,000) related to the health-care net periodic benefit cost, which was determined based on the actuarial valuation performed (as referred in note 47).

The costs with salaries and other benefits attributed to CEMG key management personnel, during the first semester of 2011, are presented as follows:

	Boards of Directors Euro '000	**Other key Management personnel Euro '000**	**Total Euro '000**
Salaries and other short-term benefits	898	2,608	3,506
Pension costs and health-care benefits (SAMS)	8	100	108
Variable remunerations	-	218	218
	906	2,926	3,832

The costs with salaries and other benefits attributed to CEMG key management personnel, during the first semester of 2010, are presented as follows:

	Boards of Directors Euro '000	**Other key management Euro '000**	**Total Euro '000**
Salaries and other short-term benefits	669	2,258	2,927
Pension costs and health-care benefits (SAMS)	3	80	83
Variable remunerations	-	75	75
	672	2,413	3,085

It is our understanding that the Other key management personnel are the top Directors of CEMG.

As at 30 June 2011 and 2010, loans granted by CEMG to its key management personnel, amounted to Euro 4,770,000 and Euro 4,517,000, respectively.

The average number of employees by professional category at service in CEMG during the first semester of 2011 and the year of 2010 is analysed as follows:

	Jun 2011	**Dec 2010**
Management	224	127
Managerial staff	818	494
Technical staff	1,113	654
Specific categories	217	139
Administrative	1,865	1,362
Staff	84	66
	4,321	2,842

11 General and administrative expenses

The amount of this account is comprised of:

	Jun 2011 Euro '000	Jun 2010 Euro '000
Rents	12,339	10,045
Specialised services		
Information technology services	5,723	5,059
Outsourcing	2,558	1,527
Other specialised services	7,228	5,443
Advertising	4,047	2,405
Communications	5,108	4,367
Water, electricity and fuel	2,654	2,090
Maintenance and related services	2,585	2,526
Transportation	1,524	1,733
Insurance	1,152	1,280
Travel, hotel and representation costs	837	539
Consumables	1,310	691
Training costs	132	339
Other supplies and services	1,646	1,235
	48,843	39,279

The balance Rents includes the amount of Euro 7,959,000 (31 December, 2010: Euro 15,621,000) related to rents paid regarding buildings used by CEMG as leaser.

12 Depreciation and amortisation

The amount of this account is comprised of:

	Jun 2011 Euro '000	Jun 2010 Euro '000
Intangible assets:		
Software	3,774	3,539
Other intangible assets	426	-
	4,200	3,539
Other tangible assets:		
Land and buildings	2,098	1,674
Equipment		
Furniture	892	284
Office equipment	25	29
Computer equipment	3,456	3,166
Interior installations	32	600
Motor vehicles	11	2
Security equipment	1,130	178
Operational lease – Renting	550	365
Other tangible assets	48	-
	8,242	6,298
	12,442	9,837

13 Loans impairment

The amount of this account is comprised of:

	Jun 2011 Euro '000	**Jun 2010 Euro '000**
Overdue loans and advances to customers:		
Charge for the period	248,018	265,702
Write-back for the period	(186,369)	(211,993)
Recovery of loans and interest charged-off	(3,008)	(1,180)
	58,641	52,529
Other loans and advances to credit institutions		
Charge for the period	103	54
Write-back for the period	(116)	(72)
	(13)	(18)
	58,628	52,511

14 Other assets impairment

The amount of this account is comprised of:

	Jun 2011 Euro '000	**Jun 2010 Euro '000**
Impairment for investments arising from recovered loans:		
Charge for the period	7,927	7,880
Write-back for the period	-	(1,995)
	7,927	5,885
Impairment for securities:		
Charge for the period	7,703	1,371
Write-back for the period	(946)	(202)
	6,757	1,169
	14,684	7,054

15 Other provisions

The amount of this account is comprised of:

	Jun 2011 Euro '000	Jun 2010 Euro '000
Provision for liabilities and charges:		
Charge for the period	894	235
Write-back for the period	(375)	(210)
	519	25

16 Share of profit of associates under the equity method

The contribution of the associated companies accounted for under the equity method to CEMG’s profit is as follows:

	Jun 2011 Euro '000	Jun 2010 Euro '000
Lusitania, Companhia de Seguros, S.A.	(2,207)	(1,109)
Lusitania Vida, Companhia de Seguros, S.A.	1,048	1,064
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	(181)	(85)
Prio Energie, S.G.P.S., S.A.	390	-
	(950)	(130)

17 Cash and deposits at central banks

This balance is analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Cash	146,030	95,641
Bank of Portugal	212,235	144,383
Deposits at foreign central banks	42,526	-
	400,791	240,024

The balance Bank of Portugal includes mandatory deposits intended to satisfy legal minimum cash requirements. According to the European Central Bank Regulation (CE) no. 2818/98, of 1 December 1998, minimum cash requirements kept as deposits with the Bank of Portugal earn interest, and correspond to 2% of deposits and debt certificates maturing in less than 2 years, excluding deposits and debt certificates of institutions subject to the European System of Central Banks’ minimum reserves requirements.

As at 30 June 2011, these deposits have earned interest at an average rate of 1.25% (31 December, 2010: 1%).

18 Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Credit institutions in Portugal	33,972	16,372
Credit institutions abroad	17,561	12,209
Amounts due for collection	61,414	45,772
	112,947	74,353

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

19 Other loans and advances to credit institutions

This balance is analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Loans and advances to credit institutions in Portugal		
Deposits	205	205
Short term deposits	100,000	260,003
Loans	39,811	-
Other loans and advances	-	10,000
	140,016	270,208
Loans and advances to credit institutions abroad		
Central Banks	3,734	-
Deposits	143	112
Short term deposits	70,000	-
Subordinated advances	2,000	-
Other loans and advances	108,273	68,392
	184,150	68,504
	324,166	338,712
Impairment for credit risks over credit institutions	(136)	(50)
	324,030	338,662

The main loans and advances to credit institutions in Portugal, as at 30 June 2011, bear interest at an average annual interest rate of 2.25% (31 December, 2010: 1.37%).

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

The changes in the impairment for credit risks over credit institutions in the year are analysed as follows:

	Jun 2011 Euro '000	**Jun 2010 Euro '000**
Impairment for credit risks over credit institutions:		
Balance on 1 January	50	66
Charge for the period	103	54
Write-back for the period	(116)	(72)
Transfers	99	-
Balance on 30 June	136	48

The balance Transfers corresponds to the values transferred from Finibanco Holdings, S.G.P.S., S.A. and its subsidiaries in the acquisition by CEMG at 31 March, 2011.

20 Loans and advances to customers

This balance is analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Domestic loans:		
Corporate		
Loans	1,987,202	1,388,583
Commercial lines of credits	2,540,660	2,106,934
Finance leases	409,700	229,348
Discounted bills	187,925	87,087
Factoring	150,948	109,683
Overdrafts	126,961	9,134
Other loans	929,301	756,961
Retail		
Mortgage loans	9,124,404	8,937,169
Finance leases	85,108	45,001
Consumer and other loans	1,279,633	828,554
	16,821,842	14,498,454
Foreign loans:		
Corporate		
Overdrafts	5,958	-
Other loans	2,708	-
Retail		
Mortgage loans	11,888	-
Consumer and other loans	3,724	-
	24,278	-
	16,846,120	14,498,454
Overdue loans and interest:		
Less than 90 days	108,754	90,750
More than 90 days	524,941	486,740
	633,695	577,490
	17,479,815	15,075,944
Impairment for credit risks	(687,759)	(521,811)
	16,792,056	14,554,133

As at 30 June 2011, the balance Loans and advances to customers (net of impairment losses) includes the amount of Euro 266,895,000 (31 December, 2010: Euro 285,895,000) related to securitised loans following the consolidation of securitisation vehicles (see note 49), according to the accounting policy 1.2, the liabilities related to these securitisations are booked under debt securities issued (see note 39).

As at 30 June 2011, this balance includes Euro 2,238,258,000 regarding mortgage loans that collateralise the issue of covered bonds issued by CEMG, as referred in note 39.

CEMG performed in July 2009 the first issue of covered bonds in the amount of Euro 1,000,000,000 and maturity of three years. This issue was performed under the CEMG Covered Bonds Programme. The interest rate is 3.25%.

As at 30 June 2011, the account Mortgage Loans included the amount of approximately Euro 461,295,000 (2010: Euro 387,183,000) related to loans subject of securitization, which according to note 1.5 were not derecognized. This value is equally recognized in the Liabilities balance, more specifically in the financial liabilities associated with transferred assets account, as referred in note 39.

At June 2011 and 31 December 2010 the balance Overdue loans for more than 90 days includes the amount of Euro 1,532,000 related to loans bought at court auctions. These amounts correspond to loans overdue for more than three years for which the contractual obligation with the former debtor has been extinguished due to the acquisition in court auction bankruptcy or acquisition through foresale but for which there are still pending legal actions.

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

The movements of the impairment for credit risk are analysed as follows:

	Jun 2011 Euro '000	**Jun 2010 Euro '000**
Impairment for credit risk:		
Balance on 1 January	521,811	493,913
Impairment for the period	248,018	265,702
Write-back for the period	(186,369)	(211,993)
Loans charged-off	(81,982)	(50,658)
Transfers	186,281	-
Balance on 30 June	687,759	496,964

The balance Transfers corresponds to the values transferred from Finibanco Holdings, S.G.P.S., S.A. and its subsidiaries in the acquisition by CEMG at 31 March 2011.

In accordance with CEMG's policy, interest on credits overdue for a period over 30 days not covered by asset-backed guarantees, is only recorded as income when received.

If the impairment loss decreases on 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 the accounting policy described in note 1 c), loans and advances to customers are charged-off when there are no feasable expectations, from an economic perspective, of recovering the loan amount. For collateralized loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out only for loans that are considered not to be recoverable and fully provided.

The analysis of recovered loans and overdue interest, performed during the period of 1 January to 30 June 2010, and during the year of 2010, amounts to Euro 3,308,000 and Euro 2,376,000, respectively, related with asset-backed loans recovered, as referred in note 13.

As at 30 June 2011 and 31 December 2010, the impairment detail in accordance with account policy describe in note 1.5 is as follows:

Jun 2011

	Impairment in an individual basis		**Impairment in an portfolio basis**		**Total**		
	Loan Value Euro '000	**Impairment Euro '000**	**Loan Value Euro '000**	**Impairment Euro '000**	**Loan Value Euro '000**	**Impairment Euro '000**	**Loans net from impairment Euro '000**
Loans to companies	1,304,472	255,853	5,645,423	236,709	6,949,894	492,562	6,457,3
Loans to costumers - Housing	1,236	661	9,258,083	94,659	9,259,319	95,320	9,163,9
Loans to costumers - Others	22,791	8,849	1,247,811	91,028	1,270,602	99,877	1,170,7
	1,328,499	265,363	16,151,317	422,396	17,479,815	687,759	16,792,0

Dec 2010

	Impairment in an individual basis		**Impairment in an portfolio basis**		**Total**		
	Loan Value Euro '000	**Impairment Euro '000**	**Loan Value Euro '000**	**Impairment Euro '000**	**Loan Value Euro '000**	**Impairment Euro '000**	**Loans net from impairment Euro '000**
Loans to companies	925,863	176,451	4,031,149	209,744	4,957,012	386,195	4,570,817
Loans to costumers - Housing	-	-	9,205,612	116,888	9,205,612	116,888	9,088,724
Loans to costumers - Others	-	-	913,320	18,728	913,320	18,728	894,592
	925,863	176,451	14,150,081	345,360	15,075,944	521,811	14,554,133

Fair value of the collaterals associated to the loans portfolio is analyzed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Loans with impairment:		
Individually significant:		
Securities and other financial assets	87,029	62,233
Residential real estate (Housing Loans)	9,982	4,802
Other real estate (Civil Construction)	1,325,559	1,157,645
Other guarantees	88,910	19,003
	1,511,480	1,243,683
Parametric analysis:		
Securities and other financial assets	179,405	39,486
Residential real estate (Housing Loans)	2,217,687	1,989,773
Other real estate (Civil Construction)	1,149,406	850,227
Other guarantees	307,346	63,130
	3,853,844	2,941,622
Loans without impairment:		
Securities and other financial assets	889,173	590,373
Residential real estate (Housing Loans)	14,563,823	13,526,231
Other real estate (Civil Construction)	3,765,616	3,666,371
Other guarantees	676,581	94,675
	19,895,193	17,877,650
	25,260,517	22,062,955

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

21 Financial assets and liabilities held for trading

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

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Financial assets held for trading:		
Securities		
Shares	5,869	2,805
Bonds	-	3,192
	5,869	5,997
Derivatives		
Derivatives financial instruments with positive fair value	139,624	124,868
	145,563	130,865
Financial liabilities held for trading:		
Derivatives		
Derivatives financial instruments with negative fair value	77,152	53,891

The trading portfolio is recorded at fair value trough profit or loss, in accordance with the accounting policy 1.6. As referred in the accounting policy, the securities held for trading are those who are acquired with the purpose of short term transactions, independently from its maturity.

As referred in IFRS 7, financial assets held for trading and available for sale are valued in accordance with the following fair value measurement levels:

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

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

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

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

The book value of the assets and liabilities at fair value through profit or loss as at 30 June 2011, is as follows:

		Jun 2011						
		Derivative			Related asset / liability			
Derivative	**Related financial asset / liability**	**Notional Euro '000**	**Fair value Euro '000**	**Changes in the fair value in the period Euro '000**	**Fair value Euro '000**	**Changes in the fair value in the period Euro '000**	**Book value Euro '000**	**Reimbursement amount at maturity date Euro '000**
Interest rate swap	Securities issued	1,226,410	38,288	12,909	62,245	98,469	401,609	401,609
Interest rate swap	Deposits	3,026,245	3,868	(13,518)	(609)	(14,563)	1,504,117	1,504,117
Interest rate swap	Deposits from customers	450,782	7,019	(5,244)	14,859	17,617	222,874	222,874
Interest rate swap	Titularization	10,280,446	(7,584)	(5,750)	-	-	-	-
Interest rate swap	Covered bonds	12,902,496	20,710	2,687	2,520	10,137	1,000,000	1,000,000
Interest rate swap	-	400,000	(1,586)	1,586	-	-	-	-
Currency interest rate swap	Debt issued	1,411,295	(648)	(393)	-	-	-	-
CIRS	-	8,730	(177)	(177)	-	-	-	-
Interest rate futures	-	91,621	102	103	-	-	-	-
Options	Time deposits and other deposits	103,859	799	46	-	-	-	-
Credit default swaps	-	153,278	(1,421)	(684)	-	-	-	-
		30,055,162	62,542	8,435	79,015	111,660	3,128,600	3,128,600

The book value of the assets and liabilities at fair value through profit or loss as at 31 December 2010, is as follows:

		Dec 2010						
		Derivative			Related asset / liability			
Derivative	Related financial asset / liability	Notional Euro '000	Fair value Euro '000	Changes in the fair value in the year Euro '000	Fair value Euro '000	Changes in the fair value in the year Euro '000	Book value Euro '000	Reimbursement amount at maturity date Euro '000
Interest rate swap	Securities issued	605,000	25,379	2,617	(36,223)	(48,475)	302,500	302,500
Interest rate swap	Deposits	3,609,775	17,386	13,230	12,954	11,593	2,013,304	2,013,304
Interest rate swap	Deposits from customers	490,052	12,263	(3,102)	(2,757)	(13,319)	247,113	247,113
Interest rate swap	Titularization	10,717,877	(1,834)	(2,168)	-	-	-	-
Interest rate swap	Mortgages loans	11,890,474	18,023	7,891	(7,617)	(8,061)	1,000,000	1,000,000
Currency interest rate swap	Debt issued	538,428	(225)	(1,672)	-	-	-	-
Interest rate futures	-	14,298	(1)	(1)	-	-	-	-
Options	Time deposits and other deposits	70,586	753	169	-	-	-	-
Credit default swaps	-	89,710	(737)	(306)	-	-	-	-
		28,026,200	70,977	16,658	(33,643)	(58,262)	3,562,917	3,562,917

The fair value of the derivatives financial instruments includes the valuation of the embedded derivatives separated from the host contract in accordance with the accounting policy 1.3 in the amount of Euro 5,881,000 (31 December, 2010: Euro 6,276,000).

22 Other Financial assets and liabilities at fair value through profit or loss

This balance in the amount of Euro 3,685,000 (31 December 2010: 3,952,000) refers to bonds and other fixed income securities issued by other entities.

In light of IAS 39 and in accordance with the accounting policy 1.6, CEMG designated these financial assets as at fair value through prof it or loss, in accordance with the documented risk management, considering that these financial assets (i) are managed and evaluated on a fair value basis and/or (ii) have embedded derivatives.

The financial assets at fair value trough profit or loss are valued in accordance with market prices or providers. Therefore, accordingly with the hierarchy of the valuation sources, as referred in IFRS 7 these instruments are classified in the level 1.

As at 30 June 2011 and 31 December 2010, the securities portfolio included in the other financial assets at fair value through profit and loss is quoted and with a maturity greater than 1 year.

23 Available-for-sale financial assets

This balance is analysed as follows:

	Jun 2011				
		Fair value reserve			
	Cost [1] Euro '000	Positive Euro '000	Negative Euro '000	Impairment losses Euro '000	Book value Euro '000
Fixed income securities:					
Issued by public entities:					
Portuguese	1,603,565	1,803	(225,692)	-	1,379,676
Foreign	160,232	698	(2,815)	(5,056)	153,059
Issued by other entities:					
Portuguese	670,435	677	(21,168)	(1,633)	648,311
Foreign	534,701	1,034	(50,773)	(5,048)	479,914
Commercial paper	280,874	-	-	(998)	279,876
Variable income securities:					
Shares in companies:					
Portuguese	10,666	297	(33)	(4,124)	6,806
Foreign	6,123	136	(242)	(1,040)	4,977
Investment fund units	50,077	944	(1,054)	-	49,967
	3,316,673	5,589	(301,777)	(17,899)	3,002,586

[1] Acquisition cost relating to shares and amortised cost relating to debt securities.

	Dec 2010				
		Fair value reserve			
	Cost [(1)] Euro '000	Positive Euro '000	Negative Euro '000	Impairment losses Euro '000	Book value Euro '000
Fixed income securities:					
Issued by public entities:					
Portuguese	1,075,466	2,155	(30,457)	-	1,047,164
Foreign	114,501	365	(4,468)	-	110,398
Issued by other entities:					
Portuguese	465,122	487	(13,342)	(1,284)	450,983
Foreign	622,608	1,336	(41,865)	(15,608)	566,471
Commercial paper	242,634	-	-	(997)	241,637
Variable income securities:					
Shares in companies:					
Portuguese	3,865	190	(31)	(279)	3,745
Foreign	4,123	78	(124)	(947)	3,130
Investment fund units	7,127	270	(300)	(57)	7,040
	2,535,446	4,881	(90,587)	(19,172)	2,430,568

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

As referred in the accounting policy 1.6, the portfolio of assets available-for-sale are presented at market value with fair value changes accounted for against fair value reserves, as referred in note 39. CEMG assesses periodically whether there is objective evidence of impairment losses on the available-for-sale financial assets, following the judgment criteria's described in accounting policy 1.23.

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

	Jun 2011 Euro '000	Jun 2010 Euro '000
Impairment for securities:		
Balance on 1 January	19,172	23,658
Charge for the period	7,703	1,371
Charged-off	(946)	(202)
Write-back for the period	(9,295)	(57)
Transfers	1,265	-
Balance on 30 June	17,899	24,770

The balance Transfers corresponds to the values transferred from Finibanco Holdings, S.G.P.S., S.A. and its subsidiaries in the acquisition by CEMG at 31 March 2011.

During the first semester of 2011 and as referred in accounting policy 1.6, were written-off impairment losses in the amount of Euro 1,273,000 (30 June, 2010: Euro 1,112,000).

CEMG recognizes impairment on available-for-sale financial assets when there is a significant or prolonged decrease in its fair value or when there is an impact on expected future cash flows of the assets. This valuation involves judgment, in which CEMG takes into consideration among other factors, the volatility of the prices of securities.

Thus, as a consequence of the low liquidity and significant volatility in financial markets, the following factors were taken into consideration in determining the existence of impairment:

- Equity instruments: (i) decreases more than 30% against the purchase price; or (ii) the market value below the purchase price for a period exceeding 12 months;

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

As referred in the accounting policy 1.6, the available-for-sale securities portfolio is presented net of fair value reserve and impairment losses in the amount of Euro 296,188,000 and Euro 17,899,000 (31 December, 2010: Euro 87,706,000 and Euro 19,172,000), respectively.

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

	Jun 2011			**Dec 2010**		
	Quoted Euro '000	**Unquoted Euro '000**	**Total Euro '000**	**Quoted Euro '000**	**Unquoted Euro '000**	**Total Euro '000**
Fixed income securities:						
Issued by public entities:						
Portuguese	1,379,676	-	1,379,676	1,047,164	-	1,047,164
Foreign	147,464	5,595	153,059	110,398	-	110,398
Issued by other entities:						
Portuguese	176,280	472,031	648,311	423,667	27,316	450,983
Foreign	479,914	-	479,914	562,081	4,390	566,471
Commercial paper	-	279,876	279,876	-	241,637	241,637
Variable income securities:						
Shares in companies:						
Portuguese	965	5,841	6,806	861	2,884	3,745
Foreign	4,673	304	4,977	2,972	158	3,130
Investment fund units	49,967	-	49,967	7,040	-	7,040
	2,238,939	763,647	3,002,586	2,154,183	276,385	2,430,568

24 Hedging derivatives

This balance is analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Assets:		
Interest rate swap	1,955	2,810
Liabilities:		
Interest rate swap	1,120	1,408

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

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

CEMG performs periodical effectiveness tests of the hedging relationships.

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

	Jun 2011 Euro '000	Dec 2010 Euro '000
Deposits from other credit institutions	525	864
Debt securities issued	15	242
Deposits from customers	227	271
	767	1,377

The analysis of the hedging derivatives portfolio by maturity date, as at 30 June 2011 is as follows:

	Jun 2011							
	Notional with remaining term				Fair value			
	Due within 3 months Euro '000	3 months to 1 year Euro '000	Over 1 year Euro '000	Total Euro '000	Due within 3 months Euro '000	3 months to 1 year Euro '000	Over 1 year Euro '000	Total Euro '000
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	-	40,000	115,000	155,000	-	553	282	835

The analysis of the hedging derivatives portfolio by maturity as at, 31 December 2010 is as follows:

	Dec 2010							
	Notional with remaining term				Fair value			
	Due within 3 months Euro '000	3 months to 1 year Euro '000	Over 1 year Euro '000	Total Euro '000	Due within 3 months Euro '000	3 months to 1 year Euro '000	Over 1 year Euro '000	Total Euro '000
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	20,000	80,000	115,000	215,000	147	1,394	(139)	1,402

As at 30 June 2011, the fair value hedge relationships present the following features:

Jun 2011							
Derivative	Hedged item	Hedged risk	Notional Euro '000	Fair value of derivative[(2)] Euro '000	Changes in the fair value of the derivative in the period Euro '000	Hedged item fair value [(1)] Euro '000	Changes in the fair value of the hedged item in the year [(1)] Euro '000
Interest rate swap	Deposits from customers	Interest rate	40,000	553	(158)	144	(227)
Interest rate swap	Deposits	Interest rate	20,000	970	1,121	558	(539)
Interest rate swap	EMTN	Interest rate	95,000	(688)	(254)	(220)	78
			155,000	835	709	482	(688)

(1) Attributable to the hedged risk.
(2) Includes accrued interest.

As at 31 December 2010, the fair value hedge relationships present the following features:

Dec 2010							
Derivative	Hedged item	Hedged risk	Notional Euro '000	Fair value of derivative[(2)] Euro '000	Changes in the fair value of the derivative in the year Euro '000	Hedged item fair value [(1)] Euro '000	Changes in the fair value of the hedged item in the year [(1)] Euro '000
Interest rate swap	Deposits from customers	Interest rate	40,000	396	(302)	371	(271)
Interest rate swap	Deposits	Interest rate	80,000	2,091	(1,995)	1,097	(1,106)
Interest rate swap	EMTN	Interest rate	95,000	(1,085)	(812)	(298)	(212)
Currency interest rate swap	Debt issued	Interest rate	-	-	-	-	-
			215,000	1,402	(3,109)	(1,170)	(1,589)

(1) Attributable to the hedged risk.
(2) Includes accrued interest.

25 Held-to-maturity investments

This balance is analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Fixed income securities:		
Bonds issued by Portuguese public entities	37,135	44,111
Bonds issued by foreign public entities	11,179	14,033
	48,314	58,144

CEMG assessed, with reference to 30 June 2011, the existence of objective evidence of impairment on its held-to-maturity investments portfolio and no events with impact on the recoverable amount of the future cash flows associated with those investments were identified.

The held-to-maturity investments, as at 30 June 2011 are analysed as follows:

Issue	Issue date	Maturity date	Interest rate	Book Value Euro '000
OT - Setembro_98/23-09-2013	May, 1998	September, 2013	Fixed rate 5.45%	99
OT - Junho_02/15-06-2012	February, 2002	June, 2012	Fixed rate 5.00%	30,930
OT - Outubro_05/15-10-2015	July, 2005	October, 2015	Fixed rate 3.35%	6,107
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate 3.25%	5,075
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate 3.50%	2,049
Belgium Kingdom 05/28-09-2015	March, 2005	September, 2013	Fixed rate 3.75%	2,018
Buoni Poliennali Del Tes. 05/2015	May, 1998	August, 2015	Fixed rate 3.75%	1,985
OT – Cabo Verde – Março 10/2013	March, 2010	March, 2013	Fixed rate 5.740%	51
				48,314

The held-to-maturity investments are stated in accordance with the established in the accounting policy 1.6.

During the first semester of 2011 and the year of 2010, CEMG did not transfer to or from this assets category.

26 Investments in associated companies and others

This balance is analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Investments in associated companies and others		
Lusitania, Companhia de Seguros, S.A.	17,250	19,786
Lusitania Vida, Companhia de Seguros, S.A.	12,183	13,321
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	3,719	3.953
Prio Foods - S.G.P.S., S.A.	18,999	-
Prio Energy - S.G.P.S., S.A.	5,250	-
Iberpartners	1,052	-
Pinto & Bulhosa	191	-
Navicer	150	-
	58,794	37,060
Impairment for associated companies	(341)	-
	58,453	37,060
Unquoted	58,453	37,060

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

	Assets Euro '000	**Liability Euro '000**	**Equity Euro '000**	**Income Euro '000**	**Profit / (Loss) Euro '000**	**Acquisition cost Euro '000**
30 June 2011						
Lusitania, Companhia de Seguros, S.A.	550,350	483,105	67,245	116,694	(8,604)	23,566
Lusitania Vida, Companhia de Seguros, S.A.	509,578	478,611	30,967	24,909	2,663	9,530
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	48,191	29,597	18,594	3,399	(905)	3,200
Iberpartners	4,913	1,335	3,578	-	-	1,000
Prio Foods, SGPS, S.A.	217,950	169,987	47,963	-	-	21,018
Prio Energy, SGPS, S.A.	142,758	116,510	24,926	107,287	1,952	4,300
31 December 2010						
Lusitania, Companhia de Seguros, S.A.	573,023	495,884	77,139	218,277	897	23,566
Lusitania Vida, Companhia de Seguros, S.A.	513,640	479,780	33,860	51,492	4,506	9,530
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	50,361	30,598	19,763	8,106	(246)	3,200

	Percentage held		Book value		Share of profit of associates	
	Jun 2011	**Dec 2010**	**Jun 2011**	**Dec 2010**	**Jun 2011**	**Dec 2010**
Lusitania, Companhia de Seguros, S.A.	26.25%	26.25%	17,250	19,786	(2,207)	230
Lusitania Vida, Companhia de Seguros, S.A.	39.34%	39.34%	12,183	13,321	1,048	1,773
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	20%	20%	3,719	3,953	(181)	(49)
Iberpartners	29.41%	-	1,052	-	-	-
Prio Foods SGPS, S.A.	20%	-	18,999	-	-	-
Prio Energie SGPS, S.A.	20%	-	5,250	-	390	-

The movement in this balance is analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Impairment in associated companies:		
Balance on 1 January	-	-
Transfers	341	-
Balance on 30 June	341	-

The balance Transfers corresponds to the values transferred from Finibanco Holdings, S.G.P.S., S.A. and its subsidiaries in the acquisition by CEMG at 31 March 2011.

27 Non- current assets held for sale

This balance is analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Investments arising from recovered loans	282,331	201,710
Impairment for non-current assets held for sale	(47,262)	(39,336)
	235,069	162,374

The assets included in this balance are accounted for in accordance with the accounting policy 1.10.

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

Os referidos activos estão disponíveis para venda num prazo inferior a 2 anos, tendo a CEMG uma estratégia para a sua alienação. No entanto, face às actuais condições de mercado não é possível em algumas situações concretizar essas alienações no prazo esperado.

This balance includes buildings and other assets for which the Group has already established contracts for the sale in the amount of Euro 19,849,000 (31 December, 2010: Euro 13,996,000).

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

	Jun 2011 **Euro '000**	**Jun 2010** **Euro '000**
Impairment for non-current assets held for sale		
Balance on 1 January	39,335	29,336
Impairment for the period	7,927	7,880
Write-back for the period	-	(1,995)
Loans charged-off	-	(14)
Balance on 30 June	47,262	35,207

28 Property and equipment

This balance is analysed as follows:

	Jun 2011 **Euro '000**	**Dec 2010** **Euro '000**
Cost:		
Land and buildings	20,824	-
Accumulated depreciation:		
Charge for the period	(891)	-
Accumulated charge for the previous years	(624)	-
	(1,515)	-
	19,309	-

The Property and equipment movements, during the first semester of 2011, are analysed as follows:

	June 2011				
	Balance on 1 January Euro '000	**Acquisitions/ Charges Euro '000**	**Disposals Euro '000**	**Adjustment/ Transfers Euro '000**	**Balance on 30 June Euro '000**
Cost:					
Land and buildings	22,585	24	(2,400)	(900)	19,309

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

29 Other tangible assets

This balance is analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Cost:		
Land and buildings:		
For own use	107,701	62,353
Leasehold improvements in rented buildings	55,563	24,225
Work in progress	355	33
Equipment:		
Furniture	20,497	11,070
Office equipment	3,325	1,869
Computer equipment	83,037	58,367
Interior installations	22,056	15,837
Motor vehicles	4,980	436
Security equipment	9,573	4,972
Other equipment	4	-
Assets in operational lease	8,676	4,965
Works of art	1,055	1,050
Other tangible assets	3,904	31
Work in progress	5,523	3,342
	326,249	188,550
Accumulated depreciation:		
Charge for the period	(8,242)	(13,074)
Accumulated charge for the previous years	(167,543)	(86,189)
	(175,785)	(99,263)
	150,464	89,287

The other tangible assets movements, during the first semester of 2011, are analysed as follows:

	June 2011				
	Balance on 1 January Euro '000	**Acquisitions/ Charges Euro '000**	**Disposals Euro '000**	**Adjustment/ Transfers Euro '000**	**Balance on 30 June Euro '000**
Cost:					
Land and buildings:					
For own use	62,353	-	-	45,348	107,701
Leasehold improvements in rented buildings	24,225	291	-	31,047	55,563
Work in progress	33	7	-	315	355
Equipment:					
Furniture	11,070	1,110	(224)	8,541	20,497
Office equipment	1,869	9	(52)	1,499	3,325
Computer equipment	58,367	3,852	(306)	21,124	83,037
Interior installations	15,837	214	(15)	6,020	22,056
Motor vehicles	436	204	(152)	4,492	4,980
Security equipment	4,972	155	(8)	4,454	9,573
Other equipment	-	-	-	4	4
Assets in operational lease	4,965	2,118	(349)	1,942	8,676
Works of art	1,050	5	-	-	1,055
Other tangible assets	31	835	(14)	3,052	3,904
Work in progress	3,342	1,791	-	390	5,523
	188,550	10,591	(1,120)	128,228	326,249
Accumulated depreciation:					
Land and buildings:					
For own use	16,055	934	-	9,699	26,688
Leasehold improvements in rented buildings	15,984	1,164	-	18,749	35,897
Equipment:					
Furniture	8,014	892	(224)	6,511	15,193
Office equipment	1,771	-	(41)	1,589	1,548
Computer equipment	-	25	(286)	2,493	4,003
Interior installations	43,937	3,456	(41)	18,070	65,422
Motor vehicles	8,698	32	(115)	4,712	13,327
Security equipment	376	11	(19)	3,273	3,641
Assets in operational lease	3,244	1,130	-	1,540	5,914
Other tangible assets	1,184	550	(133)	210	1,811
	-	48	(14)	2,307	2,341
	99,263	8,242	(873)	69,153	175,785

The balance Adjustment/Transfers corresponds to the values transferred from Finibanco Holdings, S.G.P.S., S.A. and its subsidiaries in the acquisition by CEMG at 31 March 2011.

The other tangible assets movements, during the year of 2010, are analysed as follows:

	June 2011				
	Balance on 1 January Euro '000	**Acquisitions/ Charges Euro '000**	**Disposals Euro '000**	**Adjustment/ Transfers Euro '000**	**Balance on 30 June Euro '000**
Cost:					
Land and buildings:					
For own use	65,808	-	(3,455)	-	62,353
Leasehold improvements in rented buildings	32,208	332	(8,373)	58	24,225
Work in progress	43	10	-	(20)	33
Equipment:					
Furniture	10,507	988	(425)	-	11,070
Office equipment	1,971	10	(113)	1	1,869
Computer equipment	51,773	6,839	(244)	(1)	58,367
Interior installations	28,416	337	(13,010)	94	15,837
Motor vehicles	676	58	(298)	-	436
Security equipment	3,978	1,009	(15)	-	4,972
Other equipment	986	64	-	-	1,050
Assets in operational lease	4,084	1,632	(751)	-	4,965
Other tangible assets	31	-	-	-	31
Work in progress	550	2,947	-	(155)	3,342
	201,031	14,226	(26,684)	(23)	188,550
Accumulated depreciation:					
Land and buildings:					
For own use	15,837	1,042	(824)	-	16,055
Leasehold improvements in rented buildings	22,047	2,310	(8,373)	-	15,984
Equipment:					
Furniture	7,807	573	(366)	-	8,014
Office equipment	1,825	57	(112)	1	1,771
Computer equipment	37,874	6,307	(244)	-	43,937
Interior installations	20,125	1,585	(13,012)	-	8,698
Motor vehicles	670	9	(303)	-	376
Security equipment	2,823	434	(13)	-	3,244
Assets in operational lease	748	757	(321)	-	1,184
	109,756	13,074	(23,568)	1	99,263

30 Goodwill and intangible assets

This balance is analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Cost:		
Software	58,371	31,798
Assets advances	6,921	6,106
Other intangible assets	93	-
Intangible assets in progress	191	-
	65,576	37,904
Accumulated amortisation:		
Charge for the period	(4,200)	(7,776)
Accumulated charge for the previous years	(35,853)	(11,874)
	(40,053)	(19,650)
	25,523	18,254
Diferenças de consolidação e de reavaliação Goodwill (ver Nota 53)*:*		
Finibanco Holding, S.A.	54,619	-
	80,142	18,254

The Goodwill and intangible assets movements, during the first semester of 2011, are analysed as follows:

	Balance on 1 January Euro '000	**Acquisitions/ Charges Euro '000**	**Disposals Euro '000**	**Adjustment/ Transfers Euro '000**	**Balance on 30 June Euro '000**
Cost:					
Software	31,798	5,007	490	21,076	58,371
Assets advances	6,106	327	-	488	6,921
Other intangible assets	-	-	-	93	93
Intangible assets in progress	-	179	(679)	691	191
	37,904	5,513	(189)	22,348	65,676
Accumulated amortisation:					
Software	19,650	3,774	(179)	16,775	40,020
Other intangible assets	-	426	-	(393)	33
	19,650	4,200	(179)	16,382	40,053

The balance Transfers corresponds to the values transferred from Finibanco Holdings, S.G.P.S., S.A. and its subsidiaries in the acquisition by CEMG at 31 March 2011.

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

(i) an estimate of future cash flows generated by each entity;
(ii) an expectation of potential changes in the amounts and timing of cash flows;
(iii) the time value of money;
(iv) a risk premium associated with the uncertainty by holding the asset; and
(v) other factors associated with the current situation of financial markets.

The 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 Goodwill and intangible assets movements, during the year of 2010, are analysed as follows:

	Balance on 1 January Euro '000	**Acquisitions/ Charges Euro '000**	**Disposals Euro '000**	**Adjustment/ Transfers Euro '000**	**Balance on 31 December Euro '000**
Cost:					
Software	52,375	8,430	(29,007)	-	31,798
Assets advances	4,657	1,449	-	-	6,106
	57,032	9,879	(29,007)	-	37,904
Accumulated amortisation:					
Software	40,881	7,776	(29,007)	-	19,650

31 Other assets

This balance is analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Recoverable subsidies from the Portuguese Government	7,531	11,949
Other debtors	85,883	29,071
Other accrued income	5,898	4,873
Prepayments and deferred costs	10,527	1,740
Sundry debtors	186,926	64,644
	296,765	112,277
Impairment from recoverable subsidies	(38)	(3,473)
	296,727	108,804

The balance Recoverable subsidies from the Portuguese Government, in the amount of Euro 7,531,000 (31 December, 2010: Euro 11,949,000), corresponds to mortgage credit interest subsidies, in accordance with the regulations applicable to mortgage loans benefits. The referred amounts do not bear interest and are claimed monthly.

As at 30 June 2011 and 31 December 2010, the balance Recoverable subsidies from the Portuguese Government is analysed as follows:

	Jun 2011 **Euro '000**	**Dec 2010** **Euro '000**
Recoverable subsidies from the Portuguese Government unliquidated	2,317	7,120
Subsidies unclaimed	1,829	1,716
Overdue subsidies unclaimed	3,385	3,113
	7,531	11,949

As at 31 December 2010, the balance Recoverable subsidies from the Portuguese Government include an amount of Euro 3,473,000 not recognised by the treasury authorities. This amount is totally provided for in the balance Impairment from recoverable subsidies.

As at 30 June 2011, the balance Sundry debtors includes the amount of Euro 4,350,000 refer to transactions with securities recorded on trade date and pending settlement, in accordance with the accounting policy 1.6.

As at 30 June 2011 and 30 December 2010, the balances related with the obligations related with pensions, included in Other sundry liabilities are analysed as follows:

	Jun 2011 **Euro '000**	**Dec 2010** **Euro '000**
Projected benefit obligations	(689,058)	(597,140)
Value of the Fund	612,755	545,097
	(76,303)	(52,043)
Actuarial losses		
Corridor	69,948	59,714
Amount in excess of the corridor	40,064	38,636
	110,012	98,350
	33,709	46,307

The amounts of the corridor and of the actuarial losses were determined in accordance with the accounting policy 1.14.

The movements of the impairment for other assets are analysed as follows:

	Jun 2011 Euro '000	**Jun 2010 Euro '000**
Balance on 1 January	3,473	3,473
Charged-off	(3,473)	-
Transfers	38	-
Balance on 30 June	38	3,473

32 Deposits from central banks

As at 30 June 2010, this balance includes the amount of Euro 2,220,044,000 (31 December, 2010: Euro 1,540,266,000) referring to resources related to the European System of Central Banks which are collateralized by securities in the portfolio of financial assets available for sale.

33 Deposits from other credit institutions

This balance is analysed as follows:

	Jun 2011			**Dec 2010**		
	Non interest bearing Euro '000	**Interest bearing Euro '000**	**Total Euro '000**	**Non interest bearing Euro '000**	**Interest bearing Euro '000**	**Total Euro '000**
Deposits from credit institutions in Portugal	1,182	79,385	80,567	247,969	4,163	252,132
Deposits from credit institutions abroad	30,526	881,115	911,641	639,773	9,837	649,610
	31,708	960,500	992,208	887,742	14,000	901,742

34 Deposits from customers

This balance is analysed as follows:

	Jun 2011			Dec 2010		
	Non interest bearing Euro '000	Interest bearing Euro '000	Total Euro '000	Non interest bearing Euro '000	Interest bearing Euro '000	Total Euro '000
Deposits repayable on demand	539,523	1,892,142	2,431,665	16,157	2,001,904	2,018,061
Time deposits (*)	-	9,834,949	9,834,949	-	7,583,150	7,583,150
Saving accounts (*)	-	327,914	327,914	-	391,530	391,530
Other items	15,799	-	15,799	496	-	496
Adjustments arising from hedging operations	(465)	-	(465)	14,326	-	14,326
	554,857	12,055,005	12,609,862	30,979	9,976,584	10,007,563

Observations: (*) Deposits for which the embedded derivative was separate from the host contract, in accordance with note 21 and accounting policy in note 1.4.

In accordance with Regulation no. 180/94, of 15 December, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The calculations of the annual contributions for this Fund are based on the criteria laid out in Regulation no. 11/94, of the Bank of Portugal.

As at 30 June 2011, this balance includes the amount of Euro 1,501,337,000 (31 December 2010: Euro 1,772,500,000) related to deposits recognised on the balance sheet at fair value through profit or loss.

35 Debt securities issued

This balance is analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Euro Medium Term Notes	1,700,726	2,437,249
Bonds	705,682	566,304
Covered bonds	1,019,780	832,690
	3,426,188	3,836,243

The fair value of the debts securities issued is presented in note 46.

At 30 June 2011, this balance included the amount of Euro 1,469,452,000 (31 December, 2010: Euro 1,510,171,000) related with debt securities registered in the balance sheet at fair value through profit or loss.

During the first semester of 2011, CEMG issued Euro 248,011,000 (31 December, 2010: Euro 741,798,000)) of securities, and was reimbursed Euro 599,669,000 (31 December, 2010: Euro 906,509,000).

With respect to the Mortgage Bonds Program, which maximum amount is 5,000 million Euro, CEMG conducted emissions totaled 1.650 million Euro. The emission characteristics at June 2011 are presented as follows:

Description	Nominal value Euro '000	Book value Euro '000	Issue date	Maturity date	Interest payment	Interest rate	Rating (Moody's/Fitch)
Covered Bonds	1,000,000	1,000,000	July, 2009	July, 2012	Annual	3.25%	BAA2/BBB
Covered Bonds	150,000	-	December, 2009	December, 2016	Quaterly	Eur 3m + 0.75%	BAA2/BBB
Covered Bonds	500,000	-	October, 2010	November, 2015	Quaterly	Eur 3m + 2.50%	BAA2/BBB

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

As at 30 June 2011, the mortgage loans that collateralise these covered bonds amounted to Euro 2,238,258,000 (31 December, 2010: Euro 1,000,000,000) in accordance with note 20.

During the first semester 2011, CEMG didn´t issued bonds under the Mortgage Bonds Program.

The changes occurred in debt securities issued during the first semester of 2011 are analyzed as follows:

	Balance on 1 January Euro '000	Issues Euro '000	Repayments Euro '000	Net repurchase Euro '000	Other movements [(a)] Euro '000	Balance on 30 June Euro '000
Euro Medium Term Notes	2,437,249	-	(500,000)	-	(236,523)	1,700,726
Bonds	566,304	248,011	(99,669)	-	(8,964)	705,682
Covered bonds	832,690	-	-	-	187,090	1,019,780
	3,836,243	248,011	(599,669)	-	(58,397)	3,426,188

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

The changes occurred in debt securities issued during the year of 2010 are analyzed as follows:

	Balance on 1 January Euro '000	**Issues Euro '000**	**Repayments Euro '000**	**Net repurchase Euro '000**	**Other movements [a] Euro '000**	**Balance on 31 December Euro '000**
Euro Medium Term Notes	3,142,351	-	(578,950)	(46,050)	(80,102)	2,437,249
Bonds	611,517	241,799	(281,509)	-	(5,503)	566,304
Covered bonds	1,161,047	-	-	(177,350)	(151,007)	832,690
	4,914,915	241,799	(860,459)	(223,400)	(236,612)	3,836,243

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

In accordance with the accounting policy 1.8, debt issued repurchased by CEMG is derecognised from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognized in the income statement.

During the first semester of 2011, the balance Debt securities issued is comprise of the following issues:

Issue	Issue Date	Maturity Date	Interest rate	2010 Euro '000
Obr. Caixa-MG Capital Certo 2010/2015-8ª Série	Jan. 2011	Dec. 2015	Annual fixed rate of 3.5% (in 2.º year fixed rate of 3.5%, 3.º year fixed rate of 4%, 4.º year fixed rate of 4.25% and 5.º year fixed rate of 5.25%)	10,000
Obr. Caixa-MG Capital Certo 2011/2016-1ª Série	Jan. 2011	Jan. 2016	Annual fixed rate of 3.53% (in 2.º year fixed rate of 3.53%, 3.º year fixed rate of 4.03%, 4.º year fixed rate of 4.28%% and 5.º year fixed rate of 5.28%)	25,000
Obr. Caixa -MG Taxa Fixa 2011-2015	Feb. 2011	Feb. 2015	Annual fixed rate of 4%	19,918
Obr. Caixa -MG Taxa Fixa Crescente 2011-2016	Feb. 2011	Feb. 2015	Annual fixed rate of 3.5% (in 2.º year fixed rate of 3.9%, 3.º year fixed rate of 4.2%, 4.º year fixed rate of 4.3% and 5.º year fixed rate of 5.6%)	5,000
Obr. Caixa -Montepio 1780 Dias-2011-201	Feb. 2011	Jan. 2016	Annual fixed rate of 3.7% (in 2.º year fixed rate of 3.9%, 3.º year fixed rate of 4.25%, 4.º year fixed rate of 4.5% and 5.º year fixed rate of 5.5%)	1,500
Obr. Caixa -MG Capital Certo 2011/2016-2ª Série	Feb. 2011	Jan. 2016	Annual fixed rate of 3.5% (in 2.ºyear fixed rate of 3.9%, 3.º year fixed rate of 4.2%, 4.º year fixed rate of 4.3% and 5.º year fixed rate of 5.6%)	25,000
Obr. Caixa -MG Taxa Crescente 2011-2016	Mar. 2011	Feb. 2016	Annual fixed rate of 3.5% (in 2.ºyear fixed rate of 3.9%, 3.º year fixed rate of 4.2%, 4.º year fixed rate of 4.35% and 5.º year fixed rate of 5.6%)	15,000
Obr. Caixa -Montepio Top Europa - 2011/2015	Mar. 2011	Mar. 2015	At maturity the investor receives the interest rate indexed to the performance of the Euro STOXX50 index and the quatation of gold	5,000
Obr. Caixa -MG Taxa Fixa 2011-2013	Mar. 2011	Mar. 2013	Annual fixed rate of 3.25%	6,593
Obr. Caixa -MG Capital Certo 2011/2016-3ª Série	Mar. 2011	Apr. 2016	Annual fixed rate of 3.75% (in2.ºyear fixed rate of 4%, 3.º year fixed rate of 4.25%, 4.º year fixed rate of 4.5% and 5.º year fixed rate of 5.5%)	20,000
Obr. Caixa -MG Capital Certo 2011/2019-1ª Série	Mar. 2011	Apr. 2019	Annual fixed rate of 4.4% (in 2.º year fixed rate of 4.4%, 3.º e 4.º year fixed rate of 4.65%, 5.º and 6.º year fixed rate of 5%,7.º and 8.ºyear fixed rate of 6.5%)	20,000
Obr. Caixa -MG Taxa Crescente 2011-2016	Apr. 2011	Apr. 2016	Annual fixed rate of 4% (in 2.º year fixed rate of 4.25%, 3.º year fixed rate of 4.5%, 4.º year fixed rate of 4.75% and 5.º year fixed rate of 5.75%)	10,000
Obr. Caixa -MG Capital Certo 2011/2016-4ª Série	Apr. 2011	Apr. 2016	Annual fixed rate of 3.75% (in 2.º year fixed rate of 4%, 3.º year fixed rate of 4.25%, 4.º year fixed rate of 4.5% and 5.º year fixed rate of 5.5%)	25,000
Obr. Caixa -MG Capital Certo 2011/2016-5ª Série	Mai. 2011	May. 2016	Annual fixed rate of 4.1% (in 2.º year fixed rate of 4.3%, 3.º year fixed rate of 4.6%, 4.º year fixed rate of 4.8% and 5.º year fixed rate of 5.75%)	20,000
Obr. Caixa -MG Capital Certo 2011/2019-2ª Série	May. 2011	May 2019	Annual fixed rate of 4.9% (in 2.º year fixed rate of 4.9%, 3.º and 4.º year fixed rate of 5.15%, 5.º and 6.ºyear fixed rate of 5.5%, 7.º year fixed rate of 6% and 8.º year fixed rate of 7%)	5,000
Obr. Caixa -MG Taxa Crescente 2011-2016	Jun. 2011	Apr. 2016	Annual fixed rate of 4.25% (in 2.º and 3.ºyear fixed rate of 4.5%, 4.º year fixed rate of 4.75% and 5.º year fixed rate of 5%)	15,000
Obr. Caixa -MG Capital Certo 2011-2016-6ª Série	Jun. 2011	Jul. 2016	Annual fixed rate of 4.1% (in 2.º year fixed rate of 4.3%, 3.º year fixed rate of 4.6%, 4.º year fixed rate of 4.8% and 5.º year fixed rate of 5.75%)	20,000
				248,011

As at 30 June 2011, for the bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 0.5% and 7.25%.

36 Provisions

This balance is analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Provisions for general banking risks	1,495	1,189
Provisions for liabilities and charges	2,815	122
	4,310	1,311

The movements of the provisions for general banking risks are analysed as follows:

	Jun 2011 Euro '000	Jun 2010 Euro '000
Provisions for general banking risks		
Balance on 1 January	1,189	1,39
Charge for the period	432	112
Write-back for the period	(216)	(210)
Transfers	90	-
Balance on 30 June	1,495	1,298

The balance Transfers corresponds to the values transferred from Finibanco Holdings, S.G.P.S., S.A. and its subsidiaries in the acquisition by CEMG at 31 March 2011.

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

	Jun 2011 Euro '000	Dec 2010 Euro '000
Provisions for liabilities and charges		
Balance on 1 January	122	94
Write-back for the period	462	-
Charged-off	(159)	123
Amounts charged-off	(203)	(95)
Transfers	2,593	-
Balance on 30 June	2,815	122

The balance Transfers corresponds to the values transferred from Finibanco Holdings, S.G.P.S., S.A. and its subsidiaries in the acquisition by CEMG at 31 March 2011.

37 Deferred income tax assets and liabilities

Subsidiaries based in Portugal CEMG are subject to taxation in place of Income Tax of Individuals (IRC) and the corresponding state and municipal tax. The current and deferred tax for the year 2010 was calculated based on a nominal rate of IRC and Municipal tax of 26.5% plus a surcharge of 2.5% refered to state tax provided additional measures under the Program Stability and Growth Pact (SGP), adopted by the law no. 12-A/2010 of June 30.

The self-assessment statements of subsidiaries based in Portugal are subject to inspection and possible adjustment by the tax authorities over a period of four years. So, might take place any additional tax payments due essentially to different interpretations of tax laws. However, it is belief of the Board of Directors of CEMG and subsidiaries based in Portugal, in the context of the consolidated financial statements will not occur additional charges of significant value.

Deferred income tax assets and liabilities as at 30 June 2011 and 31 December 2010 are analysed as follows::

	Assets		Liabilities		Net	
	30.06.11 Euro '000	**31.12.10 Euro '000**	**30.06.11 Euro '000**	**31.12.10 Euro '000**	**30.06.11 Euro '000**	**31.12.10 Euro '000**
Tax losses carried forward	803	-	-	-	803	-
Tangible assets	338	-	609	-	(271)	-
Employees' benefits	360	-	27	-	333	-
Provisions not deductible for tax purposes,	3,425	-	-	-	3,425	-
Provisions, assets e contigent liabilities	-	-	386	-	(386)	-
Intagible assets	3	-	-	-	3	-
Financial Instruments	4	-	-	-	4	-
Revaluation reserves of assets	-	-	62	-	(62)	-
	4,933	-	1,084	-	3,849	-

The CEMG don´t record deferred tax liability in respect of temporary differences of subsidiaries and associated companies that control the period of reversal of such differences and these are materialized through the distribution of dividends not taxable.

Additionally, CEMG don´t recognize deferred tax assets for tax losses incurred by certain subsidiaries not to be expected that they will be recovered in the near future. A detail of tax losses for which no deferred tax asset was recognized is presented as follows:

Year deduction limit	**Jun 2011 Euro '000**
2009	15,070
2010	28,724
	43,794

38 Other subordinated debt

As at 30 June 2011, this balance in the amount of Euro 493,346,000 (31 December, 2010: Euro 380,986,000) refers to Bonds with fixed maturity date, and with a residual reimbursement over 5 years.

As at 30 June 2011 the mainly characteristics of the Other subordinated debt, are analysed as follows:

Issue	Issue date	Maturity date	Issue amount Euro '000	Interest rate	Book value Euro '000
Bonds with fixed maturity date:					
CEMG/06	Apr. 2006	Apr. 2016	50,000	Euribor 3 months + 0.45%	50,179
CEMG/08	Feb. 2008	Feb. 2018	150,000	Euribor 6 months + 0.13%	151,256
CEMG/08	Jun. 2008	Jun. 2018	28,000	Euribor 12 months + 0.10%	28,234
CEMG/08	Jul. 2008	Jul. 2018	150,000	Euribor 6 months + 0.13%	151,258
FNB Grandes empresas 07/16_ 1ª série	May.2007	May.2016	6,450	See reference (i)	2,646
FNB Grandes empresas 07/16_ 2ª série	Jun.2007	Jun.2016	26,262	See reference (i)	21,391
FNB Grandes empresas 07/16_ 3ª série	Jun.2007	Jun.2016	3,988	See reference (i)	2,424
FNB Indices estratégicos07/17 1ª série	May.2007	May.2016	14,947	See reference (ii)	11,914
FNB Indices estratégicos07/17 2ª série	Jun.2007	Jun.2016	31,333	See reference (ii)	25,891
FNB Indices estratégicos07/17 3ª série	Jun.2007	Jun.2016	7,667	See reference (ii)	6,238
FNB Rendimento Garantido 05/13	May.2007	May.2016	410	See reference (iii)	413
FNB Rendimento Seguro 05/15	Jun.2007	Jun.2016	238	See reference (iv)	238
FNB 08/18 1ª Série	Dec.2008	Dec.2018	8,438	See reference (v)	8,455
FNB 08/18 2ª Série	Dec.2008	Dec.2018	1,924	See reference (v)	1,923
Obr. Caixa Subordinadas Finicrédito 07/17	Nov.2007	Nov.2017	17,660	See reference (vi)	15,850
Aqua SME 1 Classe B units	Jun.2007	Jun.2017	15,000	Euribor 1 month + 0.1%	15,036
					493,346

The portfolio’s fair value of Other subordinated debt is presented in note 46.

As at 30 June 2011, the effective interest rate range of the subordinated debt bears postponed interest every three and six months is set between 2.26% and 3.157%.

References:

(i) - Will be paid the following coupons at the end of each year (May 9, for the first grade and 20 June for the 2nd and 3rd grade):

Coupons	Rate / Gap
1.º coupon	5.50%
2.º coupon	5.50%
3.º coupon	Máx [0; 6.0% * (1-n/3)]
4.º coupon	Máx [0; 6.0% * (1-n/4)]
5.º coupon	Máx [0; 6.0% * (1-n/5)]
6.º coupon	Máx [0; 6.0% * (1-n/6)]
7.º coupon	Máx [0; 6.0% * (1-n/7)]
8.º coupon	Máx [0; 6.0% * (1-n/8)]
9.º coupon	Máx [0; 6.0% * (1-n/9)], onde,

n it´s the accumulated number of entities of referency for which occurred na credit event.

If a fusion between two or more companies of reference and a credit event occurs in the fusion company will be counted as many events as the number of credit companies fused.

(ii) - Remuneration shall be paid annually and be:

1st year = 5.50% * nominal value;

2nd year = 5.50% * nominal value;

3rd year and following = 6.25% * nominal value if:

Min (SDk/SD0-SXk/SX0; HSk/HS0- SXk/SX0) > Barreirak,

If not = 0%

where:

Barrier3 = Barrier to be applied in 3rd coupon = 0%;

Barrier4 = Barrier to be applied in 4th coupon = 1%;

Barrier5 = Barrier to be applied in 5th coupon = 2%;

Barrier6 = Barrier to be applied in 6th coupon = 3%;

Barrier7 = Barrier to be applied in 7th coupon = 4%;

Barrier8 = Barrier to be applied in 8th coupon = 5%.

Barrierk = Barrier to be applied in kº coupon

SDk – Closing price of index Eurotoxx Select Dividend (Bloomberg: SD3E) at observation date K (K=1 a 6)

SD0 – Closing price of index Eurotoxx Select Dividend (Bloomberg: SD3E) at start date

SXk – Closing price of index Eurotoxx50 Total Return (Bloomberg: SX5T) at observation date K (K=1 a 6)

SX0 – Closing price do index Eurotoxx50 Total Return (Bloomberg: SX5T) at start date

HSk – Closing price of index HS60 Europe (Bloomberg: HS60EU) observation date K (K=1 a 6)

HS0 – Closing price of index HS60 Europe (Bloomberg: HS60EU) at start date

(iii) - Remuneration shall be paid semiannually, will be at least 1% and 5% at most, and will be calculated according to the following formula (annual rate):

n/N * 5% + m/N * 1%, where:

n is the no. of working days of the respective period where 6th months Euribor is within the range set;

m is the no. of working days of the respective period where 6th months Euribor is outside the range set;

N is the number of working days of the respective period.

Gap: is the same as defined in the following table for each coupon:

Period	Coupon date	Gap
1st semester	09-Nov-05	[0; 2.75%]
2nd semester	09-May-06	[0; 3.00%]
3rd semester	09-Nov-06	[0; 3.25%]
4th semester	09-May-07	[0; 3.50%]
5th semester	09-Nov-07	[0; 3.50%]
6th semester	09-May-08	[0; 3.75%]
7th semester	09-Nov-08	[0; 3.75%]
8th semester	09-May-09	[0; 4.00%]
9th semester	09-Nov-09	[0; 4.00%]
10th semester	09-May-10	[0; 4.25%]
11th semester	09-Nov-10	[0; 4.25%]
12th semester	09-May-11	[0; 4.50%]
13th semester	09-Nov-11	[0; 4.50%]
14th semester	09-May-12	[0; 4.50%]
15th semester	09-Nov-12	[0; 4.50%]
16th semester	09-May-13	[0; 4.50%]

(iv) – Remuneration shall be paid semiannually, will be at least 1% and 5% at most, and will be calculated according to the following formula (annual rate):

n/N * 5% +m/N * 1%, where:

n is the number of working days in the respective period in which the 6-month Euribor is within the range set;

m is the number of working days in the respective period in which the 6-month Euribor is outside the range set;

N is the number of working days in the respective period.

Gap: is the same as defined in the following table for each coupon:

Period	Coupon date	Gap
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%]

(v) - The remuneration will be paid semiannually and the first coupon will be fixed:

1st coupon: 6.50% (annual rate);

From 2nd to 10th coupon: Euribor 6M + 1.50% (annual rate);

11th coupon and following: Euribor 6M + 1.75% (annual rate).

(vi) - The remuneration will be paid semiannually. The first four coupons will be fixed (annual rate of 5%). For the following compensation will be calculated using the following formula (annual rate):

n/N*(Euribor 6 months+0.90%), where:

n is the number of working days in the respective period in which the 6-month Euribor is within the range set;

N is the number of working days in the respective period;

Gap: is the same as defined in the following table for each coupon.

Period	**Coupon date**	**Fixed rate**	**Gap**
1st semester	29-May-08	5%	-
2nd semester	29-Nov-08	5%	-
3rd semester	29-May-09	5%	-
4th semester	29-Nov-09	5%	-
5th semester	29-May-10	-	[3.00%; 5.50%]
6th semester	29-Nov-10	-	[3.00%; 5.50%]
7th semester	29-May-11	-	[3.00%; 5.50%]
8th semester	29-Nov-11	-	[3.00%; 5.50%]
9th semester	29-May-12	-	[2.50%; 5.35%]
10th semester	29-Nov-12	-	[2.50%; 5.35%]
11th semester	29-May-13	-	[2.50%; 5.25%]
12th semester	29-Nov-13	-	[2.50%; 5.25%]
13th semester	29-May-14	-	[2.50%; 5.25%]
14th semester	29-Nov-14	-	[2.50%; 5.25%]
15th semester	29-May-15	-	[2.50%; 5.00%]
16th semester	29-Nov-15	-	[2.50%; 5.00%]
17th semester	29-May-16	-	[2.50%; 5.00%]
18th semester	29-Nov-16	-	[2.50%; 5.00%]
19th semester	29-May-17	-	[2.50%; 5.00%]
20th semester	29-Nov-17	-	[2.50%; 5.00%]

39 Other liabilities

This balance is analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Creditors:		
Suppliers	9,096	7,356
Other creditors	54,162	32,300
Public sector	16,017	7,944
Financial liabilities associated with transferred assets	461,295	387,183
Holiday pay and subsidies	34,749	25,825
Other administrative costs payable	1,927	375
Deferred income	758	546
Other sundry liabilities	156,761	68,873
	734,765	530,402

The balance Financial liabilities associated to transferred assets relates to securitisation transactions celebrated between CEMG and other financial institutions, that weren't derecognized in accordance with IAS 39 - Financial instruments: Recognition and Measurement. The securitisation transactions details are analysed in note 46.

40 Share Capital

On March 29, 2011, following the decision of the General Assembly of CEMG, proceeded to the increase in the share capital of Caixa Económica Montepio Geral, in the amount of 345 million Euro per entry of cash.

After this operation share capital of CEMG, which is fully paid, is Euro 1,145,000,000 (31 December, 2010: Euro 800,000,000) belonging entirely to Montepio Geral-Associação Mutualista.

41 Other capital instruments

This balance includes the issuance of Euro 15,000,000 in the first quarter of 2010 of Perpetual Subordinated Securities with interest conditioned made by Finibanco, SA, and in the accordance of the acquisition of Finibanco Holding, SGPS, SA and its subsidiaries has to integrate the responsibilities of CEMG.

Remuneration

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

Since 1st to 4th cupões: 7.00%;

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

Limitations on interest payment

The issuer will be prevented from making payment of interest:

- In case and until the competition that 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 which are likely to be issued, exceed Distributable Funds of the Issuer, or

- Is in default of the Capital Requirements Regulation and in case and until the competition that their payment involves default of the Regulation.

The Issuer is still prevented from making interest payment , if in the the Board or the Bank of Portugal opinion, that payment endanger the default of the Capital Requirements Regulation.

The prevented to payment of interest can be total or partial.

The interest non-paymenton any date desonide the Issuer of the payment of interest related with that date in future time.

Considered distributable funds are of a determined year the algebraic sum, with reference to the previous year, the retained earnings with any other amount that susceptible of be distributable to shareholders and the profit or loss, net of reserve requirements, statutory and legal, but before deduction of the amount of any dividends related to ordinary shares or other subordinated notes related to that exercise.

Reimbursement

These notes are perpetual, only reimbursable under the terms of early repayment early the following provided.

By prior agreement of the Bank of Portugal, the issuer may proceed to the reimburse, total or in partial, from the 10th interest payment date, including (5th year).

In case of continued occurrence of an Event of Disqualification and Core Capital, even sooner than 5 years since its issuance, and in agreement with the Bank of Portugal, these notes are redeemable at the option of the Issuer, at any time.

As event of disqualification as Core Capital is defined as a change in any legal document or official interpretation thereof involving these notes may no longer be classified as Core Capital of the Issuer.

42 General and special reserves

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

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

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

Changes are analysed in note 43.

43 Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Other comprehensive Income:	15,000	-
Fair value reserves		
Available-for-sale financial assets	(268,188)	(85,706)
Reserves and retained earnings:		
General reserve	179,301	170,956
Special reserve	66,519	64,444
Other reserves	8,448	10,083
Retained earnings	(13,546)	(15,706)
Non-controlling interests	9,881	-
	250,603	229,777

The Fair value reserves correspond to the accumulated fair value changes of the available-for-sale financial assets, in accordance with the accounting policy 1.6.

The movements of this balance during the first semester of 2011 are analysed as follows:

	Balance on 1 January Euro '000	**Revaluation Euro '000**	**Acquisitions Euro '000**	**Sales Euro '000**	**Impairment recognised in the year Euro '000**	**Balance on 30 June Euro '000**
Fixed income securities:						
Bonds issued by Public entities						
Portuguese	(28,302)	(147,753)	(47,501)	(333)	-	(223,889)
Foreign	(4,103)	7,614	(1,047)	475	(5,056)	(2,117)
Bond issued by other entities:						
Portuguese	(12,855)	(7,359)	(254)	327	(350)	(20,491)
Foreign	(40,529)	(20,454)	(845)	1.528	10,561	(49.739)
	(87,789)	(167,952)	(49,647)	1,997	5,155	(296,236)
Variable income securities:						
Shares in companies:						
Portuguese	159	1,334	29	7	(1,265)	264
Foreign	(46)	94	(62)	2	(94)	(106)
Investment fund units	(30)	86	(152)	(71)	57	(110)
	83	1,514	(185)	(62)	(1,302)	48
	(85,706)	(166,438)	(49,832)	1,935	3,853	(296,188)

The movements of this balance during 2010 are analysed as follows:

	Balance on 1 January Euro '000	Revaluation Euro '000	Sales Euro '000	Impairment recognised in the year Euro '000	Balance on 31 December Euro '000
Fixed income securities:					
Bonds issued by					
Portuguese entities	-	(28,302)	-	-	(28,302)
Bonds issued by					
Foreign entities	106	(4,199)	(10)	-	(4,103)
Bonds issued by other entities:					
Portuguese	1,471	(13,121)	(760)	(445)	(12,855)
Foreign	(31,441)	(11,953)	1,355	1,510	(40,529)
	(29,864)	(57,575)	585	1,065	(85,789)
Variable income securities:					
Shares in companies:					
Portuguese	89	71	(42)	41	159
Foreign	523	(239)	(129)	(201)	(46)
Investment fund units	652	(2,564)	(898)	2,780	(30)
	1,264	(2,732)	(1,069)	2,620	83
	(28,600)	(60,307)	(484)	3,685	(85,706)

The Fair value reserves are explained as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Amortised cost of financial assets available for sale	3,316,673	2,535,446
Accumulated impairment recognised	(17,899)	(19,172)
Amortised cost net of impairment of financial assets available for sale	3,298,774	2,516,274
Market value of financial assets available for sale	3,002,586	2,430,568
Potencial gains/ losses recognised on fair value reserves	(296,188)	(85,706)

44 Obligations and future commitments

Obligations and future commitments are analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Guarantees granted	519,433	424,361
Guarantees received	32,782,031	29,158,640
Commitments to third parties	1,600,453	1,299,227
Commitments from third parties	38,582	38,510
Securitised loans	277,102	292,135
Securities and other items held for safekeeping on behalf of customers	6,169,633	5,152,178

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

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Guarantees granted:		
Guarantees	504,690	420,181
Open documentary credits	9,875	4,180
Bails and indemnities	4,868	-
	519,433	424,361

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Commitments to third parties:		
Irrevocable commitments		
Term deposits contracts	341,388	252,535
Irrevocable credit lines	172,050	185,150
Annual contribution to the Guarantee Deposits Fund	25,314	20,013
Potential obligation with the Investors' Indemnity System	2,174	1,699
Revocable commitments		
Revocable credit lines	1,059,527	839,470
	1,600,453	1,298,867

Guarantees granted are financial operations that are not consisted by mobilization on funds by CEMG.

The documentary credits are irrevocable commitments from the Group on behalf of its clients, to pay/order to pay a determined amount to the supplier of a given commodity or service, within a stipulated period, against the presentation of documents referring to the expedition of the commodity or rendering of the service. The condition of irrevocability consists on the fact of not being viable his cancellation or alteration without the agreement of all the involved parties.

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

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

As at 30 June 2011 and 31 December 2010, the balance Annual contribution to the obligations of Guarantee Deposits Fund is related with the irrevocable commitment assumed by CEMG and required by law, to deliver the unrealised amounts of annual contributions required by the Fund.

The balance Potential obligation with the Investors' Indemnity System, as at 30 June 2011 and 31 December 2010, is related with the irrevocable commitment assumed by CEMG and required by law, to deliver to that System the necessary amounts for CEMG's obligation with the investors' indemnities to be paid.

45 Distribution of profit

On 28 March, 2011, following the General Assembly deliberation, CEMG distributed to Montepio Geral – Associação Mutualista in the amount of Euro 23,085,000 (31 December, 2010: Euro 20,300,000).

46 Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as it happens regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques.

Cash flows for the different instruments sold are calculated according with its financial characteristics and the discount rates used include both the interest rate curve and the current conditions of the *pricing* policy in the CEMG.

Therefore, the fair value obtained is influenced by the parameters used in the evaluation model that, necessarily have some degree of judgement and reflect exclusively the value attributed to different financial instruments. However, it does not consider prospective factors, like the future business evolution.

Under these conditions, the values presented cannot be understood as an estimate of the economic value of the CEMG.

CEMG determines the fair value of its financial assets and liabilities in accordance with the following hierarchy:

1 Quoted market prices – this category includes financial assets with available quoted market prices in official markets and with dealer prices, quotations provided by entities that usually provide transaction prices for these assets/liabilities traded in active markets.

2 Valuation models based on observable market information – consists on the use of internal valuation techniques, namely discounted cash flow models and option pricing models that imply the use of estimates and require judgments that vary in accordance with the complexity of the financial instrument. Notwithstanding, CEMG uses observable market data such as interest rate curves, credit spreads, volatility and market indexes. Includes also instruments with dealer price quotations but which are not traded in active markets.

3 Valuation models based on non-observable market information – consists on the use of internal valuation models or quotations provided by third parties but which imply the use of non-observable market information.

The main methods and assumptions used in estimating the fair value for the assets and liabilities of the CEMG are presented as follows:

- *Cash and deposits at central banks, Loans and advances to credit institutions repayable on demand and Deposits from other credit institutions*

  Considering the short maturity of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

- *Other loans and advances to credit institutions, Amounts owed to other credit institutions from Inter-bank Money Market transactions and Assets with repurchase agreements*

  The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates.

  The discount rate used reflects the current conditions applied by CEMG in identical instruments for each of the different maturities. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year).

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

  These financial instruments are accounted at fair value. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

  Interest rates are determined based on information disseminated by the suppliers of content financial - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

  When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) considering the volatility areas applicable are used. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, it is applied specific quotations supplied by an external entity, typically a counterparty of the business.

  In case of shares not listed, they are recognized at historical cost when there is no available market value and it is not possible to determine reliably its fair value.

- *Financial assets held to maturity*

  These financial instruments are accounted at amortized cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

- *Hedging and trading derivatives*

  All derivatives are recorded at fair value.

  In case of those who are quoted in organised markets it is used its market price. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

  Interest rates are determined based on information disseminated by the suppliers of content financial - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods.

  The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

- *Loans and advances to customers with defined maturity date*

  The fair value of these instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by CEMG in similar instruments for each of the homogeneous classes of this type of instrument and with similar maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year) and the spread used at the date of the report, which was calculated from the average production of the last three months of the year.

  For 30 June 2011, the average discount rate was 6.57% (31 December 2010: 5.73%), assuming the projection of the variable rates, according to the evolution of forward rates that are implicit to the interest rates. The credit risk spread is considered when calculating interest rates.

- *Loans and advances to customers without defined maturity date*

  Considering the short maturity of these financial instruments, the conditions of the existing portfolio are similar to current conditions used by the CEMG. Therefore, the amount in the balance sheet is a reasonable estimate of its fair value.

- *Deposits from customers*

  The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by CEMG in identical instruments with a similar maturity.

  The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the year) and the spread of CEMG at the date of the report, which was calculated from the average production of the last three months of the year.

  For 30 June 2011, the average discount rate was of 4.52% (31 December, 2010: 3.90%).

- *Debt securities issued and Subordinated debt*

  For these financial instruments, fair value was calculated for the components that are not yet reflected in the balance sheet of the CEMG. For the fixed interest rate instruments for which CEMG applies a hedge-accounting policy, the fair value regarding the interest rate risk is already accounted for.

  In fair value calculation, the other risk components were also considered, apart from the interest rate risk. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted by associated factors, predominantly the credit risk and trading margin, the latter only in the case of issues placed for noninstitutional customers of CEMG.

  As original reference, CEMG applies the curves resulting from the interest rate swaps markets for each specific currency. The credit risk (spread credit) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

  For own emissions placed among non institutional costumers of CEMG, it was added one more differential (spread trade), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the commercial network owned.

As at 30 June 2011, the following table presents the values of the interest rates used in the clearance of the curves interest rate of major currencies, including Euro, United States Dollar, Sterling Pound, Japanese Yen and Swiss Franc used to determine the fair value of the financial assets and liabilities of CEMG:

	Currencies				
	Euro	**United States Dollar**	**Sterling Pound**	**Yen**	**Swiss Franc**
1 day	0.950%	0.180%	0.580%	0.095%	0.140%
7 days	0.775%	0.130%	0.695%	0.070%	0.155%
1 month	1.050%	0.130%	0.820%	0.100%	0.185%
2 months	1.230%	0.320%	0.870%	0.130%	0.220%
3 months	1.320%	0.410%	0.900%	0.190%	0.260%
6 months	1.780%	0.350%	1.155%	0.430%	0.420%
9 months	2.020%	0.710%	1.360%	0.540%	0.580%
1 year	2.040%	0.870%	1.590%	0.620%	0.740%
2 years	2.141%	0.658%	1.531%	0.370%	0.660%
3 years	2.360%	1.078%	1.900%	0.409%	0.955%
5 years	2.765%	1.917%	2.548%	0.567%	1.460%
7 years	3.053%	2.556%	3.011%	0.812%	1.825%
10 years	3.345%	3.142%	3.453%	1.201%	2.155%
15 years	3.665%	3.630%	3.453%	1.201%	2.155%
20 years	3.748%	3.820%	3.453%	1.201%	2.155%
30 years	3.622%	3.962%	3.453%	1.201%	2.155%

As at 31 December 2010, the following table presents the values of the interest rates used in the clearance of the curves interest rate of major currencies, including Euro, United States Dollar and Sterling Pound used to determine the fair value of the financial assets and liabilities of CEMG:

	Euro	**United States Dollar**	**Sterling Pound**
1 day	0.400%	0.300%	0.550%
7 days	0.350%	0.300%	0.550%
1 month	0.810%	0.300%	0.680%
2 months	0.910%	0.310%	0.720%
3 months	1.010%	0.430%	0.820%
6 months	1.230%	0.530%	1.260%
9 months	1.370%	0.720%	1.415%
1 year	1.510%	0.880%	1.520%
2 years	1.561%	0.797%	1.505%
3 years	1.945%	1.282%	1.945%
5 years	2.481%	2.179%	2.630%
7 years	2.893%	2.838%	3.103%
10 years	3.305%	3.386%	3.535%
15 years	3.638%	3.844%	3.535%
20 years	3.697%	4.020%	3.535%
30 years	3.496%	4.130%	3.535%

- *Exchange rates and volatility*

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

			Volatility (%)				
Exchange rates	**Jun 2011**	**Dec 2010**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1.4453	1.3362	12.10	12.40	12.95	13.15	13.30
EUR/GBP	0.9025	0.8608	9.41	9.60	10.30	10.80	10.95
EUR/CHF	1.2071	1.2504	10.90	11.60	11.90	12.00	12.10
EUR/JPY	116.25	108.85	12.40	13.60	14.60	15.25	15.72

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

The next table shows the decomposition of main adjustments to the financial assets and liabilities of the CEMG that are recognised at book value and fair value:

	Jun 2011								
	Trading	**Designated at fair value trough profit or loss**	**Held-to-maturity**	**Loans and advances**	**Available -for-sale**	**Others at amortised cost**	**Others**	**Carrying value**	**Fair value**
	Euro '000	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**
Financial assets:									
Cash and deposits at central bank	-	-	-	400,791	-	-	-	400,791	400,791
Loans and advances to credit institutions repayable on demand	-	-	-	112,947	-	-	-	112,947	112,947
Loans and advances to credit institutions	-	-	-	324,030	-	-	-	324,030	324,030
Loans and advances to customers	-	-	-	16,792,521	-	-	-	16,792,521	15,887,436
Financial assets held for trading	145,563	-	-	-	-	-	-	145,563	145,563
Other financial assets at fair value trough profit or loss	-	3,685	-	-	-	-	-	3,685	3,685
Available-for-sale financial assets	-	-	-	-	3,002,586	-	-	3,002,586	3,002,586
Hedging derivatives	1,955	-	-	-	-	-	-	1,955	1,955
Held-to-maturity investments	-	-	48,314	-	-	-	-	48,314	44,598
Investments in associated companies and others	-	-	-	-	-	-	58.453	58,453	58,453
	147,518	3,685	48,314	17,630,289	3,002,586	-	58.453	20,890,845	19,982,044
Financial liabilities:									
Deposits from central banks	-	-	-	-	-	2,220,044	-	2,220,044	2,220,044
Deposits from other credit institutions	-	-	-	-	-	992,208	-	992,208	992,208
Deposits from customers	-	-	-	-	-	12,609,862	-	12,609,862	12,616,425
Debt securities issued	-	-	-	-	-	3,426,188	-	3,426,188	3,426,188
Financial liabilities held for trading	77,044	-	-	-	-	-	-	77,044	77,044
Hedging derivatives	1,120	-	-	-	-	-	-	1,120	1,120
Other subordinated debt	-	-	-	-	-	493,346	-	493,346	493,346
	78,164	-	-	-	-	19,741,648	-	19,822,812	17,826,375

	Dec 2010								
	Trading	**Designated at air value troug profit or loss**	**Held-to-maturity**	**Loans and advances**	**Available -for-sale**	**Others at amortised cost**	**Others**	**Carrying value**	**Fair value**
	Euro '000	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**
Financial assets:									
Cash and deposits at central bank	-	-	-	240,024	-	-	-	240,024	240,024
Loans and advances to credit institutions repayable on demand	-	-	-	74,353	-	-	-	74,353	74,353
Loans and advances to credit institutions	-	-	-	338,662	-	-	-	338,662	338,662
Loans and advances to customers	-	-	-	14,554,133	-	-	-	14,554,133	13,528,145
Financial assets held for trading	130,865	-	-	-	-	-	-	130,865	130,865
Other financial assets at fair value trough profit or loss	-	3,952	-	-	-	-	-	3,952	3,952
Available-for-sale financial assets	-	-	-	-	2,430,568	-	-	2,430,568	2,430,568
Hedging derivatives	2,810	-	-	-	-	-	-	2,810	2,810
Held-to-maturity investments	-	-	58,144	-	-	-	-	58,144	57,590
Investments in associated companies and others	-	-	-	-	-	-	37,060	37,060	37,060
	133,675	3,952	58,144	15,207,172	2,430,568	-	37,060	17,870,571	16,844,029
Financial liabilities:									
	-	-	-	-	-	1,540,266	-	1,540,266	1540,266
Deposits from central banks	-	-	-	-	-	901,742	-	901,742	901,823
Deposits from other credit institutions	-	-	-	-	-	10,007,563	-	10,007,563	9,970,687
Deposits from customers	-	-	-	-	-	3,836,243	-	3,836,243	4,735,077
Debt securities issued	53,891	-	-	-	-	-	-	53,891	53,891
Financial liabilities held for trading	1,408	-	-	-	-	-	-	1,408	1,408
Hedging derivatives	-	-	-	-	-	380,986	-	380,986	369,748
Other subordinated debt									
	55,299	-	-	-	-	16,666,800	-	16,722,099	17,572,900

47 Employee benefits

CEMG assumed the responsibility to pay to their employees, pensions on retirement or disabilities. These responsibilities also comply with the terms of the “Acordo Colectivo de Trabalho do Sector Bancário” (ACT). To cover its responsibilities, CEMG makes annual contributions to the pension fund, managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A..

In accordance with the new agreement established between the Portuguese Government, Banks and Trade Unions, the Bank employees currently integrated in CAFEB/ACT system were transferred to the general social healthcare system (‘RGSS’). This transition is effective on 1 January 2011. Although, some benefits including illness, disability and death continue to be assured by the Pensions Fund (“Decreto-Lei” no. 1-A/2011, 3 January).

In accordance with this agreement, referring to the retirement pensions plan, the employees will maintain the current benefits as well as the future benefit that will be at least equivalent to the establish in the ACTV. Additionally, the employers maintain the liability to pay the complementary pensions plan at the retirement day. On this basis, the exposure to the actuarial and financial risk related to these benefits does not suffer changes.

The integration resulted in an effective decrease of the actual value of the total benefits reported at the normal age of retirement (VABT) to be supported by the Pensions Fund; Taking into consideration that no reduction of benefits on the beneficiary perspective has occurred, at the initial moment of recognition the liabilities from past services does not change.

Considering that the basis of calculation for the benefits in the ACT and RGSS plans are based in different formulas, it is possible to recognize a gain, if the value of the covered liabilities by the pensions fund at the retirement date is lower than the value of liabilities at that date. This gain should be deferred on a linear basis during the average period of working life until the normal retirement age.

Although, CEMG did not register, in its financial statements, any impact in the actuarial calculation as at 31 December 2010.

During the first semester of 2011, CEMG accounted as pension costs the amount of Euro 11,452,000 (31 December 2010: Euro 23,820,000). The analysis of the cost of the period is as follows:

	Jun 2011				Dec 2010			
	Pension plans Euro '000	Death Subsidy Euro '000	Health – care benefits Euro '000	Total Euro '000	Pension plans Euro '000	Death subsidy Euro '000	Health – care benefits Euro '000	Total Euro '000
Service cost	5,606	394	484	6,484	15,241	440	714	16,395
Interest cost	17,226	276	968	18,470	29,314	414	1,612	31,340
Expected return on plan assets	(16,175)	(259)	(909)	(17,343)	(26,087)	(341)	(1,341)	(27,769)
Actuarial gains and losses depreciation	1,219	-	-	1,219	1,680	-	-	1,680
Early retirements	2,622	-	-	2,622	2,174	-	-	2,174
Net benefit cost	10,498	411	543	11,452	22,322	513	985	23,820

48 Related parties transactions

As at 30 June 2011, CEMG's liabilities with subsidiaries, represented or not by securities, included in the balances Deposits from customers and Other subordinated debt, are analysed as follows:

Company	Loans/ advances to customers Euro '000	Deposits from customers Euro '000	Other Subordinated debt Euro '000	Total Euro '000
Lusitania Companhia de Seguros, S.A.	7,300	2,063	13,550	22,913
Lusitania Vida Companhia de Seguros, S.A.	-	35,352	3,250	38,602
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	-	147	-	147
SIBS - Sociedade Interbancária de Serviços, S.A.	-	1	-	1
MG Gestão de Activos Financeiros - - S.G.F.I.M., S.A.	-	61,239	-	61,239
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	-	92,747	-	92,747
Bolsimo – Gestão de Activos, S.A.	-	3,153	-	3,153
Norfin – SGFI Imobiliários, S.A.	-	5,081	-	5,081
Germont – Emp. Imobiliários, S.A.	35,000	-	-	35,000
	42,300	199,783	16,800	258,883

As at 31 December 2010, CEMG's liabilities with subsidiaries, represented or not by securities, included in the balances Deposits from customers and Other subordinated debt, are analysed as follows:

Company	Deposits from customers Euro '000	Other Subordinated debt Euro '000	Total Euro '000
Lusitania Companhia de Seguros, S.A.	3,902	13,350	17,252
Lusitania Vida Companhia de Seguros, S.A.	18,979	3,250	22,229
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	455	-	455
SIBS - Sociedade Interbancária de Serviços, S.A.	3,006	-	3,006
MG Gestão de Activos Financeiros - - S.G.F.I.M., S.A.	58,654	-	58,654
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	80,707	-	80,707
	165,703	16,600	182,303

As at 30 June 2011, CEMG's income with subsidiaries, included in the balances Interest and similar income and Fee and commission income, are analysed as follows:

Company	Interest and similar income Euro '000	Fee and commission income Euro '000	Total Euro '000
Lusitania Companhia de Seguros, S.A.	125	1,728	1,853
Lusitania Vida Companhia de Seguros, S.A.	4	1,858	1,862
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	-	-	-
SIBS - Sociedade Interbancária de Serviços, S.A.	-	13,618	13,618
MG Gestão de Activos Financeiros - - S.G.F.I.M., S.A.	-	865	865
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	-	1,421	1,421
	129	19,490	19,619

As at 31 December 2010, CEMG's income with subsidiaries, included in the balances Interest and similar income and Fee and commission income, are analysed as follows:

Company	Interest and similar income Euro '000	Fee and commission income Euro '000	Total Euro '000
Lusitania Companhia de Seguros, S.A.	47	6,890	6,937
Lusitania Vida Companhia de Seguros, S.A.	4	3,213	3,217
HTA - Hotéis, Turismo e Animação dos Açores, S.A.	-	-	-
SIBS - Sociedade Interbancária de Serviços, S.A.	-	28,158	28,158
MG Gestão de Activos Financeiros - - S.G.F.I.M., S.A.	-	3,017	3,017
Futuro - Sociedade Gestora de Fundo de Pensões, S.A.	1	12	13
	52	41,290	41,342

The amount of fee and commissions assigned to key management personnel also as transactions related with them are presented in note 10.

All transactions with related parties are made at normal market prices, following the fair value principle.

During the first semester of 2011and the year of 2010 any transaction with CEMG pension fund was made.

49 Asset securitisation

On June 30, 2011, there are eight securitization operations, six of which originated in CEMG, and two in Finibanco, SA. Now integrated into CEMG following the successful takeover bid and Voluntary General on the shares representing the capital social Finibanco Holding, SGPS, SA and the transmission of almost of assets and liabilities (goodwill) for CEMG.

The following paragraphs present some additional details of these securitization operations.

As at 19 December, 2002, Caixa Económica Montepio Geral has settled a securitisation operation with a Special Purpose Vehicle ("SPV") – Pelican Mortgages No. 1 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 35 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 650,000,000. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.016% of the referred nominal value.

As at 29 September, 2003, Caixa Económica Montepio Geral has settled a securitisation operation with a Special Purpose Vehicle ("SPV") – Pelican Mortgages No. 2 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 33 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 700,000,000. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0286% of the referred nominal value.

As at 30 March, 2007, Caixa Económica Montepio Geral settles a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage No. 3. The referred agreement consists in a mortgage credit transfer for a period of 33 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 750,000,000. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0165% of the referred nominal value.

As at 14 June, 2007, Finibanco sold a portfolio of accounts and loans to small and medium companies to Navegator – Sociedade Gestora de Fundos de Titularização de Créditos, S.A. by the amount of Euro 250,000,000 (Aqua SME no. 1). The total period of operation is 10 years, with a revolving period of 3 years.

As at 20 May, 2008, Caixa Económica Montepio Geral settles a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage No. 4. The referred agreement consists in a mortgage credit transfer for a period of 48 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,000,000,000. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.083% of the referred nominal value.

As at 9 December, 2009, Finibanco sold a mortgage loan portfolio to Tagus – Sociedade Gestora de Fundos de Titularização de Créditos, S.A. by the amount of Euro 233,000,000 (Aqua Mortage no. 1). The total period of operation is 55 years, with a revolving period of 2 years.

As at 25 March 2009, Caixa Económica Montepio Geral settles a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage No. 4. The referred agreement consists in a mortgage credit transfer for a period of 52 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,000,000,000. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0564% of the referred nominal value.

As at June, 2009, Finicrédito – Instituição Financeira de Crédito, S.A. settles a securitisation operation (Aqua Finance no. 3) of consumer credit, renting and leasing. The referred agreement has a period of 14 years, with revolving period of 3 years by the amount of Euro 207,000,000.

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

Caixa Económica Montepio Geral is the operation servicer, acting as collector of the credits sold. The received values are transferred to Securitization Credit Funds Managing Companies (Pelican Mortgages No.1 PLC and to Pelican Mortgages No. 2 PLC) and also to Securitization Credit Managing Companies (Pelican Mortgage no. 3, Pelican Mortgage no. 4, Pelican Mortgage no. 5 and Aqua Finance no. 3).

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

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

As at 30 June 2011, the securitisation operations are presented as follows:

Issue	Settlement date	Currency	Asset transferred	Amount Euro '000
Pelican Mortgages No. 1	December, 2002	Euro	Mortgage credit	650,000
Pelican Mortgages No. 2	September, 2003	Euro	Mortgage credit	700,000
Pelican Mortgages No. 3	March, 2007	Euro	Mortgage credit	750,000
Aqua SME No. 1	June, 2007	Euro	Small entities	250,000
Pelican Mortgages No. 4	May, 2008	Euro	Mortgage credit	1,000,000
Aqua Mortgage No. 1	December, 2008	Euro	Mortgage credit	233,000
Pelican Mortgages No. 5	March, 2009	Euro	Mortgage credit	1,000,000
Pelican SME	June, 2010	Euro	Small entities	1,167,000
Aqua Finance No. 3	June, 2009	Euro	Consumer credit, ALD and Leasing	207,000
				5,957,000

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

	Jun 2011 Euro '000	Dec 2010 Euro '000
Pelican Mortgages No. 1	97,286	103,883
Pelican Mortgages No. 2	179,816	188,252
	277,102	292,135

As at 30 June 2011, the notes issued by the special purpose vehicles, are analysed as follows:

				CEMG retention		***Rating* (Initial)**				***Rating* (Current)**			
Issue	**Bonds issued**	**Issue amount Euro**	**Current amount Euro**	**(Nominal value) Euro**	**Maturity year**	**Fitch**	**Moody's**	**S&P**	**DBRS**	**Fitch**	**Moody's**	**S&P**	**DBRS**
Pelican	Classe A	611,000,000	52,020,859,18	234,136-	2037	AAA	Aaa	-	-	A+	Aa2	-	-
Mortgages	Classe B	16,250,000	16,250,000	-	2037	AA-	A2	-	-	A+	A2	-	-
No. 1	Classe C	22,750,000	22,750,000	-	2037	BBB+	Baa2	-	-	BBB+	Baa2	-	-
	Classe D	3,250,000	3,250,000	3,250,000	2037	-	-	-	-	-	-	-	-
Pelican	Classe A	659,750,000	137,316,048,10	27,706,726-	2036	AAA	Aaa	AAA	-	A+	Aa2	AA-	-
Mortgages	Classe B	17,500,000	17,500,000	-	2036	AA+	A1	AA-	-	A+	A1	AA-	-
No. 2	Classe C	22,750,000	22,750,000	-	2036	A-	Baa2	BBB	-	A-	Baa2	A-	-
	Classe D	5,600,000	5,600,000	5,600,000	2036	-	-	-	-	-	-	-	-
Pelican	Classe A	701,315,365	361,499,082	13,505,036-	2054	AAA	Aaa	AAA	-	A+	A1	AA-	-
Mortgages	Classe B	14,250,000	9,333,394	-	2054	AA-	Aa2	AA-	-	A+	A1	AA-	-
No. 3	Classe C	12,000,000	7,859,701	-	2054	A	A3	A	-	A	A3	A	-
	Classe D	6,375,000	4,175,466	-	2054	BBB	Baa3	BBB	-	BBB	Baa3	BBB	-
	Classe E	7,361,334	0	-	2054	BBB-	-	BBB-	-	-	-	-	-
	Classe F	4,125,000	4,125,000	4,125,000	2054	-	-	-	-	-	-	-	-
Pelican	Classe A	832,000,000	683,440,741	683,440,741	2056	AAA	-	-	-	A+	-	-	A
Mortgages	Classe B	55,500,000	55,500,000	55,500,000	2056	AA	-	-	-	A+	-	-	-
No. 4	Classe C	60,000,000	60,000,000	60,000,000	2056	A-	-	-	-	A-	-	-	-
	Classe D	25,000,000	25,000,000	25,000,000	2056	BBB	-	-	-	BBB	-	-	-
	Classe E	27,500,000	27,500,000	27,500,000	2056	BB	-	-	-	BB	-	-	-
	Classe F	28,600,000	28,600,000	28,600,000	2056	--	-	-	-	--	-	-	-
Pelican	Classe A	750,000,000	636,647,019	636,647,019	2061	AAA	-	-	AAA	A+	-	-	AAH
Mortgages	Classe B	195,000,000	195,000,000	195,000,000	2061	BBB-	-	-	-	BBB-	-	-	-
No. 5	Classe C	27,500,000	27,500,000	27,500,000	2061	B	-	-	-	B	-	-	-
	Classe D	27,500,000	27,500,000	27,500,000	2061	-	-	-	-	-	-	-	-
	Classe E	4,500,000	2,887,976	3,961,974	2061	-	-	-	-	-	-	-	-
	Classe F	23,000,000		23,000,000	2061	-	-	-	-	-	-	-	-
Pelican	Classe A	577,500,000	577,500,000	577,500,000	2036	AAA	-	-	AAA	A+	-	-	AAH
SME	Classe B	472,500,000	472,500,000	472,500,000	2036	-	-	-	-	-	-	-	-
	Vert. Notes	117,000,000	117,000,000	117,000,000	2036	-	-	-	-	-	-	-	-
	Classe C	7,294,000	0	7,294,000	2036	-	-	-	-	-	-	-	-
	Resid. Notes	31,500,000	31,500,000	31,500,000	2036	-	-	-	-	-	-	-	-

Issue	Bonds issued	Issue amount Euro	Current amount Euro	**CEMG retention** (Nominal value) Euro	Maturity year	***Rating* (Initial)** Fitch	Moody's	S&P	DBRS		***Rating* (Current)** Fitch	Moody's	S&P	DBRS
Aqua SME n.º 1	Classe A	235,000,000	87,768,404	-	2017	-	-	-	-	-	-	-	-	-
	Classe B	15,000,000	15,000,000	-	2017	-	-	-	-	-	-	-	-	-
	Classe C	8,750,000	8,750,000	8,750,000	2017	-	-	-	-	-	-	-	-	-
Aqua Mortgage n.º 1	Classe A	203,176,000	191,714,192	191,714,192	2063	-	-	AAA	-	-	-	-	AA	AA
	Classe B	29,824,000	29,824,000	29,824,000	2063	-	-	-	-	-	-	-	-	-
	Classe C	3,500,000	3,500,000	3,500,000	2063	-	-	-	-	-	-	-	-	-
Aqua Finance n.º 3	Classe A	110,020,000	110,020,000	110,020,000	2023	-	-	AAA	-	-	-	-	AA	AA
	Classe B	96,980,000	96,980,000	96,980,000	2023	-	-	-	-	-	-	-	-	-
	Classe C	6,210,000	6,210,000	6,210,000	2023	-	-	-	-	-	-	-	-	-

50 Segmental Reporting

During the first semester of 2011, CEMG has adopted IFRS 8- Operating Segments for the purpose of financial reporting by operating segments, and to this began to use new criteria for the preparation of this information.

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

Products and services include the entire offer implicit to financial activity, such as deposit capitation, credit concession and financial services to companies and private and also the custody, and also the managing investment funds and life insurances through its associates of the insurance sector. Additionally, CEMG 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.

CEMG has a network of 503 branches in Portugal and one in Cabo Verde. Additionally, with acquisition of a Bank in Angola, CEMG has now 6 representation offices and 7 branches in Angola.

When evaluating the performance by business area, CEMG 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 CEMG's structures that are directly or indirectly dedicated, as well as autonomous units of CEMG which activity is connected to one of the above segments.

Despite the fact that CEMG has its activity concentrated in Portugal, geographically it has some international role, developed by Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, SA (IFI) and Finibanco Angola, S.A., which by geographical criteria, results can be distinguished in Portugal (Domestic) from Cabo Verde and Angola (International Area).

Segments description

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

Retail Bank

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

Corporate and Institutional

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

Other segments

This segment includes all the activity developed supporting the main activities that are the core business of the two segments mentioned above, highlighting the CEMG'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 analyzed by the decision makers of CEMG, 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 accounting policy 1. The following principles were also adopted:

Measurement of profit or loss from operating segments

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

Autonomous Operating Segments

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

CEMG structures dedicated to the segment

CEMG 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, CEMG makes a strategic decision in order to securitize some of these originated assets;

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

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

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

(v) the allocation of indirect cost (central support and IT services);

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

Consolidated Investments under the Equity Method

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

Non current assets

Non current assets, according to IFRS 8, include Other Tangible Assets and Intangible Assets. CEMG 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 CEMG policy not to include these factors on the performance evaluation of the operating segments, which activities relate to customers.

Domestic and International Areas

In the disclosure of financial information by geographical areas, the operating unit that integrate the International Area is Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI).

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

Retrospective Information

From the year 2009, CEMG began to adopt IFRS 8 rules – Operating Segments, which differ from those used previously in financial statements. Consequently, the information for the year 2008 was reorganized and prepared for presentation in order to make it consistent and comparable with the requirements of IFRS 8.

The report by operating segments as at 30 June 2011, is as follows:

Income statement indicatores	**Retail Euro '000**	**Corporate and Institutional Euro '000**	**Operations between Segments Euro '000**	**Total Euro '000**
Interest and similar income	394,392	91,276	38,484	524,152
Interest and similar expense	292,178	34,923	38,709	365,810
Net interest income	102,214	56,353	(225)	158,342
Dividends from equity instruments	-	-	561	561
Fee and commission income	42,078	6,602	4,139	52,819
Fee and commission expense	(7,539)	(1,446)	(109)	(9,094)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss			26,104	26,104
Net gains/(losses) arising from available-for-sale financial assets			2,517	2,517
Net gains arising from foreign exchange differences			2,742	2,742
Net gains from sale of other financial assets			(12,431)	(12,431)
Other operating income	5,348	2,796	3,849	11,993
Total operational income	142,101	64,305	27,147	233,533
Staff costs	58,183	25,122	9,181	92,486
General and administrative expenses	29,371	14,838	4,634	48,843
Depreciation and amortisation	2,852	474	9,116	12,442
Total operating costs	90,406	40,434	22,931	153,771
Total of Provisions and Impairment	47,184	23,184	3,463	73,831
Operating Profit	4,511	687	753	5,951
Share of profit of associates under the equity method	-	-	(950)	(950)
Profit before income tax	4,511	687	(197)	5,001
Taxes				
Current	-	-	(3,219)	(3,219)
Deferred	-	-	4,256	4,256
Non-controlling interests	-	-	(970)	(970)
Consolidated net income	4,511	687	(130)	5,068
Net Assets	10,004,550	5,153,721	6,521,291	21,679,562
Liabilities	8,953,114	2,209,542	9,397,423	20,560,079
Investments in associated companies	-	-	58,453	58,453

The report by operating segments as at 31 December 2010, is as follows:

Income statement indicatores	**Retail Euro '000**	**Corporate and Institutional Euro '000**	**Operations between Segments Euro '000**	**Total Euro '000**
Interest and similar income	627,432	104,296	29,460	761,188
Interest and similar expense	418,716	43,848	27,676	490,240
Net interest income	208,716	60,448	1,784	270,948
Dividends from equity instruments	-	-	538	538
Fee and commission income	66,746	14,354	8,075	89,175
Fee and commission expense	(10,297)	(2,426)	(2,482)	(15,205)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	-	-	45,857	45,857
Net gains/(losses) arising from available-for-sale financial assets	-	-	12,692	12,692
Net gains arising from foreign exchange differences	-	-	2,344	2,344
Net gains from sale of other financial assets	2,943	275	(6,581)	(3,363)
Other operating income	7,998	2,311	6,641	16,950
Total operational income	276,106	74,962	68,868	419,936
Staff costs	95,748	22,201	25,508	143,457
General and administrative expenses	55,671	13,259	14,565	83,495
Depreciation and amortisation	13,961	3,319	3,570	20,850
Total operating costs	165,380	38,779	43,643	247,802
Total of Provisions and Impairment	85,337	27,553	9,791	122,681
Operating Profit	25,389	8,630	15,434	49,453
Share of profit of associates under the equity method	-	-	1,954	1,954
Consolidated net income	25,389	8,630	17,388	51,407
Net Assets	9,013,324	3,062,231	6,173,735	18,249,290
Liabilities	8,521,658	2,895,190	5,836,965	17,253,812
Investments in associated companies	-	-	37,060	37,060

CEMG develops bank activities as well as financial services in Portugal and in Cabo Verde.

Geographical Segments

CEMG operates with special emphasis in markets such as Portugal and Cabo Verde and Angola. Considering this, the geographical segments information includes Portugal and Cabo Verde, being that the segment Portugal reflects, essentially, the activities carried out by Caixa Económica Montepio Geral. The segment Cabo Verde includes the operations developed by Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S.A. (IFI) and segment Angola includes the operations developed by Finibanco Angola, S.A..

As ate 30 June 2011, the net contribution of the main geographical segments is as follows:

Income statement indicators	**Portugal** **Euro '000**	**Internacional** **Euro '000**	**Adjustments** **Euro '000**	**Consolidated** **Euro '000**
Interest and similar income	518,313	12,718	(6,879)	524,152
Interest and similar expense	364,584	8,105	(6,879)	365,810
Net interest income	153,729	4,613	-	158,342
Dividends from equity instruments	983	-	(422)	561
Fee and commission income	50,155	2,681	(17)	52,819
Fee and commission expense	(9,287)	176	-	(9,094)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	26,104	-	-	26,104
Net gains/(losses) arising from available-for-sale financial assets	2,517	-	-	2,517
Net gains arising from foreign exchange differences	(1,917)	4,659	-	2,742
Net gains from sale of other financial assets	(12,431)	-	-	(12,431)
Other operating income	11,616	451	(75)	11,993
Total operational income	221,135	11,915	(497)	233,553
Staff costs	91,258	1,228	-	92,486
General and administrative expenses	47,137	1,781	(75)	48,843
Depreciation and amortisation	12,178	264	-	12,442
Total operating costs	150,572	3,274	(75)	153,771
Loans impairment	57,581	1,047	-	58,628
Other assets impairment	14,684	-	-	14,684
Other provisions	285	234	-	519
Operating Profit	(1,300)	7,673	(422)	5,951
Share of profit of associates under the equity method	(950)	-	-	(950)
Profit before income tax				
Taxes				
Current	(5,786)	(2,567)	-	(3,219)
Deferred	4,256	-	-	4,256
Non-controlling interests	(970)	-	-	(970)
Consolidated net income	383	5,107	(422)	5,068

Balance sheet indicators	Portugal Euro '000	Internacional Euro '000	Adjustments Euro '000	Consolidated Euro '000
Cash and deposits at central banks	350,927	49,864	-	400,791
Loans and advances to credit institutions repayable on demand	112,210	1,630	(893)	112,947
Other loans and advances to credit institutions	280,229	419,129	(375,328)	324,030
Loans and advances to customers	16,743,392	49,129	-	16,792,521
Financial assets held for trading	145,563	-	-	145,563
Other financial assets at fair value through profit or loss	3,685	-	-	3,685
Financial assets available-for-sale	2,996,853	5,733	-	3,002,586
Hedging derivatives	1,955	-	-	1,955
Current income tax assets	94	2,444	-	2,538
Deferred income tax assets	4,933	-	-	4,933
Held-to-maturity investments	48,263	51	-	48,314
Investments in associated companies and others	65,454	-	(7,001)	58,453
Non-current assets held for sale	234,971	97	-	235,068
Property and equipment	19,309	-	-	19,309
Other tangible assets	146,633	3,831	-	150,464
Goodwill and intangible assets	79,098	1,044	-	80,142
Other assets	294,748	2,338	(823)	296,263
Total Assets	21,528,317	535,290	(384,045)	21,679,562
Deposits from central banks	2,220,044	-	-	2,220,044
Deposits from other credit institutions	1,366,018	2,411	(376,221)	992,208
Deposits from customers	12,120,147	489,715	-	12,609,862
Debt securities issued	3,426,188	234	-	3,426,188
Other financial liabilities at fair value through profit or loss	-	-	-	-
Financial liabilities held for trading	77,044	-	-	77,044
Hedging derivatives	1,120	-	-	1,120
Provisions	4,076	-	-	4,310
Deferred income tax liabilities	493,346	-	-	493,346
Other subordinated debt	1,084	-	-	1,084
Other liabilities	731,610	4,086	(823)	734,873
Total Liabilities	20,440,677	496,446	(377,044)	20,560,079
Share capital	1,135,121	16,880	(7,001)	1,145,000
Share premium	-	-	-	-
Other capital instruments	15,000	-	-	15,000
Fair value reserves	(296,091)	(97)	-	(296,188)
Other reserves and retained earnings	229,111	11,189	422	240,722
Profit for the period	383	5,107	(422)	5,068
Non-controlling interests	9,881	-	-	9,881
Total Equity	1,093,405	33,079	(7,001)	1,119,483
Total Liabilities and Equity	21,534,082	529,525	(384,045)	21,679,562

As at 31 December 2010, the net contribution of the main geographical segments is as follows:

Income statement indicators	**Portugal Euro '000**	**Internacional Euro '000**	**Adjustments Euro '000**	**Consolidated Euro '000**
Interest and similar income	761,185	8,459	(8,456)	761,188
Interest and similar expense	490,764	7,932	(8,456)	490,240
Net interest income	270,421	527	-	270,948
Dividends from equity instruments	1,244	-	(706)	538
Fee and commission income	89,175	-	-	89,175
Fee and commission expense	(15,205)	-	-	(15,205)
Net gains/(losses) arising from assets and liabilities at fair value through profit and loss	45,857	-	-	45,857
Net gains/(losses) arising from available-for-sale financial assets	12,692	-	-	12,692
Net gains arising from foreign exchange differences	2,320	24	-	2,344
Net gains from sale of other financial assets	(3,363)	-	-	(3,363)
Other operating income	16,975	(25)	-	16,950
Total operational income	420,116	526	(706)	419,936
Staff costs	143,457	-	-	143,457
General and administrative expenses	83,442	53	-	83,495
Depreciation and amortisation	20,846	4	-	20,850
Total operating costs	247,745	57	-	247,802
Loans impairment	110,599	-	-	110,599
Other assets impairment	12,166	-	-	12,166
Other provisions	(84)	-	-	(84)
Operating Profit	49,690	469	(706)	49,453
Share of profit of associates under the equity method	1,954	-	-	1,954
Consolidated net income	51,644	469	(706)	51,407

Balance Sheet Indicators	Portugal Euro '000	Internacional Euro '000	Adjustments Euro '000	Consolidated Euro '000
Cash and deposits at central banks	240,024	-	-	240,024
Loans and advances to credit institutions repayable on demand	74,344	249	(240)	74,353
Other loans and advances to credit institutions	338,662	362,564	(362,564)	338,662
Loans and advances to customers	14,554,133	-	-	14,554,133
Financial assets held for trading	130,865	-	-	130,865
Other financial assets at fair value through profit or loss	3,952	-	-	3,952
Financial assets available-for-sale	2,430,568	-	-	2,430,568
Hedging derivatives	2,810	-	-	2,810
Held-to-maturity investments	58,093	51	-	58,144
Investments in associated companies and others	44,061	-	(7,001)	37,060
Non- current assets held for sale	162,374	-	-	162,374
Property and equipment	89,188	99	-	89,287
Intangible assets	18,254	-	-	18,254
Other assets	108,804	-	-	108,804
Total Assets	18,256,132	362,963	(369,805)	18,249,290
Deposits from central banks	1,540,266	-	-	1,540,266
Deposits from other credit institutions	899,742	2,000	-	901,742
Deposits from customers	10,017,143	353,224	(362,804)	10,007,563
Debt securities issued	3,836,243	-	-	3,836,243
Financial liabilities held for trading	53,891	-	-	53,891
Hedging derivatives	1,408	-	-	1,408
Provisions	1,311	-	-	1,311
Other subordinated debt	380,986	-	-	380,986
Other liabilities	530,402	-	-	530,402
Total Liabilities	17,261,392	355,224	(362,804)	17,253,812
Share capital	800,000	7,001	(7,001)	800,000
Fair value reserves	(85,706)	-	-	(85,706)
Other reserves and retained earnings	228,802	269	706	229,777
Profit for the year	51,644	469	(706)	51,407
Total Equity	994,740	7,739	(7,001)	995,478
Total Liabilities and Equity	18,256,132	362,963	(369,805)	18,249,290

51 Risk management

Group Montepio Geral ('CEMG') is subject to several risks during the course of its business.

The CEMG's risk management policy is designed to ensure adequate relationship at all times between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line.

In this connection, monitoring and control of the main types of financial risk – credit, market, liquidity and operational – to which the CEMG's business is subject are of particular importance.

Risk analysis and management is conducted in an integrated manner and from the standpoint of the Group by the Risk Analysis and Management Division ('DAGR') that has been made up of four departments:

- Credit Risk Department: responsible for the development and integration in the decision processes of the internal models of credit risk analysis, as well as the prudential report about Own Funds and internal reports about risk credit;

- Market Risk Department: ensures the analysis and prudential report as well as internal report of market risks, interest and exchange and liquidity rate, as well as its integration in the decision processes of the Dealing Room;

- Operational Risk Department: responsible for the operational risk management;

- Companies Credit Analysis Department: integrates credit analysts, responsible for the appreciation of the operations and internal grades attribution of credit risk in the enterprises segment.

DAGR also ensures the communications with Bank of Portugal regarding the prudential reports related to capital requirements, liquidity risk and interest rate risk.

Regarding risk and control management, developments were made in several activities, such as:

- Implementation of new models of scoring for small entities business;

- Enforcement of the reporting activity regarding credit portfolio's risk evolution and monitoring the use of the internal rating and scoring systems;

- Accompanying in the process of implementation of the new systems of credit workflow and management of its limits;

- Beginning of the development of new behavioural scoring model.

CEMG has been following Basel Committee's recommendations and all its recent developments regarding liquidity risk and own funds' evaluation.

Main types of risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and the respective volatility.

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk is the potential loss resulting from failures or inadequacies in internal procedures, persons or systems, or also the potential losses resulting from external events.

Internal organisation

The Board of Directors is responsible for risk management strategy and policies, and it is advised by the Risk Analysis and Management Division in these fields, that undertake the analysis and the risk management from the standpoint of the Group.

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

Depending on the nature and severity of the risk, plans, programs or actions shall be drawn up, supported by information systems, and procedures shall be devised that provide a high degree or reliably as to the risk management measures defined whenever necessary.

The Dealing Room shall cooperate with the Risk Analysis and Management in order to measure and control operations and portfolio risks, as well as suitably monitor CEMG’s overall risk positions.

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

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

Risk evaluation

Credit Risk – Retail

Credit risk models play a significant role in credit decisions. Credit decisions are dependent upon risk ratings and compliance with various rules governing financial capacity and applicants’ behaviour.

There are reactive scoring models for the main individual credit portfolio, recognising the need to distinguish between customers and non-customers (or new customers). Commercial performance and credit risk analysis are supported by behaviour scorings.

The credit risk analysis process to companies lays in a model of internal rating and business scoring, both cases distinguishing construction sector from the other activity sector.

The CEMG's credit risk exposure can be analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Deposits with Other credit institutions	112,947	74,353
Deposits with banks	324,030	338,662
Loans and advances to customers	16,792,057	14,554,133
Financial assets held for trading	145,563	130,865
Financial assets at fair value through profit or loss	3,685	3,952
Available-for-sale financial assets	3,002,586	2,416,653
Hedging derivatives	1,955	2,810
Held-to-maturity investments	48,314	58,144
Investments in associated companies and others	58,453	37,060
Other assets	285,736	107,064
Guarantees granted	519,433	424,361
Irrevocable commitments	341,388	252,535
Credit default swaps (notionals)	153,278	96,000
	21,789,425	18,496,592

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

During first semester of 2011 were also open some positions in credit default swaps on investment grade issuers, with the value of notional long positions and sell protection to be achieved at the end of the period 27.5 million Euro and 52.3 million Euro.

Overall Risks and Financial Assets

Efficient balance sheet management also involves the Assets and Liabilities Committee ("ALCO"), which examines interest rate, liquidity and exchange rate risks, namely as regards compliance with the limits set for the static and dynamic gaps calculated.

Normally the static interest rate and liquidity gaps are positive and moderate in size, with exception of those months when payments are made relating to bond issue debt service. As for exchange rate risk, the resources obtained in different currencies are hedged as assets in the respective monetary market and for periods not exceeding those of the resources, which mean any exchange rate gaps result mainly from possible unadjustments between the hedge and resource deadlines.

Concerning risk information and analysis, regular reports are provided on the credit and market risks on the company's financial assets and those of the other members of the Group. For the company's own portfolio, the various risk limits are defined using the Value-at-Risk ("VaR") method. There are different exposure limits such as global 'VaR' limits, by issuer, by asset type/class and rating. There are also limits of Stop Loss. Investment portfolio is mainly concentrated in bonds. New issuing of debt securities in the portfolio were mainly of fixed rate, namely debt securities bonds, mainly of Portuguese Republic.

CEMG continuously calculates its own portfolios 'VaR', given a 10-day horizon and a 99% confidence interval, given the greater volatility witnessed in the major financial markets. At the same time, the portfolio's average life remained short.

Regarding the nature of the retail activity, the institution normally presents positive interest rate positive *gaps*, which by June of 2011, would reach, in static terms, about Euro 28,532,000 (31 December 2010: Euro 461,488,000) (considering the total of the refixing terms of the interest rate).

The following table presents the mainly indicators of these measures, as at 30 June 2011 and 31 December 2010:

	June 2011				**Dec 2010**			
	June	**Annual Average**	**Maximum**	**Minimum**	**December**	**Annual Average**	**Maximum**	**Minimum**
	Euro '000	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**
Interest rate GAP	28,532	28,532	28,532	28,532	461,488	388,650	461,488	315,813

Following the recommendations of Basel II (Pillar 2) and Instruction no. 19/2005, of the Bank of Portugal, CEMG calculates its exposure to interest rate risk based on the methodology of the Bank of International Settlements ("BIS") which requires the classification of non-trading balances and off-balance positions by *repricing* intervals.

	Due within 3 months Euro '000	**3 to 6 months Euro '000**	**6 months to 1 year Euro '000**	**1 to 5 years Euro '000**	**Over 5 years Euro '000**
30 June de 2011					
Assets	11,991,388	4,508,889	809,821	1,605,866	723,813
Off balance sheet	9,847,300	144,503	357,552	4,593,505	-
Total	21,838,688	4,653,392	1,167,373	6,199,370	723,813
Liabilities	8,714,828	2,087,215	2,328,431	6,278,317	202,200
Off balance sheet	11,838,475	656,192	14,500	2,433,945	-
Total	20,553,303	2,743,407	2,342,931	8,712,263	202,200
31 de Dezembro de 2010					
Assets	10,459,200	3,879,121	413,379	1,344,393	646,080
Off balance sheet	5,789,405	172,577	122,450	3,009,066	-
Total	16,248,605	4,051,698	535,829	4,353,459	646,080
Liabilities	7,697,012	1,484,207	1,333,139	5,608,135	158,200
Off balance sheet	8,284,868	734,669	2,200	71,754	-
Total	15,981,880	2,218,876	1,335,339	5,679,889	158,200

Sensibility analysis

As at June, 2011, based on the interest rate gaps observed, an instantaneous positive variation in the interest rates by 100 bp would cause an increase in the income statement in Euro 19,176,000 (31 December, 2010: Euro 12,070,000).

The following table presents the average interests, in relation to the CEMG major assets and liabilities categories for the periods ended 30 June 2011 and 31 December 2010, as well as the average balances and the income and expense for the period:

	Jun 2011			**Dec 2010**		
Products	**Average balance for the period Euro '000**	**Average interest rate (%)**	**Income / Expense Euro '000**	**Average balance for the period Euro '000**	**Average interest rate (%)**	**Income / Expense Euro '000**
Assets						
Loans to customers	16,674,531	3.74	308,974	15,018,012	3.01	451,424
Deposits	172,807	1.15	989	159,355	0.93	1,488
Securities portfolio	2,756,616	5.96	81,410	2,152,396	4.26	91,798
Inter-bank loans and advances	297,916	3.39	5,015	188,586	6.11	11,520
Swaps	-	-	126,084	-	-	196,074
Total Assets	19,901,870		522,472	17,518,349	4.29	752,304
Liabilities						
Deposits from customers	11,575,319	2.33	133,834	9,342,301	1.62	151,654
Interbank deposits	2,522,445	1.45	18,143	6,202,026	2.65	164,662
Securities deposits	4,978,386	3.93	96,999	1,299,076	1.03	13,440
Deposits from other credit institutions	345	0.68	1	480	0.79	4
Other interest	-	-	1,915	-	-	-
Swaps	-	-	113,239	-	-	151,596
Total liabilities	19,076,495		364,131	16,843,883		481,356

Liquidity risk

The purpose of liquidity management is to maintain adequate liquidity levels to meet short, medium and long term funding needs. The overall exposure to liquidity risk is assessed through reports that identify negative mismatches allowing their hedging on a permanent and dynamic basis.

In addition, CEMG calculates the liquidity ratios in accordance with the Bank of Portugal rules (Instruction no. 13/2009).

Operational risk

CEMG is under the Bank of Portugal's supervision in order to apply an approach based in The Standardized Approach – TSA, for calculating the fund's requirements to mitigate the operational risk. Nowadays, CEMG uses the Basic Indicator method.

A system of operational risk management is implemented and its basis are identification, evaluation, accompanying, measure, mitigation, and report this kind of risk. This system is supported by an organizational structure, integrated in DAGR, exclusively focused to this task as well as users in each department.

Capital Management and Solvency Ratio

In prudential matters, CEMG is subject to Bank of Portugal supervision that, under the capital adequacy Directive from the CE, establishes the rules to be attended by the institutions under its supervision. These rules determine a minimum solvency ratio of 8% (to be accomplished from September 2008 in accordance with circular letter no. 83/2008), as well as a minimum amount of 4% for its main component, the Tier1, in relation to the requirements of the assumed risks that institutions have to fulfil. These referential minimums can be changed in future agreements.

The capital elements of CEMG are divided into: Core Own Funds, Complementary Own Funds and Deductions, as follows:

- Core Own Funds (COF): This category includes the share capital, the eligible reserves (excluding positive fair value reserves), the retained earnings, minority interest and preferential stocks. It is deducted the negative fair value reserves associated to stocks or other capital instruments, by the book value related to the Goodwill, intangible assets, deferred costs, actuarial losses and negative fair value reserves that come from responsibilities with benefits of post employment to employees above the corridor limit. Since 2007, 50% of the book value of equity investments in banking and insurance entities, exceeding 10% of the respective share capital is also deducted. In 2009, applying the IRB method for credit risk the amount of expected losses was adjust to 50% for positions in risk, deducted of the sum of value corrections and existents provisions;

- Complementary Own Funds (CMOF): Essentially incorporates the subordinated eligible debt, the revaluation reserves of tangible assets and 45% of the positive fair value reserve and is deducted by 50% of the book value of equity investments in banking and insurance entities, in participations higher than 10%, as well as 50%, in 2009, of the amount of expected losses was adjust to 50% for positions in risk, deducted of the sum of value corrections and existents provisions, with IRB method applied;

- It is deducted to the total Own Funds the assets acquired in exchange for loans at more than 4 or 5 years. This value is calculated in accordance with a progressiveness method that leads that in 10 to 13 years, the net value of the asset, are totally deducted in the own funds.

Additionally there are several rules limiting the capital basis of CEMG. The prudential rules determine that the CMOF cannot exceed the COF. In addition, some components of the CMOF (Lower Tier II) cannot exceed 50% of the COF.

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

The impact on regulatory capital of adopting NIC's/NCA's regarding to the Pensions Fund is being recognised on a straight line basis (in accordance with Regulation no. 2/2005, no. 4/2005 and no. 12/2005 and no. 7/2008 from the Bank of Portugal).

Thus, at the end of the first half of 2011, the net negative impact on Capital, calculated on a consolidated basis, the settlement of differences referred to above, was Euro 62,431,000, an amount that results from a negative impact of Euro 19,061,000 and retained earnings and other deviations from Euro 57,310,704, offset by an increase of more than Euro 13,941,000 relating to impacts have to be recognized in Equity (pursuant to no. 4 of no.13.º-A, the Notice 12/2001).

The compensation value will decrease in the Capital to become extinct in 2014. At the end of the period, the differences arising in the Pension Fund have been totally absorbed by the statutory reserves.

The verification that an entity has a capital of not less than the amount of their capital requirements to certify the adequacy of its capital, reflected in a solvency ratio - represented by own funds as a percentage of the amount corresponding to 12.5 times the requirements capital - at or above the regulatory minimum of 8%. Additionally, the Bank of Portugal made a recommendation that, until September 30, 2009, the financial groups subject to supervision on a consolidated basis, as well as their parent companies, raise their ratios of capital adequacy of base (Tier 1) to a value not less than 8%

The capital adequacy of CEMG as at 30 June 2011 and 31 December 2010 is presented as follows:

	Jun 2011 **Euro '000**	**Dec 2010** **Euro '000**
Core own funds		
Paid-up capital	1,145,000	800,000
Results, general and special reserves and retained earnings	232,274	219,694
Other regulatory adjustments	(201,232)	(95,828)
NIC/NCA adjustments	13,941	15,792
	1,189,984	939,658
Complementary own funds		
Upper Tier 2	59,607	27,506
Lower Tier 2	478,452	378,000
Deductions	(14,812)	(16,554)
	523,247	388,952
Deductions to total own funds	(14,807)	(4,562)
Total own funds	1,698,424	1,324,048
Own funds requirements		
Credit risk (Regulation no. 5/2007)	973,680	767,097
Market risk (Regulation no. 8/2007)	3,960	1,721
Operational risk (Regulation no. 9/2007)	75,981	55,495
	1,053,621	824,313
Prudential ratios		
Ratio core Tier 1	9.0%	9.3%
Ratio Tier 1	9.0%	9.1%
Solvency ratio	12.9%	12.9%

52 Sovereign debt of countries of the European Union in a state *bailout*

As at June 30, 2011, CEMG exposure to sovereign debt securities of European Union countries in a state bailout, is as follows:

Issuer / Portfolio	Book value Euro '000	Fair Value Euro '000	Fair Value Reserve Euro '000	Impairment Euro '000	Fixed rate average %	Maturity average Years	Level of appreciation
Portugal							
Financial assets available for sale	1,379,634	1,379,634	(223,889)	-	4.31%	2.37	1
Financial assets held to maturity	37,135	32,940	-	-	4.72%	0.88	n.a.
	1,416,769	1,412,574	(223,889)	-			
Greece							
Financial assets available for sale	33,223	33,223	-	(5,056)	4.01%	1.06	1
Ireland							
Financial assets available for sale	8,536	8,536	(885)	-	4.60%	4.8	1
	1,458,528	1,454,333	(224,774)	(5,056)			

As at December 31, 2010, CEMG exposure to sovereign debt securities of European Union countries in a state bailout, is as follows:

Issuer / Portfolio	Book value Euro '000	Fair Value Euro '000	Fair Value Reserve Euro '000	Rate average Euro '000	Maturity average Years	Level of appreciation
Portugal						
Activos financeiros disponíveis para venda	1,047,164	1,047,164	(28,302)	4.10	2.95	1
Investimentos detidos até à maturidade	44,112	42,900	-	4.56	1.79	n.a.
	1,091,276	1,090,064	(28,302)			
Grécia						
Activos financeiros disponíveis para venda	44,470	44,470	(2,523)	3.96	0.79	1
	1,135,746	1,134,534	(30,825)			

Relatively to debt securities in Portugal, Greece and Ireland have not occurred during the period of six months ended at 30 June, 2011 any reclassifications between portfolios.

Relatively to exposure to sovereign debt of Greece, and following the various conversations that were held at the EU level, given the current international economic situation, the position of Greece in the European context and also the current sovereign debt crisis in the European Union, the European Council adopted on 21st July, a set of conditions applicable to sovereign debt restructuring in Greece.

According to publicly available information, the restructuring conditions set out a voluntary exchange of titles of current public debt of Greece for a number of new bonds to be issued with maturities between 15 and 30 years, partially collateralized, and a rate adjustment applicable interest.

Given these conditions and the restructuring option of voluntary conversion to the defined scheme, the Board of Directors has evaluated its effects at the level of the financial statements as at 30 June 2011, taking into account different scenarios of accession to the restructuring program and the terms and conditions approved.

After the evaluation, and considering the options, the Board of Directors of CEMG decided not proceed to the conversion option taking into account the different aspects, including:

(i) adherence to the restructuring program to volunteer with the expectation of the European Council to have a membership by 90% of the holders of sovereign debt of Greece;;

(ii) not be expected that after the new aid package to Greece can be a default in relation to non-participating banks because that would amount to a breach that could have severe consequences for the debt of Greece as a whole;

(iii) the fact that Portugal is a country in bailout, and

(iv) absence of a regulatory decision for accession by a Portuguese banks to the restructuring program approved by the European Council.

Thus Greece's sovereign debt is valued by reference to 30 June 2011 in accordance with the valuation criteria set out in accounting policy note 1. d) in accordance with paragraph AG 84 of IAS 39, this date having been recognized impairment.

Regarding the exposure to other countries in a bailout of the Board of Directors believes that the CEMG this date there is no objective evidence of impairment.

53 Acquisition of Subsidiaries

During the year 2010, Montepio Geral – Associação Mutualista, sole shareholder of CEMG, proceeded with the acquisition of Finibanco Holding, S.G.P.S., S.A. through a takeover bid in the amount of Euro 341,250,000.

On 31 March, 2011 Montepio Geral – Associação Mutualista sold a shareholding in Finibanco Holding, S.G.P.S., S.A. to CEMG by the amount of Euro 341,250,000, therefore from this date CEMG holds a share of 100% in Finibanco Holding, S.G.P.S., S.A..

The acquisition of Finibanco Holding by CEMG enable to complete the level of financial services in the area through the acquisition of a share in Finibanco, S.A. (universal bank), Finicrédito, S.A. (specialized financial institution credit), Finibanco Angola (universal bank in Angola) and Finivalor (management company of investment funds).

This acquisition also allows for the complementarity of commercial networks and entry into markets in which this CEMG was not.

The value of the acquisition by CEMG to Montepio Geral – Associação Mutualista was made entirely in cash.

The main assets and liabilities assumed under the acquisition are analyze as follows:

	Euro '000
Cash and deposits at central banks	129,508
Loans and advances to credit institutions repayable on demand	46,380
Financial assets held for trading	30,650
Other financial assets at fair value through profit or loss	9,848
Financial assets available-for-sale	425,136
Other loans and advances to credit institutions	108,035
Loans and advances to customers	2,538,303
Non-current assets held for sale	45,811
Investment property	20,186
Other tangible assets	62,150
Intangible assets	6,130
Investments in associated companies and others	24,876
Current income tax assets	2,572
Deferred income tax assets	21,498
Other assets	97,525
Deposits from central banks	(410,016)
Financial liabilities held for trading	(20,337)
Other financial liabilities at fair value through profit or loss	(117,345)
Deposits from other credit institutions	(286,279)
Deposits from customers	(2,232,196)
Debt securities issued	(1,840)
Financial liabilities associated to transferred assets	(115,095)
Provisions	(2,506)
Current income tax liabilities	(269)
Deferred income tax liabilities	(19,937)
Other subordinated debt	(11,108)
Other liabilities	(45,995)
Other capital instruments	(15,000)
Other reserves and retained earnings	(4,054)
Net assets identified	286,631

Goodwill recognized in intangible assets and subject to impairment tests on an annual basis, as described in accounting policy note 1.2) is analyzed as follows:

	Euro '000
Total amount paid by CEMG	341,250
Fair value of assets and liabilities acquired	286,631
“Goodwill”	54,619

Loans to customers acquired corresponds to a gross value of Euro 2,835,838,000 with impairment losses recognized in the amount of 191,338,000 and a fair value net adjustment based in the fixed rate component of a portfolio share and in the statuary provisioning level associate to a portfolio with mortgage collaterals ascends Euro 19,139,000.

"Goodwill" results essentially from the complementarity of commercial networks and the Group Finibanco presence in markets where CEMG not currently operates.

CEMG the incurred costs associated with the transaction in the amount of Euro 564,000, which correspond essentially to costs with consultants in legislative, tax and accounting matters in the transaction context.

54 Subsidiaries Companies

As at 30 June 2011 the subsidiary companies included in the consolidatd accounts using the purchase method according, were as follows:

Subsidiary Company	Head of office	Share Capital	Activity	% Held
Finibanco Holding, SGPS, S.A.	Porto	Euro 175,000,000	Holding company	100%
Finibanco S.A.	Porto	Euro 180,000,000	Banking	100%
Finicrédito S.A.	Porto	Euro 30,000,000	Leasing	100%
Finivalor S.A.	Porto	Euro 1,550,000	Investment fund management	100%
Finibanco Angola	Luanda	KWZ 1,332,000,000	Banking	61.04%

Caixa Económica Montepio Geral

Interim Individual Financial Statements

30 June, 2011 and 2010

(With Statutory audit opinion and Auditors' report thereon)

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

August 2011
This report contains 103 pages

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LIMITED REVIEW REPORT ON INTERIM INDIVIDUAL FINANCIAL INFORMATION ISSUED BY THE CMVM REGISTERED AUDITOR

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

INTRODUCTION

1. In accordance with the Stock Exchange Code ("Código dos Valores Mobiliários" or "CVM"), we present our Limited Review Report, on the interim individual financial information for the six months period ended 30 June, 2011 of **Caixa Económica Montepio Geral**, which comprise the Balance sheet as at 30 June 2011 (showing total assets of 24,211,399 thousand Euros and total equity of 1,128,804 thousand Euros, including a net profit of 13,107 thousand Euros) the statements of income, of cash flows, of changes in equity and of comprehensive income for the six months period then ended and the corresponding notes to the accounts.

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

RESPONSIBILITIES

3. The Board of Directors is responsible for:

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

b) the historical financial information prepared in accordance with the Adjusted Accounting Standards ("Normas de Contabilidade Ajustadas") issued by the Bank of Portugal, which are based on the application of IAS 34 – Interim Financial Reporting, with exception of the issues defined in no. 2 and no. 3 of Regulation no. 1/2005 and no. 2 of Regulation no. 4/2005 of the Bank of Portugal ("NCA's"), which is complete, true, current, clear, objective and lawful as required by the Stock Exchange Code ("Código dos Valores Mobiliários");

c) the adoption of adequate accounting policies and criteria;

d) the maintaining of an appropriate system internal control; and

e) the communication of any relevant matter that may have influenced the activity, financial position or results of the CEMG.

4. Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the "Código dos Valores Mobiliários" in order to issue a professional and independent opinion based on our work.

SCOPE

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

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

- the reability of the assertions included in the financial information;
- the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
- the application of the going concern principle;
- the presentation of the financial information;
- if the financial information is complete, true, current, clear, objective and lawful; and

b) substantive tests on material noncurrent transactions.

6. Our review also included the verification that the financial information included in the interim Report of the Board of Directors is consistent with the remaining documents mentioned above.

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

OPINION

8. Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the interim individual financial information of **Caixa Económica Montepio Geral** as at 30 June 2011, the result of its operations, of cash flows, of changes in equity and of comprehensive income for the six months period ended 30 June 2011, is not free of material misstatements that affects its compliance with Adjusted Accounting Standards and that is not complete, true, current, clear, objective and lawful.

Lisbon, 26 August 2011

KPMG & Associados, S.R.O.C., S.A.
representada por

____

Vítor Manuel da Cunha Ribeirinho
(Statutory Auditor no. 1081)

FINANCIAL STATEMENTS

- NOTES TO THE FINANCIAL STATEMENTS
(Pages 5 to 103)

Caixa Económica Montepio Geral

Income Statement
for the six months period ended at 30 June 2011 and 2010

(Amounts expressed in thousands of Euro)

	Notes	June 2011	June 2010
Interest and similar income	3	508,698	346,994
Interest and similar expense	3	360,528	218,149
Net interest income		148,170	128,845
Dividends from equity instruments	4	1,785	2,104
Fee and comission income	5	50,066	42,126
Fee and comission expense	5	(8,144)	(7,268)
Net gains/(losses) arising from assets and liabilities at fair value through profit or loss	6	27,216	31,638
Net gains/(losses) arising from available-for-sale financial assets	7	2,726	8,334
Net gains arising from foreign exchange differences	8	711	1,137
Net gains from sale of other financial assets		(2,244)	(1,986)
Other operating income	9	10,522	9,016
Total operating income		230,808	213,946
Staff costs	10	89,651	73,731
General and administrative expenses	11	45,256	39,251
Depreciation and amortisation	12	12,040	9,835
Total operating costs		146,947	122,817
Loans impairment	13	55,923	58,029
Other assets impairment	14	14,684	7,054
Other provisions	15	147	25
Operating profit		13,107	26,021
Profit for the period		13,107	26,021

CHIEF ACCOUNTANT THE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Balance Sheet as at 30 June 2011 and 31 December 2010

(Amounts expressed in thousands of Euro)

	Notes	June 2011	December 2010
Assets			
Cash and deposits at central banks	16	350,923	240,024
Loans and advances to credit institutions repayable on demand	17	79,973	58,405
Other loans and advances to credit institutions	18	594,483	338,662
Loans and advances to customers	19	16,229,348	14,352,766
Financial assets held for trading	20	118,918	130,865
Other financial assets at fair value through profit or loss	21	3,685	3,952
Financial assets available-for-sale	22	5,683,623	5,256,811
Hedging derivatives	23	1,955	2,810
Held-to-maturity investments	24	48,263	58,093
Investments in associated companies and others	25	384,547	43,297
Non-current assets held for sale	26	195,634	162,374
Property and equipment	27	119,588	89,188
Goodwill and Intangible assets	28	110,413	18,254
Current income tax assets		9	-
Other assets	29	290,037	128,519
Total Assets		24,211,399	20,884,020
Liabilities			
Deposits from central banks	30	2,220,044	1,540,266
Deposits from other credit institutions	31	1,406,099	1,262,546
Deposits from customers	32	12,259,863	9,654,340
Debt securities issued	33	3,182,842	3,578,677
Financial liabilities held for trading	20	85,515	53,814
Hedging derivatives	23	1,120	1,408
Provisions	34	121,857	101,499
Other subordinated debt	35	471,401	380,986
Other liabilities	36	3,333,854	3,316,465
Total Liabilities		23,082,595	19,890,001
Equity			
Share capital	37	1,145,000	800,000
Other equity instruments	38	15,000	-
Fair value reserves	40	(293,696)	(82,973)
Other reserves and retained earnings	39 and 40	249,393	235,501
Profit for the period		13,107	41,491
Total Equity		1,128,804	994,019
		24,211,399	20,884,020

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

Caixa Económica Montepio Geral

Statement of Cash Flows
for the six months period ended at 30 June 2011 and 2010

(Amounts expressed in thousands of Euro)

	June 2011	June 2010
Cash flows arising from operating activities		
Interest income received	483,753	333,610
Commission income received	54,854	37,448
Interest expense paid	(300,274)	(204,609)
Commission expense paid	(6,708)	166
Payments to employees and suppliers	(116,324)	(111,725)
Recovered from charged-off loans	1,824	1,180
Other payments and receivables	145,216	77,531
	262,341	133,601
(Increase) / decrease in operating assets		
Loans and advances to credit institutions and customers	(2,279,062)	1,371,845
Other assets	(190,244)	(79,170)
	(2,469,306)	1,292,675
(Increase) / decrease in operating liabilities		
Deposits from central banks	2,557,304	123,345
Deposits from clients	(1,397,003)	(483,246)
Deposits from credit institutions	2,220,000	900,000
	3,380,301	540,099
	1,173,336	1,966,375
Cash flows arising from investing activities		
Dividends received	1,785	2,104
(Acquisition) / sale of trading financial assets	19,918	(122,400)
(Acquisition) / sale of other financial assets at fair value through profit or loss	267	121
(Acquisition) / sale of available for sale financial assets	(644,793)	(1,779,288)
(Acquisition) / sale of hedging derivatives	213	1,514
(Acquisition) / sale of held to maturity investments	9,160	(24,347)
(Acquisition) / sale of shares in associated companies	(429,522)	-
Deposits owned with the purpose of monetary control	(67,852)	119,388
Proceeds from sale of fixed assets	200	605
Acquisition of fixed assets	14,810	(11,955)
	(1,095,814)	(1,814,258)
Cash flows arising from financing activities		
Dividends paid	(23,085)	(20,300)
Proceeds from issuance of share capital	360,000	-
Proceeds from issuance of bonds and subordinated debt	248,011	4,637
Reimbursement of bonds and subordinated debt	(629,535)	(111,071)
Increase / (decrease) in other (sundry) liabilities	31,701	1,977
	(12,908)	(124,757)
Net changes in cash and equivalents	64,614	27,360
Cash and equivalents balance at the beginning of the period	154,046	150,873
Cash (note 16)	95,641	99,128
Loans and advances to credit institutions repayable on demand (note 17)	58,405	51,745
Cash and equivalents balance at the end of the period	218,660	178,233

See accompanying notes to the interim individual financial statements

Caixa Económica Montepio Geral

Statement of Changes in Equity
for the six months period ended at 30 June 2011 and 2010

(Amounts expressed in thousands of Euro)

	Total equity	Share capital	Other capital instruments	General and special reserves	Other reserves	Fair value reserves	Retained earnings
Balance on 1 January 2010	995,234	760,000	-	225,685	8,404	(28,600)	29,745
Other movements recognised directly in Equity:							
Changes in fair value (note 40)	(19,374)	-	-	-	-	(19,374)	-
Dividends paid (note 42)	(20,300)	-	-	-	-	-	(20,300)
IAS 19 adjustments	(4,016)	-	-	-	-	-	(4,016)
Profit for the period	26,021	-	-	-	-	-	26,021
Total gains and losses recognised in the period	977,565	760,000	-	225,685	8,404	(47,974)	31,450
Reserves constitution							
General reserve (note 39)	-	-	-	7,556	-	-	(7,556)
Special reserve (note 39)	-	-	-	1,889	-	-	(1,889)
Balance on 30 June 2010	977,565	760,000	-	235,130	8,404	(47,974)	22,005
Other movements recognised directly in Equity:							
Changes in fair value (note 40)	(34,999)	-	-	-	-	(34,999)	-
Share Increase	40,000	40,000	-	-	-	-	-
IAS 19 adjustments	(4,017)	-	-	-	-	-	(4,017)
Profit for the period	15,470	-	-	-	-	-	15,470
Balance on 31 December 2010	994,019	800,000	-	235,130	8,404	(82,973)	33,458
Other movements recognised directly in Equity:							
Changes in fair value (note 40)	(210,723)	-	-	-	-	(210,723)	-
Share Increase	345,000	345,000	-	-	-	-	-
Other Capital Instruments (note 38)	15,000	-	15,000	-	-	-	-
Dividends paid (note 42)	(23,085)	-	-	-	-	-	(23,085)
IAS 19 adjustments	(4,514)	-	-	-	-	-	(4,514)
Profit for the period	13,107	-	-	-	-	-	13,107
Total gains and losses recognised in the period	1,128,804	1,145,000	15,000	235,130	8,404	(293,696)	18,966
Reserves constitution							
General reserve (note 39)	-	-	-	8,298	-	-	(8,298)
Special reserve (note 39)	-	-	-	2,075	-	-	(2,075)
Balance on 30 June 2011	1,128,804	1,145,000	15,000	245,503	8,404	(293,696)	8,593

Caixa Económica Montepio Geral

Statement of the Comprehensive Income
for the six months period ended at 30 June 2011 and 2010

(Amounts expressed in thousands of Euro)

	Note	June 2011	June 2010
Fair value reserves			
Available-for-sale financial instruments	40	(210,723)	(19,374)
IAS 19 adjustments	40	(4,514)	(4,016)
Profit for the period		13,107	26,021
Total comprehensive income for the period		(202,130)	2,631

See accompanying notes to the interim individual financial statements

Caixa Económica Montepio Geral

Notes to the Individual Financial Statements
30 June 2011

1 Accounting Policies

1.1 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 December, and no. 136/79 of 18 May, which regulate the activity of savings banks and establish some restrictions to their activities. However, CEMG is authorised to carry out banking operations in addition to those mentioned in its by-laws, if previously authorised by the Bank of Portugal. This fact conducts to the practice of banking operations in general.

During the exercise of 2010, Montepio Geral – Associação Mutualista, only CEMG's shareholder acquire the whole capital of Finibanco Holding, S.G.P.S.,S.A. through a Public Offering in the amount of Euro 341,250,000.

As a 31 March 2011, Montepio Geral – Associação Mutualista sold its participation in Finibanco Holding, S.G.P.S.,S.A. to CEMG. Within the change of structure of the Group, which resulted from this acquisition, on 4 April 2011, CEMG bought a set of assets and liabilities of Finibanco, S.A. (excluding real state owed by Finibanco, S.A. as a result of acquisitions of own credit repayment and leasing contracts (real state and securities) where Finibanco, S.A. is lessor). CEMG's individual financial statements as at 30 June 2011 include the effect of this acquisition, and this fact should be considered to comparison purposes.

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and the Council, of 19 July 2002, and its adoption into Portuguese Law through Decree-Law no. 35/2005, of 17 February and Regulation no. 1/2005 from Bank of Portugal, CEMG's financial statements are required to be prepared in accordance with Adjusted Accounting Standards ("NCA's"), as established by the Bank of Portugal.

NCA's are composed by all the standards included in the International Financial Reporting Standards ("IFRS") as adopted for use in the European Union, with the exception of issues regulated by the Bank of Portugal such as loans impairment and recognition in retained earnings of the adjustments related to pensions during the transition period, as defined in the no. 2 and no. 3 of the Regulation no. 1/2005 and in the no. 2 of the Regulation no. 4/2005 of the Bank of Portugal.

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 individual financial statements now presented were prepared in accordance with NCA's, which includes the IFRS adopted for use in the European Union until 30 June 2011. The accounting policies used by CEMG in the preparation of the financial statements for the year ended 30 June 2011, are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2010.

These financial statements are expressed in thousands of Euro, rounded to the nearest thousand. The financial statements are prepared under the historical cost convention, as modified by the application of fair value basis 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. Recognized 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 amortized cost or historical cost. Noncurrent assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell. The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation net of the value of the fund and deducted from the actuarial losses not recognized.

The preparation of the financial statements in conformity with IFRS requires CEMG to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity, or where assumptions and estimates are considered to be significant are presented in note 1.22.

These financial statements were approved in the Board of Directors meeting held on 25 August, 2011.

1.2 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Euro at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the 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 to Euro at the foreign exchange rates ruling at the dates that the fair value was determined. The resulting exchange differences are accounted for in the income statement, except if related with equity instruments classified as available-for-sale, in which case are accounted for against reserves.

1.3 Derivative financial instruments and hedge accounting

Classification

Derivatives for risk management purposes include (i) hedging derivatives and (ii) derivatives used to manage the risk of certain financial assets and financial liabilities designated at fair value through profit or loss that were not classified as being hedging derivatives.

All other derivatives are classified as trading derivatives.

Recognition and measurement

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into (trade date). Subsequent to initial recognition, the fair value of derivative financial instruments is re-measured on a regular basis and the resulting gains or losses on re-measurement are recognised directly in the income statement, except for derivatives designated as hedging instruments. The recognition of the resulting gains or losses of the derivatives designated as hedging instruments depends on the nature of the risk being hedged and of the hedge model used.

Fair values are obtained from quoted market prices, in active markets, if available or are determined using valuation techniques including discounted cash flow models and options pricing models, as appropriate.

Hedge accounting

i) Classification criteria

Hedge accounting is used for derivative financial instruments designated as hedging instrument, provided the following criteria are met:

- At the inception of the hedge, the hedge relationship is identified and documented, including the identification of the hedged item and of the hedging instrument and the evaluation of the effectiveness of the hedge;

- The hedge is expected to be highly effective, both at the inception of the hedge and on an ongoing basis;

- The effectiveness of the hedge can be reliably measured, both at the inception of the hedge and on an ongoing basis;

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

- For cash flows hedges, the cash flows are highly probable of occurring.

ii) Fair value hedge

In a fair value hedge, the book value of the hedged asset or liability, determined in accordance with the respective note, is adjusted to reflect the changes in its fair value that are attributable to the risks being hedged. Changes in the fair value of the derivatives that are designated as hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the risk being hedged.

If the hedge no longer meets the criteria for hedge accounting, the derivative financial instrument is transferred to the trading portfolio and the hedge accounting is discontinued prospectively. The cumulative adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to the income statement over the period to maturity.

iii) Hedge effectiveness

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

iv) Embedded derivatives

Derivatives that are embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

1.4 Loans and advances to customers

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

Loans and advances to customers are derecognised from the balance sheet when (i) the contractual rights to receive their cash flows have expired, (ii) CEMG has transferred substantially all risks and rewards of ownership or (iii) although retaining some but not substantially all of the risks and rewards of ownership, CEMG has transferred the control over the assets.

Loans and advances to customers are initially recognised at the face value, and cannot be reclassified to the remaining financial assets categories.

Impairment

As referred in the note 1.1, CEMG has prepared its financial statements in accordance with NCA's therefore, in accordance with no. 2 and 3 of the Regulation no. 1/2005 of Bank of Portugal, CEMG adopted the requirements established for the measurement and provision of credit granted used in the previous years, described as follows:

i) Specific provision for loan losses

The specific provision for loan losses is based on the appraisal of overdue loans including the related overdue amounts to cover specific credit risks. This provision is shown as a deduction against credit granted. The adequacy of this provision is reviewed regularly by CEMG taking into consideration the existence of asset-backed guarantees, the overdue period and the current financial situation of the client.

The provision calculated under these terms, complies with the requirements established by the Bank of Portugal, in accordance with Regulations no. 3/95, of 30 June 1995, no. 7/00, of 27 October, and no. 8/03, of 8 January 2003.

ii) General provision for loan losses

This provision is established to cover latent bad and doubtful debts which are present in any loan portfolio, including guarantees, but which have not been specifically identified as such. This provision is recorded under provision for liabilities and charges.

The general provision for loan losses is in accordance with Regulation no. 3/95, of 30 June, Regulation no. 2/99, of 15 January and Regulation no. 8/03, of 30 January of the Bank of Portugal.

iii) Provision for country risk

The provision for country risk is in accordance with Regulation no. 3/95, of 30 June of the Bank of Portugal, and is based on the Instruction no. 94/96, of 17 June, of the Bank of Portugal, including the adoption of changes made to paragraph 2.4 of the referred Instruction published in October 1998.

iv) Loans charge-off

In accordance with "*Carta-Circular*" no. 15/2009 of 28 January from the Bank of Portugal, loans and advances to customers are charged-off when there 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.

1.5 Other financial assets

i) Classification

CEMG classifies its other financial assets at initial recognition in the following categories:

Financial assets at fair value trough profit or loss

This category includes: (i) financial assets held for trading, which are those acquired principally for the purpose of selling in the short term or that are held as part of a portfolio in relation to which there is evidence of recent activities that lead to short term profits and (ii) financial assets that are designated at fair value through profit or loss at inception.

Trading derivatives with a positive fair value are included in balance *Financial Assets held for trading* and the ones with negative fair value in *Financial Liabilities held for trading.*

CEMG classifies, at inception, certain financial assets at fair value through profit or loss when:

- Such financial assets are managed, measured and their performance evaluated on a fair value basis;
- Such financial assets are bring hedged on an economical basis, in order to eliminate an accounting mismatch; or
- Such financial assets contain an embedded derivative.

Note 21 include a summary of the assets and liabilities that were classified at fair value trough profit or loss at inception.

The structured products acquired by CEMG corresponding to financial instruments containing one or more embedded derivatives meet the above-mentioned conditions, and, in accordance, are classified under the fair value through profit or loss category.

CEMG has adopted the Fair Value Option for certain own bond issues, loans and time deposits performed that contain embedded derivatives or with related hedge derivatives.

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 recognized in profit and loss and subsequently measured at fair value through profit and loss. The accrual of interest and premium/discount (when applicable) is recognized 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.

Held-to-maturity investments

These investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the CEMG's management has the positive intention and ability to hold until its maturity and that are not classified as at fair value through profit or loss or as available-for-sale.

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets (i) intended to be held for an indefinite period of time, (ii) designated as available-for-sale at initial recognition or (iii) that are not classified in the other categories referred to above.

ii) Initial recognition, measurement and derecognising

Purchases and sales of: (i) financial assets at fair value through profit or loss, (ii) held-to-maturity investments and (iii) available-for-sale financial assets are recognised on trade-date – the date on which CEMG commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, in which case these transaction costs are directly recognised in the income statement.

Financial assets are derecognised when (i) the contractual rights to receive their cash flows have expired, (ii) CEMG has transferred substantially all risks and rewards of ownership or (iii) although retaining some but not substantially all of the risks and rewards of ownership, CEMG has transferred the control over the assets.

iii) Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value and gains and losses arising from changes in their fair value are included in the income statement in the period in which they arise.

Available-for-sale financial assets are also subsequently carried at fair value. However, gains and losses arising from changes in their fair value are recognised directly in equity, until the financial assets are derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Foreign exchange differences arising from equity investments classified as available-for-sale are also recognised in equity, while foreign exchange differences arising from debt investments are recognised in the income statement. Interest, calculated using the effective interest method and dividends are recognised in the income statement.

Held-to-maturity investments are carried at amortised cost using the effective interest method, net of any impairment losses recognised.

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

The fair values of quoted investments in active markets are based on current bid prices. For unlisted securities CEMG establishes fair value by using (i) valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis and option pricing models and (ii) valuation assumptions based on market information.

Financial instruments whose fair value cannot be reliably measured are carried at cost.

iv) Reclassifications between categories

CEMG only reclassifies non-derivative financial assets with fixed or determinable payments and fixed maturities, from the available-for-sale financial assets category to the held-to-maturity investments category, if it has the intention and ability to hold those financial assets until maturity.

Reclassifications between these categories are made at the fair value of the assets reclassified on the date of the reclassification. The difference between this fair value and the respective nominal value is recognised in the income statement until maturity, based on the effective interest rate method. The fair value reserve at the date of the reclassification is also recognised in the income statement, based on the effective interest rate method.

Financial assets may be reclassified to the (i) held-to-maturity investments category if the entity has the intention and ability to hold those financial assets until maturity and to the (ii) loans and receivables category if the entity has the intention and ability to hold those financial assets for the foreseeable future and if those financial assets are not traded in an active market.

During the year of 2010 and first semester of 2011, there were no reclassifications between categories.

v) Impairment

CEMG's assesses periodically whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, the recoverable amount of the asset is determined and impairment losses are recognised through the income statement.

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition, such as: (i) for listed securities, a significant or prolonged decline in the fair value of the security below its cost, 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 reliably estimated.

For held-to-maturity investments the amount of the impairment loss is measured as the difference between the asset's book value and the present value of estimated future cash flows (considering the recovery period) discounted at the financial asset's original effective interest rate. The carrying amount of the impaired assets is reduced through the use of an allowance account. If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For held-to-maturity investments if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the income statement.

If there is objective evidence that an impairment loss on available-for-sale financial assets has been incurred, the cumulative loss recognised in equity – measured as the difference between the acquisition cost and the current fair value, and less any impairment loss on that financial asset previously recognised in the income statement – is taken to the income statement. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through the income statement up to the acquisition cost if the increase is objectively related to an event occurring after the impairment loss was recognised, except in relation to equity instruments, in which case the reversal is recognised in equity.

1.6 Assets sold with a repurchase agreement

The securities sold with a repurchase agreement (repos) with a fixed price or a price that is the selling price plus an inherent rate adjusted with the operation periods, which are not derecognised in the balance sheet. The underlying liability is recognised in Loans and advances to credit institutions or to customers as appropriate. The difference between the selling price and the repurchase price is recognised as interest and is deferred over the useful life of the agreement, using the effective interest method.

Securities lent under lending agreements are not derecognised of the balance sheet, being classified and measured in accordance with note 1.5.

1.7 Financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or another financial asset, independently from its legal form.

Non-derivatives financial liabilities include deposits from credit institutions and customers, loans, debt securities issued and other subordinated debt.

The financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest method, except for short sales and financial liabilities designated at fair value through profit or loss, which are measured at fair value.

CEMG designates, at inception, certain financial liabilities as at fair value through profit or loss when:

- Such financial liabilities are bring hedged on an economical basis, in order to eliminate an accounting mismatch; or

- Such financial assets contain an embedded derivative.

The structured products issued by CEMG meet either of the above-mentioned conditions and, in accordance, are classified under the fair value trough profit or loss category.

The fair value of quoted financial liabilities is based on the current price. In the absence of a quoted price, CEMG establishes the fair value by using valuation techniques based on market information, including the own credit risk of the issuer.

If CEMG repurchases debt issued, it is derecognised from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement.

1.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.9 Non-current assets held for sale

In the scope of its activity, CEMG incurs in the risk from failure of the borrower to repay all the amounts due. In case of loans and advances with mortgage collateral, CEMG acquires the asset held as collateral in exchange for loans. In accordance with the requirements of Regime Geral das Instituições de Crédito e Sociedades Financeiras (“RGICSF”), banks are prevented from acquiring property that is not essential to their daily operations (no.1 of article 112.º of the RGICSF) being able to acquire, however, property in exchange for loans. This property must be sold within 2 years, period that may be extended by written authorization from the Bank of Portugal and in conditions to be determined by this authority (article 114.º of the RGICSF).

It is CEMG’s objective to immediately dispose all property acquired in exchange for loans. This property is classified as non-current assets held-for-sale and is initially recognised at the lower of its fair value less costs to sell and the carrying amount of the loans. Subsequently, this property is measured at the lower of its carrying amount and the corresponding fair value less costs to sell and is not depreciated. Any subsequent write-down of the acquired property to fair value is recorded in the income statement.

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

The valuations are performed by independent entities specialized in this type of services. The valuation reports are analysed internally with the gauging of processes adequacy, by comparing the sales values with the revaluated values.

1.10 Investments in associated companies

Investments in associated companies, in which CEMG as a significant influence, but not control, are carried at acquisition cost. These investments are periodically subjected to impairment tests.

1.11 Property and equipment

CEMG's property and equipment are stated at deemed cost less accumulated depreciation and impairment losses. At the transition date to IFRS (1 January 2004), CEMG elected to consider as deemed cost, the revalue amount of property and equipment as determined in accordance with previous accounting policies, which was broadly similar to depreciated cost measured under IFRS, adjusted to reflect changes in a specific price index. The value includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to CEMG. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of property and equipment is calculated using the straight-line method over their estimated useful lives, as follows:

	Number of years
Land and building for own use	50
Works in rented buildings	10
Equipment	4 to 10

When there is an indication that an asset may be impaired, IAS 36 – Impairment of assets requires that its recoverable amount is estimated and an impairment loss recognised when the net book value of the asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is determined as the greater of its net selling price and value in use that is based on the net present value of future cash flows arising from the continuing use and ultimate disposal of the asset.

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

1.12 Intangible assets

Software

The costs incurred with the acquisition, production and development of software are capitalised, as well as the costs incurred by CEMG to acquire and bring to use the specific software. These costs are amortised on the basis of their expected useful lives, which is usually of three years.

Costs that are directly associated with the development of identifiable specific software applications by CEMG, and that will probably generate economic benefits beyond one year, are recognised as intangible assets.

All remaining costs associated with IT services are recognised as an expense when incurred.

Other intangible assets

The recoverable value of intangible assets with no finite useful life registered as assets is annually reviewed independently from the existence of impairment signs. The eventual impairment losses are recognized in the income statement.

1.13 Leases

CEMG classifies its lease agreements as capital lease or operating leases taking into consideration the substance of the transaction rather than its legal form, in accordance with IAS 17 – Leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Operating leases

- As lessee

Payments made by CEMG under operating leases are charged to the income statement in the period to which they relate.

- As lessor

Assets leased out are recorded in the balance sheet, according to the nature of the asset.

Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term.

Costs, including the depreciation, incurred in earning the lease income are recognised on a straight-line basis over the lease term as interest income. The initial direct costs incurred by the lessor, such as negotiating and securing leasing arrangements Initial direct costs incurred by lessor in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The depreciation policy for depreciable leased assets shall be consistent with the lessor's normal depreciation policy for similar assets, as described in note 1.11.

CEMG performs impairment testing whenever events or circumstances show that the book value exceeds the recoverable amount and the difference between the book value and recoverable amount is charged in the income statement.

Finance leases

- As lessee

Finance lease contracts are recorded at inception date, both under assets and liabilities, at the cost of the asset leased, which is equal to the present value of outstanding lease instalments. Instalments comprise (i) an interest charge, which is recognised in the income statement and (ii) the amortisation of principal, which is deducted from liabilities. Financial charges are recognised as costs over the lease period, in order to produce a constant periodic rate of interest on the remaining balance of liability for each period.

- As lessor

Assets leased out are recorded in the balance sheet as loans granted, for an amount equal to the net investment made in the leased assets.

Interest included in instalments charged to customers is recorded as interest income, while amortisation of principal, also included in the instalments, is deducted from the amount of the loans granted. The recognition of the interest reflects a constant periodic rate of return on the lessor's net outstanding investment.

1.14 Employee benefits

Defined benefit plan

CEMG assumed the responsibility to pay its employees pensions on retirement or disabilities, as established in the terms of "Acordo Colectivo de Trabalho do Sector Bancário (ACT)", for employees engaged until 1 March 2009. The new admissions, since that date, are covered by the social security general scheme.

From 1 January 2011, the Bank employees will be integrated into the General Social Security Regime, which will ensure the protection of employees in the contingencies of maternity, paternity and adoption and old age, remaining under the responsibility of Banks to protect sickness, disability, death and survival (Decree-Law no. 1-A/2011, 3 January).

The contribution rate will be 26.6%, being 23.6% responsibility of the employer and 3% responsibility of the employees, in lieu of "Caixa de Abono de Família dos Empregados Bancários" ("CAFEB") that is abolished by the same law. In consequence of this change, the pension rights of active employees shall be covered under the terms defined by the General Social Security Regime, taking into account the length of service from 1 January 2011 until the retirement age, with the banks supporting the differential needed to guarantee the pension under the "Acordo Colectivo de Trabalho".

CEMG's pension obligations are financed by a fund managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A..

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

In 2005, in the following of the formal authorization by Bank de Portugal, CEMG applied retrospectively the Regulation no. 4/2005 and no. 12/2005 of the Bank of Portugal, trough the recognition of all cumulated actuarial gains and losses accounted the balance sheet, in accordance with the previous accounting principles by recognition, through retained earnings.

In accordance with no. 2 of Regulation no. 4/2005 of the Bank of Portugal was established a deferral period for the transition impact to IAS 19 as at 1 January, 2005.

Subsequently, with the amendments introduced with no.2 of the Regulation no. 7/2008 of the Bank of Portugal, the recognition, in retained earnings of the impact which in 31 December 2009, is still to be recognised, in accordance with the amortisation plan established with no. 2 of the Regulation no. 4/2005 of Bank of Portugal, might be achieved through the application of a regular instalments amortisation plan with the additional duration of three years in relation with the original duration.

In these terms, the Health-care Benefits was missing 42 months to 30 June 2008, that with the additional 36 months was a total of amortisation period of 78 months (6 years and 6 months). For other liabilities, the deferment period is now 54 months (4 years and 6 months).

The deferment of the impact resulting from this alteration is analysed as follows:

Balances	**Deferral period**
Obligations with health-care benefits	10 years
Deferred actuarial costs, corridor and disability decreases	8 years
Liabilities increases	8 years

Additionally, in accordance with the Bank of Portugal Regulation no. 12/2005, in preparing financial statements in accordance with NCA'S, the increase in liabilities resulting from changes in actuarial assumptions related to mortality tables after 1 January 2005, is added to the corridor limit.

The liability with pensions is calculated semi-annually by CEMG, as at 31 December and 30 June for each plan individually, using the projected unit credit method, and is reviewed annually by qualified independent actuaries. The discount rate used in this calculation is determined by reference to interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liabilities.

Actuarial gains and losses determined semi-annually and resulting from (i) the differences between financial and actuarial assumptions used and real values obtained and (ii) changes in the actuarial assumptions are recognised as an asset or liability and are recognised in the income statement using the corridor method defined by IAS 19.

This method establishes that the actuarial gains and losses accumulated at the beginning of the semester that exceed the greater of 10% of the pension liabilities or the fair value of the plan assets, as at the beginning of the semester, are charged to the income statement over a period that cannot exceed the average of the remaining working lives of the employees participating in the plan. CEMG determined on the basis of the above criteria to amortise the actuarial gains and losses that fall outside the corridor during a 24 year period. The actuarial gains and losses accumulated at the beginning of the period that are within the corridor are not recognised in the income statement.

At each period, CEMG recognises as a cost in the income statement a net total amount that comprises (i) the service cost, (ii) the interest cost, (iii) the expected return on plan assets, (iv) a portion of the net cumulative actuarial gains and losses determined using the corridor method, and (v) the effect of early retirements.

The effect of the early retirements corresponds to the increase in pension liabilities due to retirements before the normal age of retirement, which is 65 years.

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

CEMG assesses at each reporting date and for each plan separately, the recoverability of any recognised asset in relation to the defined benefit pension plans, based on the expectation of reductions in future contributions to the funds.

Health care benefits

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

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

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

The measurement and recognition of the CEMG's liability with post-retirement healthcare benefits is similar to the measurement and recognition of the pension liability described above.

Variable remunerations to employees and to the Board of Directors (Bonus)

In accordance with IAS 19 - Employees benefits, variable remunerations (bonus) payment to employees and to the Board of Directors, are recognised in the income statement in the period to which they relate.

1.15 Income tax

According to the no. 1 a) of Article 10th, of IRC Legislation, CEMG is exempt from income tax payment (*Imposto sobre o Rendimento das Pessoas Colectivas – IRC*). This exemption was recognised by a regulation issued by the Ministerial Secretary of Fiscal Affairs dated 3 December, 1993, and confirmed by the Law no. 10-B/96 from 23 March, which approved the public budget for the year of 1996.

1.16 Provisions

Provisions are recognised when (i) CEMG has a present legal or constructive obligation, (ii) it is probable that its payment will be required and (iii) a reliable estimate can be made of the amount of the obligation.

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

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

1.17 Interest recognition

Interest income and expense are recognised in the income statement under interest and similar income and interest and similar expense for all non-derivative financial instruments measured at amortised cost and for the available-for-sale financial assets, using the effective interest method. Interest income arising from non-derivative financial assets and liabilities at fair value through profit or loss is also included under interest and similar income or interest expense and similar charges, respectively.

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, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is calculated at inception and it is not subsequently revised.

When calculating the effective interest rate, CEMG estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

In case of financial assets or groups of similar financial assets for which an impairment loss was recognised, interest income is calculated using the interest rate used to measure the impairment loss.

Specifically regarding the note for interest on overdue loans' portfolio the following aspects are considered:

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

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

For derivative financial instruments, except for those classified as hedging instruments of interest rate risk and those used to manage the risk of certain financial assets and financial liabilities designated at fair value through profit or loss, the interest component of the changes in their fair value is not separated out and is classified under net (losses)/gains from financial assets at fair value through profit or loss. The interest component of the changes in the fair value of hedging derivatives of interest rate risk and of derivatives used to manage the risk of certain financial assets and financial liabilities designated at fair value through profit or loss, in order to eliminate an accounting mismatch, is recognised under interest and similar income or interest and similar expense.

1.18 Fee and commission income

Fee and commission are recognised as follows:

- Fee and commission that are earned on the execution of a significant act, as loan syndication fees, are recognised as income when the significant act has been completed;

- Fee and commission earned over the period in which the services are provided are recognised as income in the period the services are provided;

- Fee and commission that are an integral part of the effective interest rate of a financial instrument are recognised as income using the effective interest method.

1.19 Dividends from equity instruments

Dividends from equity instruments are recognised when the right to receive payment is established.

1.20 Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

According with IFRS 8 – Segment Reporting, paragraph 4, CEMG does not disclose its segment reporting, since these financial statements are reported together with CEMG's consolidated financial statements.

1.21 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 inception date, including other loans and advances to credit institutions.

Cash and cash equivalents exclude restricted balances with central banks.

1.22 Critical accounting estimates, and judgements in applying accounting policies

IFRS set forth range of accounting treatments and require the Board of Directors to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects CEMG reported results and related disclosure. A broader description of the accounting policies employed by CEMG is shown in notes 1.1 to 1.21 to the financial statements.

Because in many cases there are other alternatives to the accounting treatment chosen by management, the CEMG's reported results would differ if a different treatment were chosen. The Board of Directors believes that the choices made by it are appropriate and that the financial statements present the CEMG's financial position and results fairly in all material respects.

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

Impairment of available for sale financial assets

CEMG determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost or when it has identified an event with impact on the estimated future cash flows of the assets. This determination requires judgement based on all available relevant information, including the normal volatility of the financial instruments prices. Considering the high volatility and the reduced markets liquidity, CEMG has considered the following parameters when assessing the existence of impairment losses:

(i) Equity securities: declines in market value above 30% in relation to the acquisition cost or market value below the acquisition cost for a period longer than twelve-months;

(ii) Debt securities: objective evidence of events that have an impact on the estimated future cash flows of these assets.

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

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

Fair value of derivatives

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

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model may have produced different financial results from the ones reported.

Impairment losses on loans and advances to customers

CEMG reviews its loan portfolios to assess impairment losses on a regularly basis, as described in note 1.4, taking into account the established minimum required by the Bank of Portugal through Aviso no. 3/95.

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

The use of alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the income statement of CEMG.

Held-to-maturity investments

CEMG follows the guidance of IAS 39 – Financial instruments: Recognition and Measurement on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity investments. This classification requires significant judgement.

In making this judgement, CEMG evaluates its intention and ability to hold such investments to maturity. If CEMG fails to keep these investments to maturity other than for 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 not amortised cost.

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

Pension and other employee's benefits

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

Changes to these assumptions might have significant impact in the determined values.

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

NCA's requires separate disclosure of net interest income and net gains arising from assets and liabilities at fair value thought profit or loss and available for sale financial assets, 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 AFS activities. This required disclosure, however, does not take into account that net gains arising from assets and liabilities at fair value through profit or loss, available-for-sale financial assets and interest and similar income activities are generated by a range of different business activities. In many cases, a particular business activity can generate both net interest and trading income.

These balances are analyzed as follows:

	Jun 2011 Euro '000	**Jun 2010 Euro '000**
Net interest income	148,170	128,845
Net gains arising from assests and liabilities at fair value through profit and loss and available-for-sale financial assets	29,942	39,972
	178,112	168,817

3 Net interest income

The amount of this account is comprised of:

	Jun 2011			Jun 2010		
	Assets / liabilities at amortized cost and available for sale	**Assets / liabilities at fair value through profit or loss**	**Total**	**Assets / liabilities at amortized cost and available for sale**	**Assets / liabilities at fair value through profit or loss**	**Total**
	Euro '000	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**
Interest and similar income:						
Interest from loans and advances	230,544	-	230,544	205,793	-	205,793
Interest from other assets	5,033	-	5,033	687	-	687
Interest from deposits	995	-	995	776	-	776
Interest from available-for-sale securities	126,030	-	126,030	32,717	-	32,717
Interest from held-to-maturity securities	1,131	-	1,131	1,213	-	1,213
Interest from hedging derivatives	1,632	-	1,632	1,893	-	1,893
Interest from financial investments held for trading	-	124,420	124,420	-	89,437	89,437
Other interest and similar income	18,913	-	18,913	14,478	-	14,478
	384,278	124,420	508,698	257,557	89,437	346,994
Interest and similar expense:						
Interest from deposits	126,547	-	126,547	63,755	-	63,755
Interest from securities	44,466	-	44,466	46,724	-	46,724
Interest from loans	2,471	-	2,471	2,351	-	2,351
Interest from other funding	26,253	-	26,253	9,882	-	9,882
Interest from hedging derivatives	1,218	-	1,218	973	-	973
Interest from financial investments held for trading	-	111,683	111,683	-	64,764	64,764
Other interest and similar expense	47,890	-	47,890	29,700	-	29,700
	248,845	111,683	360,528	153,385	64,764	218,149
Net interest income	135,433	12,737	148,170	104,172	24,673	128,845

4 Dividends from equity instruments

The amount of this account is comprised of:

	Jun 2011 Euro '000	Jun 2010 Euro '000
Dividends from available-for-sale financial assets	534	467
Dividends from associated companies	1,224	1,637
Other equity instruments	27	-
	1,785	2,104

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

5 Net fee and commission income

The amount of this account is comprised of:

	Jun 2011 Euro '000	Jun 2010 Euro '000
Fee and commission income:		
From banking services	34,826	30,557
From commitments to third parties	4,672	2,963
From guarantees granted	3,267	4,502
Other fee and commission income	7,301	4,104
	50,066	42,126
Fee and commission expense:		
From banking services rendered by third parties	7,587	6,869
From transactions with securities	243	177
Other fee and commission expense	314	222
	8,144	7,268
Net fee and commission income	41,922	34,858

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

The amount of this account is comprised of:

	Jun 2011			Jun 2010		
	Gains Euro '000	Losses Euro '000	Total Euro '000	Gains Euro '000	Losses Euro '000	Total Euro '000
Assets and liabilities held for trading						
Bonds and other fixed income securities						
Issued by public entities	-	-	-	328	1,256	(928)
Issued by other entities	151	-	151	177	256	(79)
Shares	270	265	5	54	257	(203)
Investment fund units	2	19	(17)	-	-	
	423	284	139	559	1,769	(1,210
Derivative financial instruments						
Exchange rate contracts	141,563	141,920	(357)	147,360	148,532	(1,172)
Interest rate contracts	240,132	278,174	(38,042)	230,238	195,682	34,556
Credit default contracts *(CDS)*	1,425	1,616	(191)	2,886	3,717	(831)
Others	93,070	28,047	65,023	46,514	45,101	1,413
	476,190	449,757	26,433	426,998	393,032	33,966
	476,613	450,041	26,572	427,557	394,801	32,756
Other financial assets at fair value through profit or loss						
Bonds and other fixed income securities						
Issued by other entities	-	175	(175)		28	(28)
Financial liabilities						
Other loans and advances to credit institutions	600	76	524	536	262	274
Deposits from customers	896	403	493	298	263	35
Debt securities issued	15	-	15	104	-	104
Other subordinated debt	11,131	11,344	(213)	15,600	17,103	(1,503)
	12,642	11,823	819	16,538	17,628	(1,090)
	489,255	462,039	27,216	444,095	412,457	31,638

The result of own issuing repurchase is calculated according to the referred in the note 1.3.

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 determined only based on observable market data and reflects the Group access to the wholesale market.

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

The amount of this account is comprised of:

	Jun 2011			Jun 2010		
	Gains Euro '000	Losses Euro '000	Total Euro '000	Gains Euro '000	Losses Euro '000	Total Euro '000
Bonds and other fixed income securities						
Issued by public entities	4,716	2,788	1,928	1,872	492	1,380
Issued by other entities	11,592	10,948	644	3,755	670	3,085
Shares	57	1	56	2,660	-	2,660
Other variable income securities	105	7	98	1,215	6	1,209
	16,470	13,744	2,726	9,502	1,168	8,334

8 Net gains from foreign exchange differences

The amount of this account is comprised of:

	Jun 2011			Jun 2010		
	Gains Euro '000	Losses Euro '000	Total Euro '000	Gains Euro '000	Losses Euro '000	Total Euro '000
Foreign exchange differences	41,070	40,359	711	5,759	4,622	1,137

This account is comprised of the results from foreign exchange differences of monetary assets and liabilities in foreign currency in accordance with the accounting policy presented in note 1.2.

9 Other operating income

The amount of this account is comprised of:

	Jun 2011 Euro '000	Jun 2010 Euro '000
Other operating income:		
Income from services	2,988	2,517
Reimbursement of expenses	1,433	966
Profits arising from deposits on demand management	3,683	4,031
Repurchase debt	8,505	3,650
Other operating income	2,809	1,135
	19,428	12,299
Other operating expense:		
Indirect taxes	631	58
Donations and quotizations	159	171
Contributions to the Deposit Guarantee Fund	1,078	845
Other operating expenses	7,038	2,209
	8,906	3,283
Other net operating income	10,522	9,016

10 Staff costs

The amount of this account is comprised of:

	Jun 2011 Euro '000	Jun 2010 Euro '000
Salaries and remunerations	59,949	53,498
SAMS contributions	2,592	3,143
Mandatory social security charges	15,188	4,148
Other charges with the pensions fund	10,319	11,377
Other staff costs	1,603	1,565
	89,651	73,731

The health-care benefits – SAMS include the amount of Euro 360,000 (30 June 2010: Euro 357,000) related to the health care net periodic benefit cost, which was determined based on the actuarial valuation performed (as referred in note 44).

The costs with salaries and other benefits attributed to CEMG key management personnel, during the first semester of 2011, are presented as follows:

	Board of Directors Euro '000	Other key management personnel Euro '000	Total Euro '000
Salaries and other short-term benefits	677	2,322	2,999
Pension costs and health-care benefits (SAMS)	3	78	81
Variable remunerations	-	218	218
	680	2,618	3,298

The costs with salaries and other benefits attributed to CEMG key management personnel during the first semester of 2010 are presented as follows:

	Board of Directors Euro '000	Other key management personnel Euro '000	Total Euro '000
Salaries and other short-term benefits	669	2,258	2,927
Pension costs and health-care benefits (SAMS)	3	80	83
Variable remunerations	-	75	75
	672	2,413	3,085

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

As at 30 June 2011 and 2010, loans granted by CEMG to its key management personnel, amounted to Euro 4,770,000 and Euro 3,085,000, respectively.

The average number of employees by professional category at service in CEMG during first semesters of 2011 and 2010 is analysed as follows:

	Jun 2011	Jun 2010
Management	208	125
Managerial staff	789	499
Technical staff	1,062	645
Specific categories	176	144
Administrative	1,734	1,383
Staff	74	69
	4,403	2,865

11 General and administrative expenses

The amount of this account is comprised of:

	Jun 2011 Euro '000	Jun 2010 Euro '000
Rents	12,223	10,045
Specialised services		
Information technology services	5,538	5,059
Outsourcing	1,920	1,514
Other specialised services	6,642	5,434
Advertising	3,674	2,405
Communications	4,643	4,367
Water, electricity and fuel	2,267	2,090
Maintenance and related services	2,473	2,526
Transportation	1,420	1,733
Insurance	1,125	1,280
Travel, hotel and representation costs	689	534
Consumables	1,283	691
Training costs	130	339
Other supplies and services	1,229	1,234
	45,256	39,251

The balance Rents, includes the amount of Euro 7,811,000 (30 June 2010: Euro 7,809,000) related to rents paid regarding buildings used by CEMG as leaser.

12 Depreciation and amortisation

The amount of this account is comprised of:

	Jun 2011 Euro '000	**Jun 2010 Euro '000**
Intangible assets:		
Software	4,068	3,539
Other tangible assets:		
Land and buildings	2,006	1,672
Equipment:		
Furniture	316	284
Other equipment	1,414	-
Office equipment	25	29
Computer equipment	3,456	3,166
Interior installations	32	600
Motor vehicles	11	2
Security equipment	200	178
Operational lease – Renting	466	365
Other tangible assets	46	-
	7,972	6,296
	12,040	9,835

13 Loans and Impairment

The amount of this account is comprised of:

	Jun 2011 Euro '000	**Jun 2010 Euro '000**
Overdue loans and advances to customers:		
Charge for the year	237,501	265,702
Write-back for the year	(179,740)	(206,475)
Recovery of loans and interest charged-off	(1,825)	(1,180)
	55,936	58,047
Other loans and advances to credit institutions:		
Charge for the year	103	54
Write-back for the year	(116)	(72)
	(13)	(18)
	55,923	58,029

14 Other assets impairment

The amount of this account is comprised of:

	Jun 2011 Euro '000	Jun 2010 Euro '000
Impairment for investments arising from recovered loans:		
Charge for the period	7,927	7,880
Write-back for the period	-	(1,995)
	7,927	5,885
Impairment for securities:		
Charge for the period	7,703	1,371
Write-back for the period	(946)	(202)
	6,757	1,169
	14,684	7,054

15 Other provisions

The amount of this account is comprised of:

	Jun 2011 Euro '000	Jun 2010 Euro '000
Provision for liabilities and charges:		
Charge for the period	432	235
Write-back for the period	(285)	(210)
	147	25

16 Cash and deposits at central banks

This balance is analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Cash	138,688	95,641
Bank of Portugal	212,235	144,383
	350,923	240,024

The balance Bank of Portugal includes mandatory deposits intended to satisfy legal minimum cash requirements. According to the European Central Bank Regulation (CE) nr. 2818/98, of 1 December 1998, minimum cash requirements kept as deposits with the Bank of Portugal earn interest, and correspond to 2% of deposits and debt certificates maturing in less than 2 years, excluding deposits and debt certificates of institutions subject to the European System of Central Banks' minimum reserves requirements.

As at 30 June 2011, these deposits have earned interest at an average rate of 1.25% (31 December 2010: 1%).

17 Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Credit institutions in Portugal	21,771	424
Credit institutions abroad	17,550	12,209
Amounts due for collection	40,652	45,772
	79,973	58,405

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

18 Other loans and advances to credit institutions

This balance is analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Loans and advances to credit institutions in Portugal		
Deposits	205	205
Short term deposits	100,000	260,003
Other loans and advances	313,997	10,000
	414,202	270,208
Loans and advances to credit institutions abroad		
Deposits	143	112
Short term deposits	70,000	-
Other loans and advances	110,274	68,392
	180,417	68,504
	594,619	338,712
Impairment for credit risks over credit institutions	(136)	(50)
	594,483	338,662

The main loans and advances to credit institutions in Portugal, as at 30 June 2011, bear interest at an average annual interest rate of 2.25% (31 December 2010: 1.37%).

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

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

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Up to 3 months	514,850	301,495
3 to 6 months	71,170	-
6 months to 1 year	-	34,900
1 to 5 years	4,310	-
More than 5 years	2,205	2,205
Undetermined	2,084	112
	594,619	338,712

The movements of impairment for credit risks over credit institutions in the first semester of the year are analysed as follows:

	Jun 2011 Euro '000	**Jun 2010 Euro '000**
Impairment for credit risks over credit institutions:		
Balance on 1 January	50	66
Charge for the period	103	54
Write-back for the period	(116)	(72)
Transfers	99	-
Balance on 30 June	136	48

The balance Transfers correspond to the transferred values from Finibanco, S.A. in what concerns the acquisition of assets and liabilities occurred in the 4 April 2011.

19 Loans and advances to customers

This balance is analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Domestic loans:		
Corporate		
Loans	2,001,485	1,388,583
Commercial lines of credits	2,529,503	2,106,934
Finance leases	235,380	229,348
Discounted bills	187,222	87,087
Factoring	150,947	109,683
Overdrafts	167,363	9,134
Other loans	898,481	756,961
Retail		
Mortgage loans	8,830,585	8,651,320
Finance leases	46,393	45,001
Consumer and other loans	1,069,978	828,554
	16,117,337	14,212,605
Foreign loans:		
Corporate		
Commercial lines of credits	5,958	-
Other loans	2,375	-
Retail		
Mortgage loans	16,422	-
Consumer and other loans	3,198	-
	27,953	-
	16,145,290	14,212,605
Overdue loans and interest:		
Less than 90 days	99,816	90,750
More than 90 days	517,984	486,740
	617,800	577,490
	16,763,090	14,790,095
Impairment for credit risks	(533,742)	(437,329)
	16,229,348	14,352,766

As at 30 June 2011, this balance includes Euro 2,238,258,000 regarding mortgage loans that collateralise the issue of covered bonds issued by CEMG (as referred in note 33).

As referred in the previous paragraph, CEMG performed in July 2009 the first issue of covered bonds in the amount of Euro 1,000,000,000 and maturity of three years. This issue was performed under the CEMG Covered Bonds Programme. The interest rate is 3.25%.

Since 2009, following "Carta-circular" no. 15/2009 from the Bank of Portugal, CEMG only writes-off overdue loans fully provided that after an economic analysis, are considered uncollectable since there are no perspectives of recovery.

As at 30 June 2011, the balance Other guarantee loans included the amount of Euro 3,081,982,000 (31 December 2010: Euro 3,182,375,000) related with credits that were securitized and in accordance with the accounting policy described in the note 1.4 were not derecognised. This amount was also recognised in liabilities balance, in Financial liabilities associated with transferred assets, as referred in note 36.

The fair value of loans and advances to customers is presented in note 43.

The balance Overdue loans for more than 90 days as at 30 June 2011 includes the amount of Euro1,532,000 related to loans bought at court auctions. These amounts correspond to overdue loans with more than three years for which the contractual obligation with the former debtor has been extinguished due to the acquisition in court auction bankruptcy or acquisition through recovery but for which there are still pending legal actions.

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

The impairment for credit risks is analysed as follows:

	Jun 2011 **Euro '000**	**Jun 2010** **Euro '000**
Impairment for credit risks:		
Balance on 1 January	437,329	401,579
Charge for the period	213,546	241,994
Write-back for the period	(154,914)	(181,355)
Loans charged-off	(61,654)	(50,658)
Transfers	99,435	-
Balance on 30 June	533,742	411,560

The balance Transfers includes the values transferred from Finibanco, S.A. under the acquisition of assets and liabilities ocorred in the 4 April 2011.

Additionally, as at 30 June 2011, CEMG has a provision for general banking risks in the amount of Euro 119,040,000 (31 December 2010: Euro 100,188,000) which, in accordance to NCA’s, is presented as a liability, as referred in note 34.

If the value of an impairment loss decreases in a subsequent period to its accounting and the decrease can be related objectively to an event occurred after the recognition of this loss, the impairment in excess is void in the income statement.

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

In compliance with the accounting policy described in note 1.4, loans and advances to customers are charged-off when there are no expectations, from an economic point of view, of recovering the loan amount and for collateralized loans, when the funds arising from the execution of the respective collaterals was already received, This charge-off is carried out for loans that are fully provided.

The recovered loans and overdue interest, performed during the period of 1 January to 30 June 2011 and during 2010, related with asset-backed loans recovered, amounts to Euro 1,825,000 e Euro 2,376,000, as referred in note 13.

The analysis of the fair value of the collaterals associated to the loan portfolio is as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Loans and advances to costumers with impairment:		
Individually significant:		
Securities and other financial assets	68,560	62,233
Home mortgages	5,867	4,802
Other real estate	1,159,619	1,157,645
Other guarantees	3,979	19,003
	1,238,025	1,243,683
Parametric analysis:		
Securities and other financial assets	57,548	39,486
Home mortgages	2,102,060	1,989,773
Other real estate	906,483	850,042
Other guarantees	73,159	62,321
	3,139,250	2,941,622
Loans and advances to costumers without impairment:		
Securities and other financial assets	570,984	590,373
Home mortgages	14,164,019	13,526,231
Other real estate	3,382,209	3,666,371
Other guarantees	105,180	94,675
	18,222,392	17,877,650
	22,599,667	22,062,955

CEMG utilizes physical and financial collaterals as instruments to mitigate credit risk. The physical ones correspond mainly to mortgages on residential real estate operations in mortgages and other types of mortgages on real estate in other types of loans. To reflect the market value of them, these collaterals are reviewed regularly based on assessments by independent and certified testing organizations or through the use of revaluation coefficients that reflect the trend in the market for the type of property and respective geographic area. The financial collaterals are revalued based on market values of their assets, when available, and applied certain coefficients of depreciation to reflect its volatility.

20 Financial assets and liabilities held for trading

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

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Financial assets held for trading:		
Securities		
Shares	5,869	2,805
Bonds	-	3,192
	5,869	5,997
Derivatives		
Derivatives financial instruments with positive fair value	113,049	124,868
	118,918	130,865
Financial liabilities held for trading:		
Derivatives		
Derivatives financial instruments with negative fair value	85,515	53,814

The trading portfolio is recorded at fair value trough profit or loss, in accordance with the note 1.5. As referred in the accounting policy, the securities held for trading are those who are acquired with the purpose of short-term transactions, independently from its maturity.

As referred in IFRS 7, financial assets held for trading and available for sale are valued in accordance with the following fair value measurement levels:

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

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

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

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

The analysis of the securities portfolio held for trading by maturity as at 30 June 2011 is as follows:

	Jun 2011				
	Due within 3 months Euro '000	**3 months to 1 year Euro '000**	**Over 1 year Euro '000**	**Undetermined Euro '000**	**Total Euro '000**
Variable income securities:					
Shares in companies					
Portuguese	-	-	-	932	932
Foreign	-	-	-	4,937	4,937
	-	-	-	5,869	5,869
Fixed income securities:					
Bonds issued by					
Other entities	-	-	-	-	-
	-	-	-	-	-
Quoted	-	-	-	5,869	5,869

The analysis of the securities portfolio held for trading by maturity as at 31 December 2010 is as follows:

	Dec 2010				
	Due within 3 months Euro '000	**3 months to 1 year Euro '000**	**Over 1 year Euro '000**	**Undetermined Euro '000**	**Total Euro '000**
Variable income securities:					
Shares in companies					
Portuguese	-	-	-	464	464
Foreign	-	-	-	2,341	2,341
	-	-	-	2,805	2,805
Fixed income securities:					
Bonds issued by					
Other entities	-	-	3,192	-	3,192
	-	-	3,192	-	5,997
Quoted			3,192	2,805	5,997

The book value of the assets and liabilities at fair value through profit or loss as at 30 June 2011, is as follows:

		Jun 2011						
		Derivative			Related asset/liability			
Derivative	Related financial asset/liability	Notional Euro '000	Fair value Euro '000	Changes in the fair value in the year Euro '000	Fair value Euro '000	Changes in the fair value in the year Euro '000	Book value Euro '000	Reimbursement amount at maturity date Euro '000
Interest rate swap	Securities issued	790,606	14,861	14,861	24,455	69,500	401,609	401,699
Interest rate swap	Deposits	3,026,245	13,517	13,517	(609)	(14,563)	1,504,117	1,504,117
Interest rate swap	Deposits from customers	450,782	5,244	5,244	(5,694)	(2,937)	222,874	222,874
Interest rate swap	Securitization	10,280,446	3,126	3,126	-	-	-	-
Interest rate swap	Covered bonds	12,902,496	(2,687)	(2,687)	2,520	10,137	1,000,000	1,000,000
Interest rate swap	Deposits	400,000	(1,586)	(1,586)	-	-	-	-
Currency interest rate swap	Debt issued	1,411,295	(647)	230	-	-	-	-
CIRS	-	8,730	310	310	-	-	-	-
Futures	-	91,621	(103)	(103)		-	-	-
Options	Time deposits and other deposits	103,859	(46)	(46)	-	-	-	-
Credit default swaps	-	153,278	683	683	-	-	-	-
		29,619,358	33,549	33,549	20,672	62,137	3,128,600	3,128,600

The book value of the assets and liabilities at fair value through profit or loss as at 31 December 2010, is as follows:

		Dec 2010						
		Derivado			Activo / Passivo associado			
Derivative	**Related financial asset/liability**	**Notional Euro '000**	**Fair value Euro '000**	**Changes in the fair value in the year Euro '000**	**Fair value Euro '000**	**Changes in the fair value in the year Euro '000**	**Book value Euro '000**	**Reimbursement amount at maturity date Euro '000**
Interest rate swap	Securities issued	605,000	25,379	2,617	(7,617)	(48,475)	302,500	302,500
Interest rate swap	Deposits	3,609,775	17,386	13,230	12,954	10,593	2,013,304	2,013,304
Interest rate swap	Deposits from customers	490,052	12,263	(3,102)	(2,757)	(13,319)	247,113	247,113
Interest rate swap	Securitization	10,717,877	(1,757)	(2,470)	-	-	-	-
Interest rate swap	Covered bonds	11,890,474	18,023	7,891	(7,617)	(8,061)	1,000,000	1,000,000
Currency interest rate swap	Debt issued	538,428	(255)	(1,672)	-	-	-	-
Futures	-	14,298	(1)	(1)	-	-	-	-
Options	Time deposits and other deposits	70,586	753	169	-	-	-	-
Credit default swaps	-	89,710	(737)	(306)	-	-	-	-
		28,026,200	71,054	16,356	(7,617)	(59,262)	3,562,917	3,562,917

The fair value of the derivatives financial instruments includes, the valuation of the embedded derivatives separated from the host contract in accordance with note 1.3 in the amount of Euro5,881,000 (31 December 2010: Euro 6,276,000).

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

The balance Other financial assets and liabilities held for trading at fair value through profit or loss amounts in Euro 3,685,000 (31 December 2010: Euro 3,952,000), which is fully composed by fixed income bonds and other securities of other issuers.

CEMG's choice of naming these assets at fair value through profit and loss, according to IAS 39 and note 1.5, can be observed in the planed strategy of CEMG's management, considering that (i) these financial assets are managed and evaluated in a fair value basis and/or (ii) that these assets are holding embedded derivative instruments.

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

As at 30 June 2011 and 31 December 2010, securities portfolio included in the balance Other financial assets and liabilities held for trading at fair value through profit or loss is found quoted with a maturity greater than one year.

22 Available-for-sale financial assets

This balance is analysed as follows:

	Jun 2011				
		Fair value reserve			
	Cost [1] Euro '000	Positive Euro '000	Negative Euro '000	Impairment losses Euro '000	Book value Euro '000
Fixed income securities:					
Issued by public entities:					
Portuguese	1,603,523	1,803	(225,692)	-	1,379,634
Foreign	154,637	698	(2,815)	(5,056)	147,464
Issued by other entities:					
Portuguese	3,330,210	927	(21,167)	(5,195)	3,304,775
Foreign	569,216	3,311	(50,773)	(11,288)	510,466
Commercial paper	280,873	-	-	(998)	279,875
Variable income securities:					
Shares in companies:					
Portuguese	7,563	297	(33)	(1,544)	6,283
Foreign	5,985	136	(242)	(1,040)	4,839
Investment fund units	50,433	306	(452)	-	50,287
	6,002,440	7,478	(301,174)	(25,121)	5,683,623

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

	Dec 2010				
		Reserva de justo valor			
	Custo [1] Euro '000	Positiva Euro '000	Negativa Euro '000	Perdas por imparidade Euro '000	Valor de balanço Euro '000
Títulos de rendimento fixo:					
Obrigações de emissores públicos:					
Estrangeiros	1,075,466	2,155	(30,457)	-	1,047,164
Obrigações de outros emissores:	114,501	365	(4,468)	-	110,398
Nacionais					
Estrangeiros	3,261,069	751	(13,342)	(3,588)	3,244,890
Papel comercial	658,715	3,805	(41,865)	(21,848)	598,807
	242,634	-	-	(998)	241,636
Títulos de rendimento variável:					
Acções de empresas					
Nacionais					
Estrangeiros	3,866	190	(31)	(279)	3,746
Unidades de participação	4,123	78	(124)	(947)	3,130
	7,127	270	(300)	(57)	7,040
	5,367,501	7,614	(90,587)	(27,717)	5,256,811

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

As referred in note 1.5, the portfolio of assets available-for-sale are presented at market value with fair value changes accounted for against fair value reserves, as referred in note 40. CEMG assesses periodically whether there is objective evidence of impairment losses on the available-for-sale financial assets, following the judgment criteria's described in note 1.22.

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

	Jun 2011 Euro '000	Jun 2010 Euro '000
Impairment for securities:		
Balance on 1 January	27,717	29,899
Charge for the period	7,703	1,371
Write-back for the period	(946)	(202)
Charged-off	(10,617)	(57)
Transfers	1,264	-
Balance on 30 June	25,121	31,011

The balance Transfers includes the values transferred from Finibanco,S.A. unde the acquisition of assets and liabilities realized in the 4 April 2011.

During first semester of 2011 and as referred in note 1.5, impairment losses were recognised in the amount of Euro 2,596,000 (30 June 2010: Euro 1,112,000).

CEMG recognizes impairment on available-for-sale financial assets when there is a significant or prolonged decrease in its fair value or when there is an impact on expected future cash flows of the assets, This valuation involves judgment, in which CEMG takes into consideration among other factors, the volatility of the prices of securities, Thus, as a consequence of the low liquidity and significant volatility in financial markets, the following factors were taken into consideration in determining the existence of impairment:

- Equity instruments: (i) decreases more than 30% against the purchase price; or (ii) the market value below the purchase price for a period exceeding 12 months;

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

As referred in note 1.5, the available-for-sale securities portfolio is presented net of fair value reserve and impairment losses in the amount of Euro 293,696,000 and Euro 25,121,000 (31 December 2010: Euro 82,973,000 and Euro 27,717,000), respectively.

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

	Jun 2011			**Dec 2010**		
	Quoted Euro '000	**Unquoted Euro '000**	**Total Euro '000**	**Quoted Euro '000**	**Unquoted Euro '000**	**Total Euro '000**
Fixed income securities:						
Issued by public entities:						
Portuguese	1,379,634	-	1,379,634	1,047,164	-	1,047,164
Foreign	147,464	-	147,464	110,398	-	110,398
Issued by other entities:						
Portuguese	189,785	3,114,990	3,304,775	3,218,614	26,276	3,244,890
Foreign	507,856	2,610	510,466	591,807	7,000	598,807
Commercial paper	-	279,875	279,875	-	241,636	241,636
Variable income securities:						
Shares in companies:						
Portuguese	965	5,318	6,283	862	2,884	3,746
Foreign	4,672	167	4,839	2,972	158	3,130
Investment fund units	50,287	-	50,287	7,040	-	7,040
	2,280,663	3,402,960	5,683,623	4,978,857	277,954	5,256,811

23 Hedging derivatives

This balance is analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Assets:		
Interest rate swap	1,955	2,810
Liabilities:		
Interest rate swap	1,120	1,408

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

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

CEMG performs periodical effectiveness tests of the hedging relationships.

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

	Jun 2011 Euro '000	Dec 2010 Euro '000
Deposits from other credit institutions	525	864
Debt securities issued	15	242
Deposits from customers	227	271
	767	1,377

The analysis of the hedging derivatives portfolio by maturity date, as at 30 June 2011 is as follows:

	Jun 2011							
	Notional with remaining term				**Fair value**			
	Due withing 3 months Euro '000	**3 months to 1 year Euro '000**	**Over 1 year Euro '000**	**Total Euro '000**	**Due within 3 months Euro '000**	**3 months to 1 year Euro '000**	**Over 1 year Euro '000**	**Total Euro '000**
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	-	40,000	115,000	155,000	-	553	282	835

The analysis of the hedging derivatives portfolio by maturity date, as at 31 December 2010 is as follows:

	Dec 2010							
	Notional with remaining term				**Fair value**			
	Due within 3 months Euro '000	**3 months to 1 year Euro '000**	**Over 1 year Euro '000**	**Total Euro '000**	**Due within 3 months Euro '000**	**3 months to 1 year Euro '000**	**Over 1 year Euro '000**	**Total Euro '000**
Fair value hedge derivatives with interest rate risk:								
Interest rate swap	20,000	80,000	115,000	215,000	147	1,394	(139)	1,402

As at 30 June 2011, the fair value hedge relationships present the following features:

Jun 2011							
Derivative	**Hedged item**	**Hedged risk**	**Notional Euro '000**	**Fair value of derivative (2) Euro '000**	**Changes in the fair value of the derivative in the year Euro '000**	**Hedged item fair value (1) Euro '000**	**Changes in the fair value of the hedged item in the year (1) Euro '000**
Interest rate swaps	Deposits from customers	Interest rate	40,000	553	(158)	144	(227)
Interest rate swaps	Deposits	Interest rate	20,000	970	1,121	558	(539)
Interest rate swaps	EMTN	Interest rate	95,000	(688)	(254)	(220)	78
			155,000	835	709	482	(688)

(1) Attributable to the hedged risk.

(2) Includes accrued interest.

As at 31 December 2010, the fair value hedge relationships present the following features:

Dec 2010							
Derivative	**Hedged item**	**Hedged risk**	**Notional Euro '000**	**Fair value of derivative [2] Euro '000**	**Changes in the fair value of the derivative in the year Euro '000**	**Hedged item fair value [1] Euro '000**	**Changes in the fair value of the hedged item in the year[1] Euro '000**
Interest rate swaps	Deposits from customers	Interest rate	40,000	396	(302)	371	(271)
Interest rate swaps	Deposits	Interest rate	80,000	2,091	(1,995)	1,097	(1,106)
Interest rate swaps	EMTN	Interest rate	95,000	(1,085)	(812)	(298)	(212)
Currency interest rate swaps	Debt issued	Interest rate	-	-	-	-	-
			215,000	1,402	(3,109)	(1,170)	(1,589)

(1) Attributable to the hedged risk.

(2) Includes accrued interest.

24 Held-to-maturity investments

This balance is analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Fixed income securities:		
Bonds issued by Portuguese public entities	37,135	44,111
Bonds issued by foreign public entities	11,128	13,982
	48,263	58,093

The fair value of held-to-maturity investments' portfolio is described in note 43.

CEMG assessed, with reference to 30 June 2011, the existence of objective evidence of impairment on its held-to-maturity investments portfolio and no events with impact on the recoverable amount of the future cash flows associated with those investments were identified.

The held-to-maturity investments, as at 30 June 2011 are analysed as follows:

Issue	**Issue date**	**Maturity date**	**Interest rate**	**Euro '000**
OT - Setembro_98/23-09-2013	May, 1998	September, 2013	Fixed rate of 5.45%	99
OT - Junho_02/15-06-2012	February, 2002	June, 2012	Fixed rate of 5.00%	30,930
OT - Outubro_05/15-10-2015	July, 2005	October, 2015	Fixed rate of 3.35%	6,107
Netherlands Government 05/2015	June, 2005	July, 2015	Fixed rate of 3.25%	5,075
Republic of Austria 04/15-07-2015	May, 2004	July, 2015	Fixed rate of 3.50%	2,049
Belgium Kingdom 05/28-09-2015	March, 2005	Setember, 2013	Fixed rate of 3.75%	2,018
Buoni Poliennali Del Tes. 05/2015	May, 1998	August, 2015	Fixed rate of 3.75%	1,985
				48,263

The held-to-maturity investments are stated in accordance with the established in note 1.5.

During first semester of 2011 and exercice of 2010, CEMG did not transfer to or from this assets category.

As at 30 June 2011, the analysis of held-to-maturity investments by the period of maturity is as follows:

	Jun 2011				
	Due within 3 months Euro '000	**3 months to 1 year Euro '000**	**1 year to 5 years Euro '000**	**Over 5 years Euro '000**	**Total Euro '000**
Bonds issued by Portuguese public issuers	-	30,929	6,206	-	37,135
Bonds issued by foreign public issuers	-	-	11,128	-	11,128
	-	30,929	17,334	-	48,263
Quoted	-	30,929	17,334	-	48,263

As at 31 December 2010, the analysis of held-to-maturity investments by the period of maturity is as follows:

	Dec 2010				
	Due within 3 months Euro '000	**3 months to 1 year Euro '000**	**1 year to 5 years Euro '000**	**Over 5 years Euro '000**	**Total Euro '000**
Bonds issued by Portuguese public issuers	-	5,962	38,149	-	44,111
Bonds issued by foreign public issuers	3,026	-	10,956	-	13,982
	3,026	5,962	49,105	-	58,093
Quoted	3,026	5,962	49,105	-	58,093

25 Investments in associated companies and others

This balance is analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Investments in associated companies and others		
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S,A, (IFI)	7,001	7,001
Lusitania, Companhia de Seguros, S,A,	23,566	23,566
Lusitania Vida, Companhia de Seguros, S,A,	9,530	9,530
HTA - Hotéis, Turismo e Animação dos Açores, S,A,	3,200	3,200
Finibanco Holding, S.G.P.S.,S.A.	341,250	-
	384,547	43,297
Unquoted	384,547	43,297

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

	Number of shares	Percentage held by the CEMG	Unitarian par value Euro	Acquisition cost Euro '000
30 June, 2011				
Finibanco Holding, S.G.P.S.,S.A.	175.000.000	100.00%	1.95	341,250
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S,A, (IFI)	77.200	100.00%	90.69	7,001
Lusitania, Companhia de Seguros, S,A,	1.333.928	25.65%	5.00	23,566
Lusitania Vida, Companhia de Seguros, S,A,	314.736	39.34%	25.00	9,530
HTA - Hotéis, Turismo e Animação dos Açores, S,A,	400.000	20.00%	5.00	3,200
				384,547
31 December, 2010				
Banco Montepio Geral – Cabo Verde, Sociedade Unipessoal, S,A, (IFI)	77,200	100.00%	90.69	7,001
Lusitania, Companhia de Seguros, S,A,	1,333,928	25.65%	5.00	23,566
Lusitania Vida, Companhia de Seguros, S,A,	314,736	39.34%	25.00	9,530
HTA - Hotéis, Turismo e Animação dos Açores, S,A,	400,000	20.00%	5.00	3,200
				43,297

During 2010, Montepio Geral – Associação Mutualista, the only CEMG's shareholder, acquire all the capital from Finibanco Holding, S.G.P.S.,S.A., through a Public Offering in the amount of Euro 341,250,000.

In 31 March 2011, Montepio Geral – Associação Mutualista sold its participation in Finibanco Holding, S.G.P.S.,S.A. to CEMG by the amount of Euro 341,250,000. Through this CEMG now holds 100% of Finibanco Holding, S.G.P.S.,S.A.. In April 4 2011, CEMG acquire assets and liabilities from Finibanco S.A. (excluding real estate owned by Finibanco, SA and acquired by it as a result of acquisitions in repayment of own credit and leasing contracts (securities and real estate) in which Finibanco, SA is lessor) by the amount of Euro 216,484,000.

The acquisition of Finibanco Holding by CEMG enabled the completion of the level of financial services due through the acquisition of a stake in Finibanco. S.A. (universal bank), Finicrédito, S.A. (financial institution of specialized credit), Finibanco Angola (universal bank in Angola) and Finivalor (Management Company of Investment Funds).

The acquisition also allows the complementarity of social networks and the entrance in markets where CEMG was not present.

26 Non-current assets held for sale

This balance is analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Investments arising from recovered loans	242,896	201,710
Impairment for non-current assets held for sale	(47,262)	(39,336)
	195,634	162,374

The assets included in this balance are accounted for in accordance with the note 1.9.

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

These assets are available for sale in a period less than 2 year and CEMG has a strategy for its sale. However, due to the current market conditions it is not possible to do those sales in the expected period.

This balance includes buildings and other assets for which CEMG has already established contracts for the sale in the amount of Euro 18,238,000 (31 December 2010: Euro 13,996,000).

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

	Jun 2011 Euro '000	Jun 2010 Euro '000
Impairment for non-current assets held for sale		
Balance on 1 January	39,335	29,336
Impairment for the period	7,297	7,880
Write-back for the period	-	(1,995)
Loans charged-off	-	(14)
Balance on 30 June	47,262	35,207

The movement in non-current assets held for sale balance is analysed as follows:

	Jun 2011 Euro '000	Jun 2010 Euro '000
Non-current assets held for sale		
Balance on 1 January	201,710	157,935
Acquisitions	54,046	66,715
Sales	(16,888)	(24,740)
Other movements	4,028	1,800
Balance on 30 June	242,896	201,710

27 Property and equipment

This balance is analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Cost:		
Land and buildings:		
For own use	77,800	62,250
Leasehold improvements in rented buildings	54,690	24,225
Work in progress	35	33
Equipment:		
Furniture	19,848	11,065
Office equipment	3,090	1,869
Computer equipment	81,063	58,365
Interior installations	21,486	15,832
Motor vehicles	3,967	436
Security equipment	9,261	4,972
Works of art	1,055	1,050
Assets in operational lease	5,970	4,965
Other tangible assets	3,778	31
Work in progress	5,522	3,342
	287,565	188,435
Accumulated depreciation:		
Charge for the year	(11,746)	(13,070)
Accumulated charge for the previous years	(156,231)	(86,177)
	(167,977)	(99,247)
	119,588	89,188

The Property and equipment movements, during the first semester of 2011, are analysed as follows:

	Balance on 1 January Euro '000	Acquisitions/ Charges Euro '000	Disposals Euro '000	Adjustment/ Transfers Euro '000	Balance on 31 December Euro '000
Cost:					
Land and buildings:					
For own use	62,250	-	-	15,550	77,800
Leasehold improvements in rented buildings	24,225	291	-	30,174	54,690
Work in progress	33	2	-	-	35
Equipment:					
Furniture	11,065	1,019	(207)	7,971	19,848
Office equipment	1,869	3	(10)	1,228	3,090
Computer equipment	58,365	3,303	(29)	19,424	81,063
Interior Installations	15,832	132	-	5,522	21,486
Motor vehicles	436	33	(17)	3,515	3,967
Security equipment	4,972	111	-	4,178	9,261
Works of art	1,050	5	-	-	1,055
Assets in operational lease	4,965	1,330	(325)	-	5,970
Other tangible assets	31	811	-	2,936	3,778
Work in progress	3,342	1,767	-	413	5,522
	188,435	8,807	(588)	90,911	287,565
Accumulated – depreciation:					
Land and buildings:					
For own use	16,042	650	-	5,165	21,857
Leasehold improvements in rented buildings	15,984	1,356	-	18,406	35,746
Equipment:					
Furniture	8,010	316	(207)	6,730	14,849
Office equipment	-	1,414	-	-	1,414
Tools and machinery	1,771	25	(10)	885	2,671
Computer equipment	43,935	3,456	(28)	17,934	65,297
Interior installations	8,700	32	-	4,044	12,776
Motor vehicles	379	11	(15)	3,226	3,601
Security equipment	3,244	200	-	2,467	5,911
Assets in operational lease	1,182	466	(128)	4	1,524
Other tangible assets	-	46	-	2,285	2,331
	99,247	7,972	(388)	61,146	167,977

The balance Adjustments/Transfers includes the values transferred from Finibanco, S.A. under the acquisition of assets and liabilities realized in the 4 April, 2011.

The Property and equipment movements, during the year of 2010, are analysed as follows:

Dec 2010	Balance on 1 January Euro '000	Acquisitions/ Charges Euro '000	Disposals Euro '000	Adjustment/ Transfers Euro '000	Balance on 31 December Euro '000
Cost:					
Land and buildings:					
For own use	65,706	-	(3,456)	-	62,250
Leasehold improvements in rented buildings	32,208	332	(8,373)	58	24,225
Work in progress	43	10	-	(20)	33
Equipment:					
Furniture	10,502	988	(425)	-	11,065
Office equipment	1,971	10	(113)	1	1,869
Computer equipment	51,772	6,838	(244)	(1)	58,365
Interior installations	28,414	334	(13,010)	94	15,832
Motor vehicles	676	58	(298)	-	436
Security equipment	3,978	1,009	(15)	-	4,972
Works of art	986	64	-	-	1,050
Assets in operational lease	4,084	1,632	(751)	-	4,965
Other tangible assets	31	-	-	-	31
Work in progress	550	2,947	-	(155)	3,342
	200,921	14,222	(26,685)	(23)	188,435
Accumulated depreciation:					
Land and buildings:					
For own use	15,831	1,039	(828)	-	16,042
Leasehold improvements in rented buildings	22,047	2,310	(8,373)	-	15,984
Equipment:					
Furniture	7,804	572	(366)	-	8,010
Office equipment	1,825	57	(112)	1	1,771
Computer equipment	37,871	6,307	(243)	-	43,935
Interior installations	20,126	1,585	(13,011)	-	8,700
Motor vehicles	673	9	(303)	-	379
Security equipment	2,823	434	(13)	-	3,244
Assets in operational lease	748	757	(323)	-	1,182
	109,748	13,070	(23,572)	1	99,247

28 Intangible assets

This balance is analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Cost:		
Software	52,775	31,798
Assets advances	6,921	6,106
Other intangible assets	93	-
	59,789	37,904
Accumulated amortisation:		
Charge for the year	(4,068)	(7,776)
Accumulated charge for the previous years	(33,580)	(11,874)
	(37,648)	(19,650)
	22,141	18,254
Other intangible assets	88,272	-
	110,413	18,254

The balance Other Intangible assets corresponds to the differencial between assets and liabilities from Finibanco, S.A. acquired by CEMG on the 4 April 2011 and its book value and considers the fair value of those assets and liabilities as well as the eventual business creation related with that assets and liabilities and to the acquired Finibanco, S.A.

This intangible assets does not have a finite useful life and, because of that, as defined in note 1.12, its recoverable value is annually reviewed, independently of the existence of impairment signs. The possible impairment losses are recognized in the income statement.

The Intangible assets movements, during the first semester of 2011, are analysed as follows:

	Balance on 1 January Euro '000	**Acquisition/ Charges Euro '000**	**Disposals Euro '000**	**Adjustments/ Transfers Euro '000**	**Balance on 31 December Euro '000**
Cost:					
Software	31,798	4,921	-	16,056	52,775
Assets advanced	6,106	327	-	488	6,921
Other intangible assets	-	-	-	93	93
	37,904	5,248	-	16,637	59,789
Accumulated amortisation					
Software	19,650	4,068	-	13,898	37,616
Other intangible assets	-	-	-	32	32
	19,650	4,068	-	13,930	37,648

The balance Adjustments/Transfers includes the values transferred from Finibanco, S.A. under the acquisition of assets and liabilities realized in the 4 April, 2011.

The Intangible assets movements, during the year of 2010, are analysed as follows:

	Balance on 1 January Euro '000	Acquisitions/ Charges Euro '000	Disposals Euro '000	Adjustments/ Transfers Euro '000	Balance on 31 December Euro '000
Cost:					
Software	52,375	8,430	(29,007)	-	31,798
Assets advanced	4,657	1,449	-	-	6,106
	57,032	9,879	(29,007)	-	37,904
Accumulated amortisation					
Software	40,881	7,776	(29,007)	-	19,650

29 Other assets

This balance is analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Recoverable subsidies from the Portuguese Government	7,531	11,949
Other debtors	70,120	29,071
Other accrued income	4,354	4,873
Prepayments and deferred costs	29,445	20,801
Sundry debtors	178,587	65,298
	290,037	131,992
Impairment from recoverable subsidies	-	(3,473)
	290,037	128,519

The balance Recoverable subsidies from the Portuguese Government, in the amount of Euro 7,531,000 (31 December 2010: Euro 11,949,000), corresponds to mortgage credit interest subsidies, in accordance with the regulations applicable to mortgage loans benefits, The referred amounts do not bear interest and are claimed monthly, As at 30 June 2011 and 31 December 2010, the balance Recoverable subsidies from the Portuguese Government is analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Recoverable subsidies from the		
Portuguese Government unliquidated	2,317	7,120
Subsidies unclaimed	1,829	1,716
Overdue subsidies unclaimed	3,385	3,113
	7,531	11,949

As at 31 December 2010, the balance Recoverable subsidies from the Portuguese Government include an amount of Euro 3,473,000 not recognised by the treasury authorities, This amount is totally provided for in the balance Impairment from recoverable subsidies,

As at 30 June 2011 the balance Prepayments and deferred costs includes an amount of Euro 15,045,000 (31 December 2010: Euro 19,061,000) referring to the impacts of the application of IAS 19 requirements not yet deferred, related to actuarial gains and losses of pension fund at 1 January, 2005, This amount will be charged for a period of ten or eight years depending on whether it is related with health or employees benefits, respectively, as referred in the note 1.14.

As at 30 June 2011, the balance Sundry debtors includes the amount of Euro 4,351,000 concerning transactions with securities recorded on trade date and pending settlement, in accordance with note 1.5.

As at 30 June 2011 and 31 December 2010, the balances related with the obligations related with pensions (as referred in note 44), included in balance Other sundry liabilities are analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Projected benefit obligations	(684,974)	(597,140)
Value of the Fund	605,270	545,097
	(79,704)	(52,043)
Actuarial losses		
Corridor	88,091	77,148
Amount in excess of the corridor	27,594	24,053
	115,685	101,201
	35,981	49,158

The amounts of the corridor and of the actuarial losses were determined in accordance with the note 1.14.

The impairment from Recoverable Subsidies movements are analised as follows:

	Jun 2011 Euro '000	**Jun 2010 Euro '000**
Impairment from Recoverable Subsidies		
Balance on 1 January	3,473	3,473
Charge-off	(3,473)	-
Balance on 30 June	-	3,473

30 Deposits from central banks

As at 30 June 2011, this balance registers an amount of Euro 2,220,044,000 (31 December 2010: Euro 1,540,266,000) related to deposits obtained in the European System of Central Banks and covered by securities from the available-for-sale portfolio pledged as collaterals portfolio of financial assets available-for-sale.

As at 30 June 2011 and 31 December 2010, the analysis of deposits from Central Banks by the period to maturity is as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Up to 3 months	1,270,044	460,026
3 to 6 months	950,000	1,080,240
	2,220,044	1,540,266

31 Deposits from other credit institutions

This balance is analysed as follows:

	Jun 2011			**Dec 2010**		
	Non interest bearing Euro '000	**Interest bearing Euro '000**	**Total Euro '000**	**Non interest bearing Euro '000**	**Interest bearing Euro '000**	**Total Euro '000**
Deposits from credit institutions in Portugal	3,262	76,888	80,150	247,969	4,163	252,132
Deposits from credit institutions abroad	17,636	1,308,313	1,325,949	1,000,337	10,077	1,010,414
	20,898	1,385,201	1,406,099	1,248,306	14,240	1,262,546

The balance Deposits from other credit institutions, analysed by the period of maturity, is as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Due within 3 months	719,934	526,133
3 to 6 months	57,676	155,594
6 months to 1 year	20,135	255,553
1 to 5 years	459,535	59,025
Over 5 years	167,931	272,830
	1,425,211	1,269,135
Adjustments arising from hedging operations	(19,112)	(6,589)
	1,406,099	1,262,546

32 Deposits from customers

This balance is analysed as follows:

	Jun 2011			**Dec 2010**		
	Non interest bearing Euro '000	**Interest bearings Euro '000**	**Total Euro '000**	**Non interest bearing Euro '000**	**Interest bearing Euro '000**	**Total Euro '000**
Deposits repayable on demand	349,667	2,075,487	2,425,154	16,157	2,001,904	2,018,061
Time deposits (*)	-	9,493,474	9,493,474	-	7,229,927	7,229,927
Saving accounts (*)	-	328,089	328,089	-	391,530	391,530
Other items	13,611	-	13,611	496	-	496
Adjustments arising from hedging operations	(465)	-	(465)	14,326	-	14,326
	362,813	11,897,050	12,259,863	30,979	9,623,361	9,654,340

Observations: (*) Deposits for which the embedded derivative was separate from the host contract, in accordance with note 20 and note 1.3.

In the terms of the law "*Portaria*" no, 180/94, of 15 December, the deposit guarantee fund was established to guarantee the reimbursement of funds deposited in credit institutions, The criteria to calculate the annual contributions to the referred fund are defined annually by instruction of the Bank of Portugal.

As at 30 June 2011, this balance includes the amount of Euro 1,497,165,000 (31 December 2010: Euro 1,772,500,000) related to deposits recognised on the balance sheet at fair value through profit or loss.

The balance Deposits from customers, analysed by the period of maturity, is as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Deposits repayable on demand	2,425,153	2,018,061
Time deposits and saving accounts:		
Due within 3 months	1,946,990	1,271,892
3 months to 6 months	3,147,703	2,637,009
6 months to 1 year	1,952,789	1,029,173
1 year to 5 years	-	-
Over 5 years	2,774,082	2,683,383
	12,246,717	9,639,518
Adjustments arising from hedging operations	(465)	14,326
	12,246,252	9,653,844
Other items:		
Due within 3 months	13,611	496
	12,259,863	9,654,340

33 Debt securities issued

This balance is analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Euro Medium Term Notes (EMTN)	1,423,962	2,179,683
Bonds	739,100	566,304
Covered Bonds	1,019,780	832,690
	3,182,842	3,578,677

The fair value of the debts securities issued is presented in note 43.

As at 30 June 2011 this balance includes the amount of Euro 1,469,452,000 (31 December 2010: Euro 1,510,171,000) related to debt securities issued recognised at the balance sheet at fair value through profit or loss.

During 2011, CEMG issued securities in the amount of Euro 248,011,000 (31 December 2010: Euro 241,799,000), being reimbursed Euro 629,535,000 (31 December 2010: Euro 860,459,000).

As at 30 June 2011 and 31 December 2010, the analysis of debt securities issued outstanding by period to maturity is as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Due within 6 months	799,822	858,289
6 months to 1 year	806,549	631,766
1 year to 5 years	1,279,542	1,930,905
Over 5 years	362,137	183,492
	3,248,050	3,604,452
Adjustments arising from hedging operations	(65,208)	(25,775)
	3,182,842	3,578,677

With respect to the Mortgage Bonds Program, which has a maximum amount of Euro 5,000 million, CEMG issued a total of Euro 1,650 million bonds. The characteristics of the live bonds as at 30 June 2011 are as follows:

Description	**Nominal value Euro '000**	**Net book value Euro '000**	**Issue Date**	**Maturity Date**	**Frequemcy of interest payment**	**Interest Rate**	***Rating* (Moody's/Fitch)**
Mortgage Bonds	1,000,000	1,000,000	July 2009	July 2012	Annual	3.25%	BAA2/BBB
Mortgage Bonds	150,000	-	December 2009	December 2016	Quarterly	Eur 3m + 0.75%	BAA2/BBB
Mortgage Bonds	500,000	-	October 2010	November 2015	Quarterly	Eur 3m + 2.50%	BAA2/BBB

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

As at 30 June 2011, the mortgage loans that collateralise these covered bonds amounted to Euro 2,238,258,000 (31 December 2010: Euro 1,000,000,000) in accordance with note 19.

The change occurred in debt securities issued during the year ended 30 June 2011 is analyzed as follows:

	Balance on 1 January Euro '000	**Issues Euro '000**	**Repayments Euro '000**	**Net repurchase Euro '000**	**Other movements [(a)] Euro '000**	**Balance on 30 June Euro '000**
Euro Medium Term Notes (EMTN)	2,179,683	-	(500,000)	-	(255,721)	1,423,962
Bonds	566,304	248,011	(129,535)	-	54,320	739,100
Covered bonds	832,690	-	-	-	187,090	1,019,780
	3,578,677	248,011	(629,535)	-	(14,311)	3,182,842

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

In accordance with the note 1.7, debt issued repurchased by CEMG is derecognized from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognized in the income statement.

The change occurred in debt securities issued during 2010 is analyzed as follows:

	Balance on 1 January Euro '000	Issues Euro '000	Repayments Euro '000	Net repurchase Euro '000	Other movements [(a)] Euro '000	Balance on 30 June Euro '000
Euro Medium Term Notes	2,810,743	-	(578,950)	(46,050)	(6,060)	2,179,583
Bonds	611,517	241,799	(281,509)	-	(5,503)	566,304
Covered bonds	1,161,047	-	-	(177,350)	(151,007)	832,690
	4,583,307	241,799	(860,459)	(223,400)	(162,570)	3,578,677

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

As at 30 June 2011, the balance Debt securities issued is comprise of the following issues:

Issue	Issue Date	Maturity Date	Interest Rate	Book value Euro '000
Obr. Caixa-MG Capital Certo 2010/2015-8ª Série	Jan. 2011	Dec. 2015	Annual fixed rate of 3,5% (2nd year 3.5%, 3rd year 4%, 4th year 4,25% and 5th year 5.25%)	10,000
Obr. Caixa-MG Capital Certo 2011/2016-1ª Série	Jan. 2011	Jan. 2016	1st year 3.53%; 2nd year 3,53%; 3rd year 4.03%; 4th year 4.28%% and 5th year 5.28%	25,000
Obr. Caixa -MG Taxa Fixa 2011-2015	Feb. 2011	Feb. 2015	Annual fixed rate of 4%	19,918
Obr. Caixa -MG Taxa Fixa Crescente 2011-2016	Feb. 2011	Feb. 2015	1st year: 3.5%; 2nd year 3.9%; 3rd year 4.2%; 4th year 4.3%; and 5th year 5.6%	5,000
Obr. Caixa -Montepio 1780 Days-2011-201	Feb. 2011	Jan. 2016	1st year 3.7%; 2nd year 3.9%; 3rd year 4.25%; 4th year 4.5% and 5th year 5.5%	1,500
Obr. Caixa -MG Capital Certo 2011/2016-2ª Série	Feb. 2011	Jan. 2016	1st year 3.5%; 2nd year 3.9%; 3rd year 4.2%; 4th year 4.3% and 5th year 5.6%	25,000
Obr. Caixa -MG Taxa Crescente 2011-2016	Mar. 2011	Feb. 2016	1st year 3.5%; 2nd year 3.9%; 3rd year 4.2%; 4th year 4.35% and 5th year 5.6%	15,000
Obr. Caixa -Montepio Top Europa - 2011/2015	Mar. 2011	Mar. 2015	At maturity the investor receives the interest rate linked to the evolution of performance índex STOXX50 and the price of Gold	5,000
Obr. Caixa -MG Taxa Fixa 2011-2013	Mar. 2011	Mar. 2013	Annual fixed rate of 3.25%	6,593
Obr. Caixa -MG Capital Certo 2011/2016-3ª Série	Mar. 2011	Apr. 2016	1st year 3.75%; 2nd year 4%; 3rd year 4.25%; 4th year 4.5% and 5th year 5.5%	20,000
Obr. Caixa -MG Capital Certo 2011/2019-1ª Série	Mar. 2011	Apr. 2019	1st year 4.4%; 2nd year 4.4%; 3rd and 4th years 4.65%; 5th and 6th years 5%; 7th and 8th years 6.5%	20,000
Obr. Caixa -MG Taxa Crescente 2011-2016	Apr. 2011	Apr. 2016	1st year 4%; 2nd year 4.25%; 3rd year 4.5%; 4th year 4.75% and 5th year 5.75%	10,000
Obr. Caixa -MG Capital Certo 2011/2016-4ª Série	Apr. 2011	Apr. 2016	1st year 3.75%; 2nd year 4%; 3rd year 4.25%; 4th year 4.5% and 5th year 5.5%	25,000
Obr. Caixa -MG Capital Certo 2011/2016-5ª Série	May 2011	May 2016	1st year 4,1%; 2nd year 4.3%,; 3rd year 4.6%; 4th year 4.8% and 5th year 5.75%	20,000
Obr. Caixa -MG Capital Certo 2011/2019-2ª Série	May 2011	May 2019	1st year 4.9%; 2nd year 4.9%; 3rd and 4th years 5.15%; 5th and 6th years 5.5%;7th year 6% and 8th year 7%	5,000
Obr. Caixa -MG Taxa Crescente 2011-2016	Jun. 2011	Apr. 2016	1st year 4,25%; 2nd and 3rd years 4.5%; 4th year 4.75% and 5th year 5%	15,000
Obr. Caixa -MG Capital Certo 2011-2016-6ª Série	Jun. 2011	Jul. 2016	1st year 4.1%; 2nd year 4.3%; 3rd year 4.6%; 4th year 4.8% and 5th year 5.75%	20,000
				248,011

As at 30 June 2011, for the bonds issued bear postponed and anticipated interest at an effective interest rate ranging between 0.5% and 7.25 %.

34 Provisions

This balance is analysed as follows:

	Jun 2011 Euro '000	**DeC 2010 Euro '000**
Provisions for general banking risks	119,040	100,188
Provisions for liabilities and charges	2,817	1,311
	121,857	101,499

The movements of the provisions for general banking risks are analysed as follows:

	Jun 2011 Euro '000	**Jun 2010 Euro '000**
Balance on 1 January	101,188	101,310
Charge for the year	23,955	23,708
Write-back for the year	(24,826)	(25,120)
Transfers	19,723	-
Balance on 30 June	119,040	99,898

The provisions for general banking risks were charged in accordance with Regulations no. 3/95, of 30 June of 1995, no. 2/99, of 15 January 1999 and no. 8/03, of 30 January 2003 of the Bank of Portugal, as referred in the note 1.4. The balance Transfers includes the transferred values from Finibanco, S.A. under the acquisition of assets and liabilities realized on the 4 April, 2011.

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

	Jun 2011 Euro '000	**Jun 2010 Euro '000**
Balance on 1 January	1,311	1,490
Charge for the year	432	235
Write-back for the year	(285)	(210)
Charged-off	-	(95)
Transfers	1,359	-
Balance on 30 June	2,817	1,420

The provisions were accounted in accordance with the probability of occurrence of certain contingencies related with CEMG's activity, which is revised in each reporting date in order to reflect the best estimate of the amount and probability of payment. The balance Transfers includes the transferred values from Finibanco, S.A. under the acquisition of assets and liabilities realized on the 4th April 2011.

35 Other subordinated debt

As at 30 June 2011, this balance in the amount of Euro 471,401,000 (31 December 2010: Euro 380,986,000) refers to Bonds with fixed maturity date, and with a residual reimbursement over 5 years.

As at 30 June 2011 the mainly characteristics of the Other subordinated debt, are analysed as follows:

Issue	**Issue date**	**Maturity date**	**Issue amount Euro '000**	**Interest rate**	**Book value Euro '000**
Bonds with fixed maturity date:					
CEMG/06	Apr. 2006	Apr. 2016	50,000	Euribor 3 months + 0.45%	50,179
CEMG/08	Feb. 2008	Feb. 2018	150,000	Euribor 6 months + 0.13%	151,256
CEMG/08	Jun. 2008	Jun. 2018	28,000	Euribor 12 months + 0.10%	28,234
CEMG/08	Jul. 2008	Jul. 2018	150,000	Euribor 6 months + 0.13%	151,258
FNB Grandes empresas 07/16_ 1ª série	May 2007	May 2016	6,450	See reference (i)	5,599
FNB Grandes empresas 07/16_ 2ª série	Jun.2007	Jun.2016	26,262	See reference (i)	22,680
FNB Grandes empresas 07/16_ 3ª série	Jun.2007	Jun.2016	3,988	See reference (i)	3,444
FNB Indices estratégicos07/17 1ª série	May 2007	May 2016	14,947	See reference (ii)	13,254
FNB Indices estratégicos07/17 2ª série	Jun.2007	Jun.2016	31,333	See reference (ii)	27,688
FNB Indices estratégicos07/17 3ª série	Jun.2007	Jun.2016	7,667	See reference (ii)	6,775
FNB Rendimento Garantido 05/13	May 2007	May 2016	410	See reference (iii)	413
FNB Rendimento Seguro 05/15	Jun.2007	Jun.2016	238	See reference (iv)	238
FNB 08/18 1ª Série	Dec.2008	Dec. 2018	8,438	See reference (v)	8,455
FNB 08/18 2ª Série	Dec.2008	Dec. 2018	1,924	See reference (v)	1,928
					471,401

The fair value of the portfolio from other subordinated liabilities are described in note 43.

As at 30 June 2011, the subordinated loans received quarterly and semi-annual arrears interest, with effective interest rate between 2.26% and 3.157%.

References:

(i) - It would be paid the following coupons, in the end of the year (9th May to 1st Series and 20th June to 2nd and 3rd ones):

Coupon	Rate / Gap
1st coupon	5.50%
2nd coupon	5.50%
3rd coupon	Max [0; 6.0% * (1-n/3)]
4th coupon	Max [0; 6.0% * (1-n/4)]
5th coupon	Max [0; 6.0% * (1-n/5)]
6th coupon	Max [0; 6.0% * (1-n/6)]
7th coupon	Max [0; 6.0% * (1-n/7)]
8th coupon	Max [0; 6.0% * (1-n/8)]
9th coupon	Max [0; 6.0% * (1-n/9)], where,

n is the cumulated number of Reference Entities in relation to which has been a Credit Event.

If there is a merger between two or more reference companies and there is a Credit Event in the resulting merged company, there would be took in account as many Credit Events as the number of merged companies.

(ii) - The payment should be annual and as follows:

1st year = 5.50% * nominal value;

2nd year = 5.50% * nominal value;

3rd and following years = 6.25% * nominal value if:

Min (SDk/SD0-SXk/SX0; HSk/HS0- SXk/SX0) > Barrierk,

otherwise = 0%

where:

Barrier3 = Barrier to be applied in the 3rd coupon = 0%;

Barrier 4 = Barrier to be applied in the 4th coupon = 1%;

Barrier 5 = Barrier to be applied in the 5th coupon = 2%;

Barrier 6 = Barrier to be applied in the 6th coupon = 3%;

Barrier 7 = Barrier to be applied in the 7th coupon = 4%;

Barrier 8 = Barrier to be applied in the 8th coupon = 5%.

Barrierk = Barrier to be applied in the kth coupon

SDk – Closing price of the index Eurotoxx Select Dividend (Bloomberg: SD3E) on observation date K (K=1 to 6).

SD0 – Closing price of the index Eurotoxx Select Dividend (Bloomberg: SD3E) on the start date.

SXk – Closing price of index Eurotoxx50 Total Return (Bloomberg: SX5T) on the observation date K (K=1 to 6).

SX0 – Closing price of index Eurotoxx50 Total Return (Bloomberg: SX5T) on the start date.

HSk – Closing price of index HS60 Europe (Bloomberg: HS60EU) on the observation date K (K=1 to 6).

HS0 – Closing price of index HS60 Europe (Bloomberg: HS60EU) on the start date.

(iii) – The compensation will be paid semiannually, with a minimum of 1% and a maximum of 5%, and will be calculated in accordance with the following formula (annual rate):

n/N * 5% + m/N * 1%, where:

n is the number of working days of the period where 6-month Euribor is within the range set;

m is the number of working days of the period where 6-month Euribor is outside that bondaries;

N is the number of working days of the period.

Range: is defined below, for each coupon:

Period	Coupon date	Range
1st semester	09-Nov-05	[0; 2.75%]
2nd semester	09-May-06	[0; 3.00%]
3rd semester	09-Nov-06	[0; 3.25%]
4th semester	09-May-07	[0; 3.50%]
5th semester	09-Nov-07	[0; 3.50%]
6th semester	09-May-08	[0; 3.75%]
7th semester	09-Nov-08	[0; 3.75%]
8th semester	09-May-09	[0; 4.00%]
9th semester	09-Nov-09	[0; 4.00%]
10th semester	09-May-10	[0; 4.25%]
11th semester	09-Nov-10	[0; 4.25%]
12th semester	09-May-11	[0; 4.50%]
13th semester	09-Nov-11	[0; 4.50%]
14th semester	09-May-12	[0; 4.50%]
15th semester	09-Nov-12	[0; 4.50%]
16th semester	09-May-13	[0; 4.50%]

(iv) – The compensation will be paid semiannually, with a minimum of 1% and a maximum of 5%, calculated as explained above (annual rate):

$n/N * 5\% + m/N * 1\%$, where:

n is the number of working days of the period where the 6-month euribor is within the range set;

m is the number of working days of the period where 6-month Euribor is outside that bondaries;

N is the number of working days of the period.

Range: is defined below, for each coupon:

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

(v) - The compensation will be paid semiannually and the first coupon will be fixed:

1st coupon: 6.50% (annual rate);

From 2nd to 10th coupon: Euribor 6M + 1.50% (annual rate);

11th and following coupons: Euribor 6M + 1.75% (annual rate).

36 Other liabilities

This balance is analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Creditors:		
Suppliers	6,787	7,356
Other creditors	43,922	24,195
Public sector	12,827	7,944
Financial liabilities associated with transferred assets	3,081,982	3,182,375
Holiday pay and subsidies	32,578	25,824
Other administrative costs payable	1,775	375
Deferred income	758	546
Operations under securities payable on trading	5,001	-
Other sundry liabilities	148,224	67,850
	3,333,854	3,316,465

The balance Financial liabilities associated to transferred assets relates to securitisation transactions celebrated between CEMG and other financial institutions, that weren’t derecognized in accordance with IAS 39 - Financial instruments: Recognition and Measurement. The securitisation transactions details are analysed in note 45.

37 Share capital

On 29 March, 2011, following the General Assembly deliberation, CEMG increased the share capital of Caixa Económica Montepio Geral in the amount of Euro 345,000,000, by cash transfer.

After the referred operation, the share capital of CEMG, amounts to Euro 1,145,000,000 (2010: Euro800,000,000), totally subscribed by Montepio Geral – Associação Mutualista, and is fully paid.

38 Other capital instruments

This balance covers the Euro 15,000,000 emission of Perpetual Subordinated Securities with conditioned interest occurred in the first semester of 2010.

Payment

In accordance with the interest limits described below, the compensation will be paid semi-annually, on the 2 February and 2 August 2010 and will be:

1st to 4th coupons: 7.00%

5th and following coupons: 6-month Euribor + 2.75%, with a minimum of 5%.

Limitations to interest payment

The Issuer is prevented to pay interest:

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

- Is in default of the Regulation of Proper Funds Requirements and the extent and up to competition in the payment involves breaches of the Regulation.

The Issuer is still disallowed to pay interest if, in the opinion of the Administration Council or the Bank of Portugal, that payment endangers the achievement of the Regulation of Proper Funds Requirements.

The impediment to pay interest may be total or partial.

The non payment of interest in any time relieves the Issuer from the interest payment relative to that date in a future moment.

It is considered Distributable Funds of a specific year the sum, with reference to the previous year, of the cumulated retained earnings with any other values that can be distributed to shareholders and the profit or loss, net of mandatory, legal and statutory reserves, but before the deduction of any dividends relative to ordinary shares or any other securities subordinated to those, relative to this exercise.

Reimbursement

These values are perpetual and only refundable under the conditions below provided.

By prior agreement of the Bank of Portugal, the Issuer may reimburse total or partially from the date of the 10 interest payment, inclusive (5 year).

In case of continued occurrence of an Event of Disqualification as Basic Proper Fund, even sooner than 5 years since its issuance, and under a previous agreement with the Bank of Portugal, these securities are refundable by issuer, at any date.

An event of disqualification as Proper Base Funds is a change of any legal document or respective official interpretation that implies these values to no longer be qualified as Issuer’s Proper Base Funds.

39 General and special reserves

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

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

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

The variation of the general and special reserves balance is analysed in note 40.

40 Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Fair value reserves		
Available-for-sale financial assets	(293,696)	(82,973)
Reserves and retained earnings:		
General reserve	178,984	170,686
Special reserve	66,519	64,444
Other reserves	8,404	8,404
Retained earnings	(4,514)	(8,033)
	249,393	235,501

The Fair value reserves correspond to the accumulated fair value changes of the available-for-sale financial assets, net of impairment, recognized in the results of the exercise and/or previous ones, in accordance with note 1.5.

The movements of this balance during first semester 2011 are analysed as follows:

	Balance on 1 January Euro '000	**Revaluation Euro '000**	**Sales Euro '000**	**Disposals Euro '000**	**Impairment recognised in the year Euro '000**	**Balance on 30 June Euro '000**
Fixed income securities:						
Bonds issued by Portuguese entities	(28,302)	(147,753)	(47,501)	(333)	-	(223,889)
Bonds issued by Foreign entities	(4,103)	7,614	(1,047)	475	(5,056)	(2,117)
Bond issued by other entities:						
Portuguese	(12,591)	(6,115)	(254)	327	(1,607)	(20,240)
Foreign	(38,060)	(20,636)	(845)	1,518	10,561	(47,462)
	(83,056)	(116,890)	(49,647)	1,987	3,898	(293,708)
Variable income securities:						
Shares in companies:						
Portuguese	159	1,333	29	8	(1,265)	264
Foreign	(46)	95	(63)	2	(94)	(106)
Investment fund units	(30)	86	(188)	(71)	57	(110)
	83	1,514	(222)	(61)	(1,302)	12
	(82,973)	(165,376)	(49,869)	1,926	2,596	(293,696)

The movements of this balance during 2010 are analysed as follows:

	Balance on 1 January Euro '000	**Revaluation Euro '000**	**Sales Euro '000**	**Impairment recognised in the year Euro '000**	**Balance on 31 December Euro '000**
Fixed income securities:					
Bonds issued by Portuguese entities	-	(28,302)	-	-	(28,302)
Bond issued by foreign entities	106	(4,199)	(10)	-	(4,103)
Bond issued by other entities:					
Portuguese	1,471	(11,354)	(760)	(1,948)	(12,591)
Foreign	(31,441)	(9,483)	1,355	1,509	(38,060)
	(29,864)	(53,338)	585	(439)	(83,056)
Variable income securities:					
Shares in companies:					
Portuguese					
Foreign	89	71	(42)	41	159
Investment fund units	523	(239)	(129)	(201)	(46)
	652	(2,564)	(898)	2,780	(30)
	1,264	(2,732)	(1,069)	2,620	83
	(28,600)	(56,070)	(484)	2,181	(82,973)

As at 30 June 2011 and 31 December 2010 the balance Reserves and retained earnings includes Euro 4,514,000 and Euro 8,033,000, respectively, related to the amortization of transition adjustments resulting from the adoption of IAS 19, as defined in the accounting policy 1.14.

The fair value reserve can be analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Amortised cost of available-for-sale financial assets	6,002,440	5,367,501
Accumulated impairment recognised	(25,121)	(27,717)
Amortised cost of available-for-sale financial assets, net impairment	5,977,319	5,339,784
Fair value of available-for-sale financial assets	5,683,623	5,256,811
Net unrealised gains / (losses) recognised in the fair value reserve	(293,696)	(82,973)

41 Obligations and future commitments

Obligations and future commitments are analysed as follows:

	Jun 2011 Euro '000	Dec 2010 Euro '000
Guarantees granted	522,645	424,361
Guarantees received	32,670,098	29,158,640
Commitments to third parties	1,611,597	1,299,227
Commitments from third parties	38,582	38,510
Securitised loans	277,102	292,135
Securities and other items held for safekeeping on behalf of customers	6,169,633	5,152,178

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

	Jun 2011 Euro '000	Dec 2010 Euro '000
Guarantees granted:		
Guarantees	510,915	420,181
Open documentary credits	11,730	4,180
	522,645	424,361

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Commitments to third parties:		
Irrevocable commitments		
Irrevocable credit lines	352,528	252,535
Annual contribution to the Guarantee Deposits Fund	172,050	185,150
Potential obligation with the Investors' Indemnity System	25,314	20,013
Revocable commitments	2,178	1,699
Revocable credit lines		
Commitments to third parties:	1,059,527	839,470
	1,611,597	1,298,867

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

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

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

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

As at 31 June 2011 and 31 December 2010, the balance Annual contribution to the obligations of Guarantee Deposits Fund is related with the irrevocable commitment assumed by CEMG and required by law, to deliver the unrealised amounts of annual contributions required by the Fund.

The balance Potential obligation with the Investors' Indemnity System, as at 30 June 2011 and 31 December 2010, is related with the irrevocable commitment assumed by CEMG and required by law, to deliver to that System the necessary amounts for CEMG's obligation with the investors' indemnities to be paid.

Financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely in what concerns the suitability of the provisions constituted as described on accounting policy 1.4. The maximum credit exposure is presented by the nominal value that could have been lost concerning contingent liabilities and other commitments undertaken by CEMG in the event of default by its counterparties, without considering potential recovery of loans or collateral.

42 Distribution of profit

On 28 March 2011, following the General Assembly deliberation, CEMG distributed to Montepio Geral – Associação Mutualista in the amount of Euro 23,085,000 (31 December 2010: Euro20,300,000).

43 Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as it happens regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques.

Cash flows for the different instruments sold are calculated according with its financial characteristics and the discount rates used include both the interest rate curve and the current conditions of the pricing policy in CEMG.

Therefore, the fair value obtained is influenced by the parameters used in the evaluation model that, necessarily have some degree of judgement and reflect exclusively the value attributed to different financial instruments. However, it does not consider prospective factors, like the future business evolution.

Under these conditions, the values presented cannot be understood as an estimate of the economic value of CEMG.

CEMG determines the fair value of its financial assets and liabilities in accordance with the following hierarchy:

1 Quoted market prices – this category includes financial assets with available quoted market prices in official markets and with dealer prices, quotations provided by entities that usually provide transaction prices for these assets/liabilities traded in active markets.

2 Valuation models based on observable market information – consists on the use of internal valuation techniques, namely discounted cash flow models and option pricing models that imply the use of estimates and require judgments that vary in accordance with the complexity of the financial instrument. Notwithstanding, CEMG uses observable market data such as interest rate curves, credit spreads, volatility and market indexes. Includes also instruments with dealer price quotations but which are not traded in active markets.

3 Valuation models based on non-observable market information – consists on the use of internal valuation models or quotations provided by third parties but which imply the use of non-observable market information.

The main methods and assumptions used in estimating the fair value for the assets and liabilities of CEMG are presented as follows:

- *Cash and deposits at central banks, Loans and advances to credit institutions repayable on demand and Deposits from other credit institutions*

  Considering the short maturity of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

- *Other loans and advances to credit institutions. Amounts owed to other credit institutions from Inter-bank Money Market transactions and Assets with repurchase agreements*

  The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates.

  The discount rate used reflects the current conditions applied by CEMG in identical instruments for each of the different maturities. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year).

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

  These financial instruments are accounted at fair value. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

  Interest rates are determined based on information disseminated by the suppliers of content financial - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

  When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) considering the volatility areas applicable are used. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, it is applied specific quotations supplied by an external entity, typically a counterparty of the business.

  In case of shares not listed, they are recognized at historical cost when there is no available market value and it is not possible to determine reliably its fair value,

- *Financial assets held to maturity*

  These financial instruments are accounted at amortized cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

- *Hedging and trading derivatives*

  All derivatives are recorded at fair value.

  In case of those who are quoted in organised markets it is used its market price. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

  Interest rates are determined based on information disseminated by the suppliers of content financial - Reuters and Bloomberg - more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods.

  The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

- *Loans and advances to customers with defined maturity date*

  The fair value of these instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by CEMG in similar instruments for each of the homogeneous classes of this type of instrument and with similar maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year) and the spread used at the date of the report, which was calculated from the average production of the last three months of the year.

  For 30 June 2011, the average discount rate was 6.59% (31 December 2010: 5.73%), assuming the projection of variable rates according to the evolution of the forward rates implicit in the interest rate curves. The calculations also include the credit risk spread.

- *Loans and advances to customers without defined maturity date*

  Considering the short maturity of these financial instruments, the conditions of the existing portfolio are similar to current conditions used by CEMG. Therefore, the amount in the balance sheet is a reasonable estimate of its fair value.

- *Deposits from customers*

  The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by CEMG in identical instruments with a similar maturity.

  The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the year) and the spread of CEMG at the date of the report, which was calculated from the average production of the last three months of the year.

  For 30 June 2011, the average discount rate was of 4.52 % (31 December 2010: 3.90%).

- *Debt securities issued and Subordinated debt*

For these financial instruments, fair value was calculated for the components that are not yet reflected on CEMG's balance sheet. For the fixed interest rate instruments for which CEMG applies a hedge-note, the fair value regarding the interest rate risk is already accounted for.

In fair value calculation, the other risk components were also considered, apart from the interest rate risk. Fair value is based on market prices, whenever these are available, If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted by associated factors, predominantly the credit risk and trading margin, the latter only in the case of issues placed for non institutional customers of CEMG.

As original reference, CEMG applies the curves resulting from the interest rate swaps markets for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own emissions placed among non institutional costumers of CEMG, it was added one more differential (trade spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the commercial network owned.

As at 30 June 2011, the following table presents the values of the interest rates used in the clearance of the curves interest rate of major currencies, including Euro, United States Dollar, Sterling Pound, Japanese Yen and Swiss Franc used to determine the fair value of the financial assets and liabilities of CEMG:

	Currencies				
	Euro	**United States Dollar**	**Sterling Pound**	**Japanese yen**	**Swiss franc**
1 day	0.950%	0.180%	0.580%	0.095%	0.140%
7 days	0.775%	0.130%	0.695%	0.070%	0.155%
1 month	1.050%	0.130%	0.820%	0.100%	0.185%
2 months	1.230%	0.320%	0.870%	0.130%	0.220%
3 months	1.320%	0.410%	0.900%	0.190%	0.260%
6 months	1.780%	0.350%	1.155%	0.430%	0.420%
9 months	2.020%	0.710%	1.360%	0.540%	0.580%
1 year	2.040%	0.870%	1.590%	0.620%	0.740%
2 years	2.141%	0.658%	1.531%	0.370%	0.660%
3 years	2.360%	1.078%	1.900%	0.409%	0.955%
5 years	2.765%	1.917%	2.548%	0.567%	1.460%
7 years	3.053%	2.556%	3.011%	0.812%	1.825%
10 years	3.345%	3.142%	3.453%	1.201%	2.155%
15 years	3.665%	3.360%	3.453%	1.201%	2.155%
20 years	3.748%	3.820%	3.453%	1.201%	2.155%
30 years	3.622%	3.962%	3.453%	1.201%	2.155%

As at 31 December 2010, the following table presents the values of the interest rates used in the clearance of the curves interest rate of major currencies, including Euro, United States Dollar and Sterling Pound, Dollar used to determine the fair value of the financial assets and liabilities of CEMG:

	Currencies		
	Euro	**United States Dollar**	**Sterling Pound**
1 day	0.400%	0.300%	0.550%
7 days	0.350%	0.300%	0.550%
1 month	0.810%	0.300%	0.680%
2 months	0.910%	0.310%	0.720%
3 months	1.010%	0.430%	0.820%
6 months	1.230%	0.530%	1.260%
9 months	1.370%	0.720%	1.415%
1 year	1.510%	0.880%	1.520%
2 years	1.561%	0.797%	1.505%
3 years	1.945%	1.282%	1.945%
5 years	2.481%	2.179%	2.630%
7 years	2.893%	2.838%	3.103%
10 years	3.305%	3.386%	3.535%
15 years	3.638%	3.844%	3.535%
20 years	3.697%	4.020%	3.535%
30 years	3.496%	4.130%	3.535%

Exchange rates and volatility

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

			Volatility (%)				
Exchange rates	**Jun 2011**	**Dec 2010**	**1 month**	**3 months**	**6 months**	**9 months**	**1 year**
EUR/USD	1.4453	1.3362	12.10	12.40	12.95	13.15	13.30
EUR/GBP	0.9025	0.8608	9.41	9.60	10.30	10.80	10.95
EUR/CHF	1.2071	1.2504	10.90	11.60	11.90	12.00	12.10
EUR/JPY	116.25	108.85	12.40	13.60	14.60	15.25	15.72

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

The next table shows the decomposition of main adjustments to the financial assets and liabilities of CEMG, which are recognised at book value and fair value:

	Jun 2011								
	Trading	**Designated at fair value trough profit or loss**	**Held to maturity**	**Loans and advances**	**Available-for-sale**	**Others at amortised cost**	**Others**	**Carrying value**	**Fair value**
	Euro '000	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro'000**	**Euro '000**	**Euro '000**	**Euro '000**
Financial assets:									
Cash and deposits at central bank	-	-	-	350,923	-	-	-	350,923	350,923
Loans and advances to credit institutions repayable on demand	-	-	-	79,973	-	-	-	79,973	79,973
Loans and advances to credit institutions	-	-	-	594,483	-	-	-	594,483	594,484
Loans and advances to customers	-	-	-	16,229,348	-	-	-	16,229,348	15,335,848
Financial assets held for trading	118,918	-	-	-	-	-	-	118,918	118,918
Other financial assets at fair value trough profit or loss	-	3,685	-	-	-	-	-	3,685	3,685
Available-for-sale financial assets	-	-	-	-	5,683,623	-	-	5,683,623	5,683,623
Hedging derivatives	1,955	-	-	-	-	-	-	1,955	1,955
Held-to-maturity investments	-	-	48,263	-	-	-	-	48,263	44,547
Investments in associated companies and others	-	-	-	-	-	-	384,547	384,547	384,547
	120,873	3,685	48,263	17,254,727	5,683,623	-	384,547	23,495,718	22,598,502
Financial liabilities::									
Deposits from other credit institutions	-	-	-	-	-	2,220,044	-	2,220,044	2,220,044
Deposits from customers	-	-	-	-	-	1,406,099	-	1,406,099	1,406,099
Debt securities issued	-	-	-	-	-	12,259,863	-	12,259,863	12,266,971
Financial liabilities held for trading	-	-	-	-	-	3,182,842	-	3,182,842	3,205,960
Other financial liabilities at fair value trough profit or loss	85,515	-	-	-	-	-	-	85,515	85,515
Hedging derivatives	1,120	-	-	-	-	-	-	1,120	1,120
Other Subordinated debt	-	-	-	-	-	380,986	-	380,986	369,748
	86,635	-	-	-	-	19,449,834	-	19,536,469	19,555,457

	Dec 2010								
	Trading	**Designated at fair value trough profit or loss**	**Held-to-maturity**	**Loans and advances**	**Available-for-sale**	**Others at amortised cost**	**Others**	**Carrying value**	**Fair value**
	Euro '000	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**
Financial assets:									
Cash and deposits at central bank	-	-	-	240,024	-	-	-	240,024	240,024
Loans and advances to credit institutions repayable on demand	-	-	-	58,405	-	-	-	58,405	58,405
Loans and advances to credit institutions	-	-	-	338,662	-	-	-	338,662	338,662
Loans and advances to customers	-	-	-	14,352,766	-	-	-	14,352,766	13,340,521
Financial assets held for trading	130,865	-	-	-	-	-	-	130,865	130,865
Other financial assets at fair value trough profit or loss	-	3,952	-	-	-	-	-	3,952	3,952
Available-for-sale financial assets	-	-	-	-	5,256,811	-	-	5,256,811	5,256,811
Hedging derivatives	2,810	-	-	-	-	-	-	2,810	2,810
Held-to-maturity investments	-	-	58,093	-	-	-	-	58,093	57,539
Investments in associated companies and others	-	-	-	-	-	-	43,297	43,297	43,297
	133,675	3,952	58,093	14,989,857	5,256,811	-	43,297	20,485,685	19,473,226
Financial liabilities:									
Deposits from central banks	-	-	-	-	-	1,540,266	-	1,540,266	1540,266
Deposits from other credit institutions	-	-	-	-	-	1,262,546	-	1,262,546	1,262,627
Deposits from customers	-	-	-	-	-	9,654,340	-	9,654,340	9,618,614
Debt securities issued	-	-	-	-	-	3,578,677	-	3,578,677	3,554,679
Financial liabilities held for trading	53,814	-	-	-	-	-	-	53,814	53,814
Hedging derivatives	1,408	-	-	-	-	-	-	1,408	1,408
Other subordinated debt	-	-	-	-	-	380,986	-	380,986	369,748
	55,222	-	-	-	-	16,416,815	-	16,472,037	16,401,156

44 Employee benefits

CEMG assumed the responsibility to pay to their employees, pensions on retirement or disabilities. These responsibilities also comply with the terms of the "Acordo Colectivo de Trabalho do Sector Bancário" (ACT). To cover its responsibilities, CEMG makes annual contributions to the pension fund, managed by Futuro – Sociedade Gestora de Fundos de Pensões, S.A..

In the scope of the agreement between the Government, the Banking sector and the Unions, starting 1 January 2011, the Bank employees will be integrated into the General Social Security Regime, which will ensure the protection of employees in the contingencies of maternity, paternity and adoption and old age, remaining under the responsibility of Banks to protect sickness, disability, death and survival (Decree-Law no, 1-A/2011, 3 January).

The agreement states that no bank employee integrated within the Social Security Scheme will see the value of the respective pension decreased compared to the current provisions of the collective agreements. The retirement pensions of the bank employees to be integrated within the Social Security Scheme continue to be calculated as provided in the ACT and other conventions, but the bank employee are entitled to receive a pension under the general scheme, which amount takes into consideration the years of contributions to this scheme. Banks are responsible for the difference between the pension determined in accordance with the provisions of the ACT and the pension that the employee is entitled to receive from the Social Security Scheme. On this basis, the bank's risk exposure to actuarial and financial benefits associated with pension's liabilities still maintains.

Nevertheless, the integration leads to a decrease in the actual present value of total benefits reported to the normal retirement age (VABT) to be borne by the pension fund. Since there was no reduction in benefits on a beneficiary's perspective, the liabilities for past services remained unchanged.

Taking into account that the basis for calculating the benefits in the ACT and RGSS plans are based on different formulas, there is the possibility of obtaining a gain, when the amount of liabilities to be covered by the pension funds at the retirement age is lower than the responsibilities value as at 31 December 2010, which should be deferred on a linear basis over the average working life until the normal retirement age is reached.

Thus, CEMG has not recorded in its financial statements any impact in terms of the actuarial calculations as at 30 June 2011, arising from the integration of its workers in the Social Security Scheme.

In first semester of 2011, CEMG accounted as pension costs the amount of Euro 11,078,000 (31 December 2010: Euro 10,383,000). The analysis of the cost of the year is as follows:

	Jun 2011				Jun 2010			
	Pension plans Euro '000	Death subsidy Euro '000	Health-care benefits Euro '000	Total Euro '000	Pension plans Euro '000	Death subsidy Euro '000	Health-care benefits Euro '000	Total Euro '000
Service cost	5,533	382	471	6,386	7,621	220	357	8,198
Interest cost	17,067	272	957	18,296	14,657	207	806	15,670
Expected return on plan assets	(15,990)	(255)	(897)	(17,142)	(13,043)	(171)	(670)	(13,884)
Actuarial gains and losses depreciation	916	-	-	916	399	-	-	399
Early retirements	2,622	-	-	2,622	-	-	-	-
Cost of the year	10,148	399	531	11,078	9,634	256	493	10,383

45 Related parties transactions

As at 30 June 2011, CEMG's liabilities with subsidiaries, represented or not by securities, included in the balances Deposits from customers and Other subordinated debt, are analysed as follows:

Company	**Deposits from customers Euro '000**	**Deposits from customers Euro '000**	**Other subordinated debt Euro '000**	**Total Euro '000**
Lusitania Companhia de Seguros, S,A,	7,300	2,063	13,550	22,913
Lusitania Vida Companhia de Seguros, S,A,	-	35,532	3,250	38,602
HTA - Hotéis, Turismo e Animação dos Açores, S,A,	-	147	-	147
SIBS - Sociedade Interbancária de Serviços, S,A,	-	1	-	1
MG Gestão de Activos Financeiros - - S,G,F,I,M,, S,A,	-	61,239	-	61,239
Futuro - Sociedade Gestora de Fundo de Pensões, S,A,	-	92,747	-	92,747
Finibanco, S.A.	42,763	-	-	42,763
Finibanco, Holding S.G.P.S., S.A.	-	19,178	-	19,178
Finivalor – S.G.F.M., S.A.	-	5	-	5
Finicrédito – Inst. Financ. Créditos, S.A.	-	31	-	31
Bolsimo – Gestão de Activos, S.A.	-	3,153	-	3,153
Norfin – SGFI Imobiliários, S.A.	-	5,081	-	5,081
Germont . Emp. Imobiliários, S.A.	35,000	-	-	35,000
	85,063	218,997	16,800	320,860

As at 31 December 2010, CEMG's liabilities with subsidiaries, represented or not by securities, included in the balances Deposits from customers and Other subordinated debt, are analysed as follows:

Company	**Credit to customers Euro '000**	**Deposits from customers Euro '000**	**Other subordinated debt Euro '000**	**Total Euro '000**
Lusitania Companhia de Seguros, S,A,	-	3,902	13,350	17,252
Lusitania Vida Companhia de Seguros, S,A,	-	18,979	3,250	22,229
HTA - Hotéis, Turismo e Animação dos Açores, S,A,	-	455	-	455
SIBS - Sociedade Interbancária de Serviços, S,A,	-	3,006	-	3,006
MG Gestão de Activos Financeiros - - S,G,F,I,M,, S,A,	-	58,654	-	58,654
Futuro - Sociedade Gestora de Fundo de Pensões, S,A,	-	80,707	-	80,707
	-	165,703	16,600	182,303

As at 30 June 2011, CEMG's income with subsidiaries, included in the balances Interest and similar income and Fee and commission income, are analysed as follows:

Company	**Interest and similar income Euro '000**	**Fee and commission income Euro '000**	**Total Euro '000**
Lusitania Companhia de Seguros, S,A,	125	1,728	1,853
Lusitania Vida Companhia de Seguros, S,A,	4	1,858	1,862
HTA - Hotéis, Turismo e Animação dos Açores, S,A,	-	-	-
SIBS - Sociedade Interbancária de Serviços, S,A,	-	13,618	13,618
MG Gestão de Activos Financeiros - - S,G,F,I,M,, S,A,	-	865	865
Futuro - Sociedade Gestora de Fundo de Pensões, S,A,	-	1,421	1,421
Finicrédito, Int. Financeira Crédito, S.A.	33	-	33
	162	19,490	19,652

As at 31 December 2010, CEMG's income with subsidiaries, included in the balances Interest and similar income and Fee and commission income, are analysed as follows:

Company	**Interest and similar income Euro '000**	**Fee and commission income Euro '000**	**Total Euro '000**
Lusitania Companhia de Seguros, S,A,	47	6,890	6,937
Lusitania Vida Companhia de Seguros, S,A,	4	3,213	3,217
HTA - Hotéis, Turismo e Animação dos Açores, S,A,	-	-	-
SIBS - Sociedade Interbancária de Serviços, S,A,	-	28,158	28,158
MG Gestão de Activos Financeiros - - S,G,F,I,M,, S,A,	-	3,017	3,017
Futuro - Sociedade Gestora de Fundo de Pensões, S,A,	1	12	13
	52	41,290	41,342

The costs with salaries and other benefits attributed to CEMG key management personnel, as well as its transactions, are presented in note 10.

According to the principle of fair value, every transaction concerning related parties is at market prices.

During first semester of 2011 and the exercice of 2010, there were no transactions with the pension's fund of CEMG.

46 Securitisation transactions

As at 30 June 2011, there are eight securitisation transactions, six of them created in CEMG and two in Finibanco, S.A., now integrated in CEMG following the success of the Public Offer of General and Voluntary Acquisition of the shares representing the capital of Finibanco - Holding, SGPS, SA and the transmission of almost all assets and liabilities (goodwill) for the CEMG.

In the following paragraphs we present some additional details about that transactions.

As at 19 December, 2002, Caixa Económica Montepio Geral has settled a securitisation operation with a Special Purpose Vehicle (“SPV”) – Pelican Mortgages no, 1 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 35 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 650,000,000. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0,016% of the referred nominal value.

As at 29 September, 2003, Caixa Económica Montepio Geral has settled a securitisation operation with a Special Purpose Vehicle (“SPV”) – Pelican Mortgages no, 2 PLC, established in Dublin. The referred agreement consists in a mortgage credit transfer for a period of 33 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 700,000,000. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0,0286% of the referred nominal value.

As at 30 March, 2007, Caixa Económica Montepio Geral has settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 3. The referred agreement consists in a mortgage credit transfer for a period of 47 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 750,000,000. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0,0165% of the referred nominal value.

As at 14 June 2007, Finibanco sold a portfolio of current account and loans to small and medium companies to Navegator – Sociedade Gestora de Fundos de Titularização de Créditos, S.A., in the total amount of Euro 250,000,000 (Aqua SME nr. 1). The deadline of the operation is 10 years, with a revolving period of 3.

As at 20 May, 2008, Caixa Económica Montepio Geral has settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 4. The referred agreement consists in a mortgage credit transfer for a period of 48 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,000,000,000. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0,083% of the referred nominal value.

As at 9 December 2009, Finibanco sold a portfolio of mortgage loans to Tagus – Sociedade de Titularização de Créditos, S.A., in the amount of Euro 233,000,000 (Aqua Mortgage no.1). The deadline of the operation is 55 years, with a revolving period of 2.

As at 25 March 2009, Caixa Económica Montepio Geral has settled a securitisation operation with Sagres – Sociedade de Titularização de Créditos, S.A., Pelican Mortgage no. 5. The referred agreement consists in a mortgage credit transfer for a period of 52 years, without revolving period and with a fixed limit (Aggregate Principal Amount Outstanding) of Euro 1,000,000,000. The transfer price by which the loans were transferred was their nominal value. The settlement costs have represented 0.0564% of the referred nominal value.

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

Caixa Económica Montepio Geral is the operation servicer, acting as collector of the credits sold and channelling the received values, transferring them to Pelican Mortgages no.1 PLC, Aqua SME no. 1, Pelican Mortgages no. 3, Pelican Mortgages no.4, Pelican Mortgages no. 5 and Aqua Mortgages no.1.

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

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

As at 30 June 2011, the securitisation operations are presented as follows:

Issue	**Settlement date**	**Currency**	**Asset transferred**	**Amount Euro '000**
Pelican Mortgages no.1	December 2002	Euro	Mortgage credit	650,000
Pelican Mortgages no.2	September 2003	Euro	Mortgage credit	700,000
Pelican Mortgages no.3	March 2007	Euro	Mortgage credit	750,000
Aqua SME no. 1	June 2007	Euro	Small companies	250,000
Pelican Mortgages no.4	May 2008	Euro	Mortgage credit	1,000,000
Aqua Mortgage no. 1	December 2008	Euro	Mortgage credit	233,000
Pelican Mortgages no.5	March 2009	Euro	Mortgage credit	1,000,000
Pelican SME	June 2010	Euro	Small companies	1,167,000
				5,750,000

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

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Pelican Mortgages no, 1	97,286	103,883
Pelican Mortgages no, 2	179,816	188,252
	277,102	292,135

As at 30 June 2011, the notes issued by the special purpose vehicles, are analysed as follows:

						Rating (Initial)				Rating (Current)			
Issue	**Bond Issued**	**Issue amount Euro**	**Current amount Euro**	**CEMG's Retention (Nominal Value) Euro**	**Maturity Year**	Fitch	Moody's	S&P	DBRS	Fitch	Moody's	S&P	DBRS
Pelican	Class A	611,000,000	52,020,859	234,136-	2037	AAA	Aaa	-	-	A+	Aa2	-	-
Mortgages	Class B	16,250,000	16,250,000	-	2037	AA-	A2	-	-	A+	A2	-	-
no, 1	Class C	22,750,000	22,750,000	-	2037	BBB+	Baa2	-	-	BBB+	Baa2	-	-
	Class D	3,250,000	3,250,000	3,250,000	2037	-	-	-	-	-	-	-	-
Pelican	Class A	659,750,000	137,316,048	27,706,726	2036	AAA	Aaa	AAA	-	A+		AA-	-
Mortgages	Class B	17,500,000	17,500,000	-	2036	AA+	A1	AA-	-	A+	A1	AA-	-
no, 2	Class C	22,750,000	22,750,000	-	2036	A-	Baa2	BBB	-	A-	Baa2	A-	-
	Class D	5,600,000	5,600,000	5,600,000	2036	-	-	-	-	-	-	-	-
Pelican	Class A	701,315,365	361,499,082	13,505,036	2054	AAA	Aaa	AAA	-	A+	A1	AA-	-
Mortgages	Class B	14,250,000	9,333,394	-	2054	AA-	Aa2	AA-	-	A+	A1	AA-	-
no, 3	Class C	12,000,000	7,859,701	-	2054	A	A3	A	-	A	A3	BBB	-
	Class D	6,375,000	4,175,466	-	2054	BBB	Baa3	BBB	-	BBB	Baa3	-	-
	Class E	7,361,334	-	-	2054	BBB-	-	BBB-	-	-	-	-	-
	Class F	4,125,000	4,125,000	4,125,000	2054	-	-	-	-	-	-	-	-
Pelican	Class A	832,000,000	683,440,741	683,440,741	2056	AAA	-	-	-	A+	-	-	A
Mortgages	Class B	55,500,000	55,500,000	55,500,000	2056	AA	-	-	-	A+	-	-	-
no, 4	Class C	60,000,000	60,000,000	60,000,000	2056	A-	-	-	-	A-	-	-	-
	Class D	25,000,000	25,000,000	25,000,000	2056	BBB	-	-	-	BBB	-	-	-
	Class E	27,500,000	27,500,000	27,500,000	2056	BB	-	-	-	BB	-	-	-
	Class F	28,600,000	28,600,000	28,600,000	2056	-	-	-	-	-	-	-	-
Pelican	Class A	750,000,000	636,647,019	636,647,019	2061	AAA	-	-	AAA	A+	-	-	AAH
Mortgages	Class B	195,000,000	195,000,000	195,000,000	2061	BBB-	-	-	-	BBB-	-	-	-
no, 5	Class C	27,500,000	27,500,000	27,500,000	2061	B	-	-	-	B	-	-	-
	Class D	27,500,000	27,500,000	27,500,000	2061	-	-	-	-	-	-	-	-
	Class E	4,500,000	2,887,976	3,961,974	2061	-	-	-	-	-	-	-	-
	Class F	23,000,000		23,000,000	2061	-	-	-	-	-	-	-	-
Pelican	Class A	577,500,000	577,500,000	577,500,000	2036	AAA	-	-	AAA	A+	-	-	AAH
SME	Class B	472,500,000	472,500,000	472,500,000	2036	-	-	-	-	-	-	-	-
	Vert, Notes	117,000,000	117,000,000	117,000,000	2036	-	-	-	-	-	-	-	-
	Class C	7,294,000	-	7,294,000	2036	-	-	-	-	-	-	-	-
	Resid, Notes	31,500,000	31,500,000	31,500,000	2036	-	-	-	-	-	-	-	-

Issue	**Bond Issued**	**Issue amount Euro**	**Current amount Euro**	**CEMG's Retention (Nominal Value) Euro**	**Maturity Year**	**Rating (Initial)** Fitch	Moody's	S&P	DBRS	**Rating (Current)** Fitch	Moody's	S&P	DBRS
	Class A	235,000,000	87,768,404	-	2017	-	-	-	-	-	-	-	-
Aqua SME no.1	Class B	15,000,000	15,000,000	-	2017	-	-	-	-	-	-	-	-
	Class C	8,750,000	8,750,000	8,750,000	2017	-	-	-	-	-	-	-	-
	Class A	203,176,000	191,714,192	191,714,192	2063	-	-	AAA	-	-	-	AA	AA
Aqua Mortgage no.1	Class B	29,824,000	29,824,000	29,824,000	2063	-	-	-	-	-	-	-	-
	Class C	3,500,000	3,500,000	3,500,000	2063	-	-	-	-	-	-	-	-

47 Amounts owed by CEMG to subsidiary companies

As at 30 June 2011 the Amounts owed by CEMG to subsidiary companies, represented or not by securities, included in the balance Amounts owed to credit institutions, are analysed as follows:

	Amounts owed to credit institutions
	Euro '000
Banco MG – Cabo Verde, Sociedade Unipessoal, S,A, (IFI)	415,395
Finibanco Angola, S.A.	3,947
	419,342

48 Related party transactions

The significant transactions and balances with CEMG's companies are detailed in the corresponding notes.

49 Risk management

CEMG is subject to several risks during the course of its business.

The CEMG's risk management policy is designed to ensure adequate relationship at all times between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line.

In this connection, monitoring and control of the main types of financial risk – credit, market, liquidity and operational – to which the CEMG's business is subject are of particular importance.

Direcção de Análise e Gestão de Riscos ("DAGR") also ensures the communications with Bank of Portugal regarding the prudential reports related to capital requirements, liquidity risk and interest rate risk.

Regarding risk and control management, developments were made in several activities, such as:

- Implementation of new models of scoring for small entities business;
- Accompanying in the process of implementation of the new systems of credit workflow and management of its limits;
- Participation in the ratio quantification exercise of Basileia III realized by the Bank of Portugal and that covered many banks;
- Continuation of the activity of reporting and control risks.

At the regulatory level and Basel II, were developed the reports established in Pillar II – Capital Adequacy and Pillar III – Market Discipline, According to Pillar II, reports of the Process of Self Evaluation of Internal Capital (“ICAAP”), Stress and Concentration Risk tests were delivered to the Bank of Portugal, in accordance with Instruction no, 2/2010, of the Bank of Portugal. The results not only show that capital is solid against risk with major magnitude but also that there is a great evolution potential against the principle macroeconomics factors. Regarding to the Concentration Risk verifies a positive evolution in the main concentration types – Sectorial, Individual and Geographical. In what concerns Pillar III, it was published the Market Discipline Report, presenting the type and levels of risk, which are implicit in CEMG’s activity, as well as the processes, structure and organization of the risk management.

Also under Basel II, CEMG has obtained the permission of the Bank of Portugal for the adoption of the Standardised Approach (TSA) for calculation of minimum own fund’s requirements for operational risk coverage, starting at 30 June 2010.

CEMG has been following Basel Committee’s recommendations and all its recent developments regarding liquidity risk and own funds’ evaluation, DAGR analyses those impacts.

Main types of risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfil their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and the respective volatility.

Liquidity – Liquidity risk reflects CEMG's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk is the potential loss resulting from failures or inadequacies in internal procedures, persons or systems, and also the potential losses resulting from external events.

Internal organisation

The Board of Directors is responsible for risk management strategy and policies, and it is advised by the Risk Analysis and Management Division in these fields, that undertake the analysis and the risk management from the standpoint of CEMG.

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

Depending on the nature and severity of the risk, plans, programs or actions shall be drawn up, supported by information systems, and procedures shall be devised that provide a high degree or reliably as to the risk management measures defined whenever necessary.

The Dealing Room shall cooperate with the Risk Analysis and Management in order to measure and control operations and portfolio risks, as well as suitably monitor CEMG’s overall risk positions.

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

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

Risk evaluation

Credit Risk – Retail

Credit risk models play a significant role in credit decision process. Indeed, the decision process concerning the credit portfolio depends on a group of policies based on scoring models developed to individual and business clients and the rating for the corporate sector.

Credit decisions are dependent upon risk ratings and compliance with various rules governing financial capacity and applicants' behaviour. In order to support commercial strategies reactive scoring models are also used, namely in the main individual credit portfolios, such as mortgage and individual loans, distinguishing between customers and non-customers (or new customers). In the case of credit card the correspondent reactive scoring model is being reviewed. Additionally, in the individual credit portfolios, commercial performance and credit risk analysis are supported by behaviour scorings.

To corporate credit are used internal rating models to medium and large companies, distinguishing construction from the other activity sectors, while for customers "Empresários em nome individual" and micro business is applied the scoring model business.

The CEMG's credit risk exposure can be analysed as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Deposits with Other credit institutions	79,973	58,405
Deposits with banks	594,483	338,662
Loans and advances to customers	16,229,348	14,352,766
Financial assets held for trading	118,918	128,060
Financial assets at fair value through profit or loss	3,685	3,952
Available-for-sale financial assets	5,622,214	5,242,895
Hedging derivatives	1,955	2,810
Held-to-maturity investments	48,263	58,093
Investments in associated companies and others	384,547	43,297
Other assets	260,592	107,718
Guarantees granted	522,645	424,361
Irrevocable commitments	352,528	252,535
Credit default swaps (notional)	153,278	96,000
	24,372,429	21,109,554

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

Overall Risks and Financial Assets

Efficient balance sheet management also involves the Assets and Liabilities Committee ("ALCO"), which examines interest rate, liquidity and exchange rate risks, namely as regards compliance with the limits set for the static and dynamic gaps calculated.

Normally the static interest rate and liquidity gaps are positive and moderate in size, with exception of those months when payments are made relating to bond issue debt service, As for exchange rate risk, the resources obtained in different currencies are hedged as assets in the respective monetary market and for periods not exceeding those of the resources, which mean any exchange rate gaps result mainly from possible unadjustments between the hedge and resource deadlines.

Concerning risk information and analysis, regular reports are provided on the credit and market risks on the company's financial assets and those of the other members of CEMG. For the company's own portfolio, the various risk limits are defined using the Value-at-Risk ("VaR") method. There are different exposure limits such as global 'VaR' limits, by issuer, by asset type/class and rating, There are also limits of Stop Loss. Investment portfolio is mainly concentrated in bonds which as at the June 2011 represented 92.5% of the total's portfolio, being 71% from sovereign debt.

CEMG continuously calculates its own portfolios 'VaR', given a 10-day horizon and a 99% confidence interval, given the greater volatility witnessed in the major financial markets, At the same time, the portfolio's average life remained short.

Regarding the nature of the retail activity, the institution normally presents interest rate positive gaps, which by the end the first semester of 2011, reach, in static terms, about Euro 28,532,000 (31 December 2010: Euro 448,894,000) considering the total of the refixing terms of the interest rate.

The following table presents the mainly indicators of these measures, as at 30 June 2011 and 31 December 2011:

	Jun 2011				**Dec 2010**			
	June	**Annual Average**	**Maximum**	**Minimum**	**December**	**Annual average**	**Maximum**	**Minimum**
	Euro '000	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**	**Euro '000**
Interest rate GAP	28,352	28,352	28,352	28,352	448,894	377,076	448,894	305,259

Following the recommendations of Basel II (Pillar II) and Instruction no, 19/2005, of the Bank of Portugal, CEMG calculates its exposure to interest rate risk based on the methodology of the Bank of International Settlements ("BIS") which requires the classification of non-trading balances and off-balance positions by *repricing* intervals.

	Due within 3 months Euro '000	3 to 6 months Euro '000	6 months to 1 year Euro '000	1 to 5 years Euro '000	Over 5 years Euro '000
30 June 2011					
Assets	11,991,388	4,508,889	809,821	1,605,866	723,813
Off balance sheet	9,847,300	144,503	357,552	4,593,505	-
Total	21,838,688	4,653,392	1,167,373	6,199,371	723,813
Liabilities	8,714,828	2,087,215	2,328,431	6,278,317	202,200
Off balance sheet	11,838,475	656,192	14,500	2,433,945	-
Total	20,553,303	2,743,407	2,342,391	8,712,262	202,200
GAP (Assets-Liabilities)	1,285,385	1,909,984	(1,175,558)	(2,512,893)	521,613
31 December 2010					
Assets	10,459,200	3,879,121	413,379	1,344,393	646,080
Off balance sheet	5,789,405	172,577	122,450	3,009,066	-
Total	16,248,605	4,051,698	535,829	4,353,459	646,080
Liabilities	7,899,866	1,370,302	1,263,605	5,601,314	158,200
Off balance sheet	8,284,868	734,669	2,200	71,754	-
Total	16,184,734	2,104,971	1,265,805	5,673,068	158,200
GAP (Assets-Liabilities)	63,871	1,946,727	(729,976)	(1,319,609)	487,880

Sensibility analysis

As at June, 2011, based on the interest rate gaps observed, an instantaneous positive variation in the interest rates by 100bp would cause an increase in the income statement in Euro 19,175,582 (31 December 2010: Euro 12,806,000).

The following table presents the average interests, in relation to the CEMG major assets and liabilities categories for the years ended 30 June 2011 and 31 December 2010, as well as the average balances and the income and expense for the year:

Products	Jun 2011			Dec 2010		
	Average balance for the year Euro '000	**Average interest rate (%)**	**Income/ Expense Euro '000**	**Average balance for the year Euro '000**	**Average interest rate (%)**	**Income/ Expense Euro '000**
Assets						
Loans to costumers	15,615,622	3.83	296,513	14,714,941	3.07	451,424
Deposits	158,719	1.26	989	159,355	0.93	1,488
Securities portfolio	5,939,246	2.69	79,263	4,502,962	2.04	91,795
Inter-bank loans and advances	474,665	2.14	5,039	188,578	0.68	1,278
Swaps	-	-	125,961	-	-	196,071
Total Assets	22,188,252		507,765	19,565,836		742,056
Liabilities						
Deposits from customers	10,947,265	2.46	133,417	9,352,816	1.52	141,937
Securities deposits	8,262,693	2.34	95,840	8,132,786	2.02	164,662
Interbank deposits	2,586,157	1.36	17,435	1,299,157	1.03	13,440
Other liabilities	345	0.68	1	480	0.77	4
Swaps	-	-	112,902	-	-	151,591
Total Liabilities	21,796,460		359,595	18,785,239		471,634

Liquidity risk

The purpose of liquidity management is to maintain adequate liquidity levels to meet short, medium and long term funding needs. The overall exposure to liquidity risk is assessed through reports for the purposes of prudential regulation and monitoring in ALCO committee's base.

In addition, CEMG calculates the liquidity ratios in accordance with the Bank of Portugal rules (Instruction no.13/2009).

Operational risk

CEMG has obtained the approval of the Bank of Portugal to apply, since 30 June 2010, an approach based in The Standardized Approach – TSA, for calculating the fund's requirements to mitigate the operational risk.

CEMG has implanted an Integrated Continuing Business Plan, based on identification, evaluation, attendance, measurement and reporting of this type of risk. This system is held by an organizational structure, included in the DAGR and exclusively dedicated to this assignment, delegates designated by each department.

Capital Management and Solvency Ratio

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

The capital elements of CEMG are divided into: Core Own Funds, Complementary Own Funds and Deductions, as follows:

- Core Own Funds ("COF"): This category includes the share capital, the eligible reserves (excluding positive fair value reserves), the retained earnings, minority interest and preferential stocks. It is deducted the negative fair value reserves associated to stocks or other capital instruments, by the book value related to the Goodwill, intangible assets, deferred costs, actuarial losses and negative fair value reserves that come from responsibilities with benefits of post employment to employees above the corridor limit, 50% of the book value of equity investments in banking and insurance entities exceeding 10% of the respective share capital is also deducted;

- Complementary Own Funds (CMOF): Essentially incorporates the subordinated eligible debt and provisions for general credit risk until the amount where there is no more need to cover the expected losses related with credit. 50% of the book value of equity investments in banking and insurance entities are deducted;

- It is deducted to the total Own Funds the assets acquired in exchange for loans at more than 4 or 5 years, This value is calculated in accordance with a progressiveness method that leads that in 10 to 13 years, the net value of the asset, are totally deducted in the own funds.

Additionally there are several rules limiting the capital basis of CEMG. The prudential rules determine that the CMOF cannot exceed the COF. In addition, some components of the CMOF (Lower Tier II) cannot exceed 50% of the COF.

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

Simultaneously, through Regulation 7/2008, the Bank of Portugal extended, for three additional years, the amortization plan of the transition adjustments to the presently applicable reporting standards that were not fully recognized in the own funds of June 30, 2008, concerning post-retirement health benefits and liabilities of the pension fund. On the other hand, the Bank of Portugal published the Regulation 11/2008, which allowed, for regulatory purposes, the enlargement of the pension fund corridor up to the amount of the actuarial losses of 2008, excluding the expected return of the fund's assets in 2008, to be amortized steadily through the next four years.

The impact on regulatory capital of adopting NIC's/NCA's regarding to the Pensions Fund is being recognised on a straight line basis (in accordance with Regulation no. 2/2005, no. 4/2005 and no. 12/2005 and no. 7/2008 from the Bank of Portugal).

Therefore, as at the end of first semester 2011, the negative net impact in Own Funds are, calculated in individual basis, was Euro 45,763,323, that results from a negative impact of Euro 20,423,410 registered in accrued costs and other deviations of Euro 43,031,759, compensated by a positive variation of Euro 17,691,846 that refers to unrecognized impacts of Own Funds (according to no. 4, of 13.º-A, from the Regulation no. 12/2001, of the Bank of Portugal).

In a same way, Own Funds compensation will decrease to extinguish in 2014. At the end, differences will be absorbed by the statuaries reserves.

The confirmation that an entity has an amount of own funds not below of its capital requirements assures the adequacy of its capital, reflected on a solvency ratio – represented by the percentage of total own funds to the result of 12.5 times the capital requirements – of at least the regulatory minimum of 8%.

Additionally, the Bank of Portugal released a recommendation which states that on a consolidated basis, Tier 1 ratio should reach a minimum value of 9% until 31 December 2011 and 10% by 31 December 2012.

The capital adequacy of CEMG as at 30 June 2011 and 31 December 2010 is presented as follows:

	Jun 2011 Euro '000	**Dec 2010 Euro '000**
Core own funds		
Paid-up capital	1,145,000	800,000
Results, general and special reserves and retained earnings	240,989	227,097
Other regulatory adjustments	(423,832)	(106,480)
NIC/NCA adjustments	17,692	15,792
	979,849	936,409
Complementary own funds		
Upper Tier 2	59,744	27,506
Lower Tier 2	460,902	378,000
Deductions	(191,674)	(21,049)
	328,972	384,457
Deductions to total own funds	(3,756)	(4,562)
Total own funds	1,305,065	1,316,304
Own funds requirements		
Credit risk	917,192	760,346
Market risk	3,960	1,721
Operational risk	55,441	55,441
	976,593	817,508
Prudential ratios		
Ratio core Tier 1	9.6%	9.4%
Ratio Tier 1	8.0%	9.2%
Solvency ratio	10.7%	12.9%

50 Sovereign debt of European Union countries in *bailout*

As at 30 June 2011 CEMG's exposures to sovereign debt from bailout European Union countries is as follows:

Issuer/Portfolio	Book value Euro '000	Fair value Euro '000	Fair value Reserve Euro '000	Impairment Euro '000	Average interest rate %	Average Maturity Years	Recovery Level
Portugal							
Financial assets available for sale	1,379,634	1,379,634	(223,889)	-	4.31%	2.37	1
Investments held to maturity	37,135	32,940	-	-	4.72%	0.88	n.a.
	1,416,769	1,412,574	(223,889)	-			
Greece							
Financial assets available for sale	33,223	33,223	-	(5,056)	4.01%	1.06	1
Ireland							
Financial assets available for sale	8,536	8,536	(885)	-	4.60%	4.8	1
	1,458,528	1,454,333	(224,774)	(5,056)			

As at 31 December 2010 CEMG's exposure to sovereign debt from *bailout* European Union countries is as follows:

Issuer/Portfolio	Book value Euro '000	Fair value Euro '000	Fair value Reserve Euro '000	Average interest rate %	Average Maturity Years	Recovery Level
Portugal						
Financial assets available for sale	1,047,164	1,047,164	(28,302)	4.10	2.95	1
Investments held to maturity	44,112	42,900	-	4.56	1.79	n.a.
	1,091,276	1,090,064	(28,302)			
Greece						
Financial assets available for sale	44,470	44,470	(2,523)	3.96	0.79	1
	1,135,746	1,134,534	(30,825)			

For debt securities from Portugal, Greece and Ireland in the 6-month period ended at 30 June 2011, there was not any reclassification between portfolios.

In what concerns the exposure to Greek's sovereign debt, and following the conversations that were kept at the European Union level, given the current international economic situation, the Greek position in the European context and the sovereign debt crisis in the EU, the European Council approved on 21st July 2011, a set of conditions to restructure Greek sovereign debt.

According with the public information available, these conditions agree a voluntary trade of the current Greek sovereign debt securities for a set of securities to issue with maturities between 15 and 30 years, partially collateralized and with an applicable interest rate adjustment.

Given these restructuring conditions and the voluntary accession to the conversion scheme, the Executive Board of Directors has evaluated its effects at a financial statement level with reference to 30 June 2011, considering the different scenarios of program accession and the approved terms and conditions.

After the referred evaluation and considering the existent options, CEMG's Administration Council decided not to follow the conversion option taking into account many aspects, namely:

(i) the adherence to the restructuring program be voluntary and the European Council expects an accession of 90% of the holders of Greek sovereign debt;

(ii) it is not expected that a new *default* relative to non-participant banks exists after the new aid package to Greece once that would mean a failure that could have severe consequences to Greece's debt as a whole;

(iii) the fact that Portugal is a *bailout* country; and

(iv) there was an absence of a regulatory decision for accession by the Portuguese banks to the restructure program approved by the European Council.

Thus, Greece's sovereign debt is valued, as at 30 June 2011, according to the valuation criteria set out in accounting policy note 1 d) according to paragraph AG 84 of IAS 39, and to this date been recognized impairment.

In what concerns the exposure to the other *bailout* countries, CEMG's Board of Directors considers that in the current date there is no objective evidence of impairment.